XINYI ELECTRIC STORAGE HOLDINGS LIMITED
信義儲電控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 08328)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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

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

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

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2023	2022	Change
	HK$'000	*HK$'000*	
Revenue	**1,391,960**	1,066,247	+30.5%
Profit attributable to owners of the Company	**83,142**	45,898	+81.1%
Earnings per share - Basic	**10.59 HK cents**	6.15 HK cents	+72.2%

The board (the "**Board**") of Directors is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2023, together with the comparative figures for the year ended 31 December 2022, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	**2023**	2022
		HK$'000	*HK$'000*
Revenue	3	**1,391,960**	1,066,247
Cost of revenue		**(1,196,668)**	(900,916)
Gross profit		**195,292**	165,331
Other income	4	**70,840**	6,544
Other gains, net	4	**14,619**	4,875
Impairment loss on financial assets		**(1,077)**	(1,565)
Selling and marketing costs		**(35,568)**	(18,947)
Administrative expenses		**(120,715)**	(78,086)
Share of results of an associate		**(5)**	(5)
Operating profit		**123,386**	78,147
Finance income	6	**1,286**	3,441
Finance costs	6	**(15,048)**	(4,781)
Profit before income tax	5	**109,624**	76,807
Income tax expense	7	**(17,524)**	(21,877)
Profit for the year		**92,100**	54,930
Other comprehensive income:			
Item that may be subsequently reclassified to profit or loss			
Exchange differences on translation of financial statements of foreign operations		**(27,466)**	(74,964)
Items that will not be subsequently reclassified to profit or loss			
Change in fair value of a financial asset at fair value through other comprehensive income, net of tax		**4,336**	3,724
Remeasurement of defined benefit obligations		**(12)**	—
		(23,142)	(71,240)
Total comprehensive income for the year		**68,958**	(16,310)
Profit for the year attributable to:			
– owners of the Company		**83,142**	45,898
– non-controlling interests		**8,958**	9,032
		92,100	54,930
Total comprehensive income attributable to:			
– owners of the Company		**59,408**	(24,319)
– non-controlling interests		**9,550**	8,009
		68,958	(16,310)
		HK Cents	*HK Cents*
Earnings per share attributable to owners of the Company for the year			
– Basic	8(a)	**10.59**	6.15
– Diluted	8(b)	**10.54**	6.11

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2023

	Notes	**2023**	2022
		HK$'000	*HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**735,904**	628,091
Intangible assets		**89,200**	23,686
Financial asset at fair value through other comprehensive income		**30,044**	25,440
Interests in an associate		**298**	303
Finance lease receivables	10	**357,298**	183,544
Prepayments for property, plant and equipment	10	**229**	105,199
		1,212,973	966,263
Current assets			
Inventories		**248,495**	519,419
Contract assets, trade and other receivables and prepayments	10	**665,326**	628,183
Income tax recoverable		**—**	1,872
Pledged bank deposits		**—**	26,204
Cash and cash equivalents		**206,549**	162,055
		1,120,370	1,337,733
Current liabilities			
Contract liabilities, trade and other payables	11	**516,588**	774,173
Provision for tax		**5,092**	7,810
Lease liabilities		**8,705**	5,804
Bank borrowings	12	**376,991**	208,423
		907,376	996,210
Net current assets		**212,994**	341,523
Total assets less current liabilities		**1,425,967**	1,307,786
Non-current liabilities			
Lease liabilities		**8,507**	4,431
Bank borrowings	12	**155,173**	130,601
Defined benefit obligations		**265**	—
Deferred tax liabilities		**36,739**	22,264
		200,684	157,296
Net assets		**1,225,283**	1,150,490
EQUITY			
Share capital		**7,853**	7,851
Reserves		**1,182,333**	1,119,262
		1,190,186	1,127,113
Non-controlling interests		**35,097**	23,377
Total equity		**1,225,283**	1,150,490

NOTES:

1. General information

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

The Company is an investment holding company and its subsidiaries are principally engaged in the automobile glass repair and replacement business in Hong Kong and the production and sales of electric storage products and photovoltaic films (the "**PV Films**") in the People's Republic of China (the "**PRC**"). In addition, the Group is also engaged in the provision of engineering, procurement and construction services (the "**EPC Services**") for solar energy projects.

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

These consolidated financial statements are presented in thousands of Hong Kong dollars ("**HK$'000**") unless otherwise stated. These consolidated financial statements have been approved and authorised for issue by the Board on 1 March 2024.

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

2.1 Adoption of new or revised HKFRSs – effective 1 January 2023

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 2023:

HKFRS 17	Insurance Contracts
Amendments to Hong Kong Accounting Standard ("**HKAS**") 8	Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates
Amendments to HKAS 1	Presentation of Financial Statements and HKFRS Practice Statement 2, Making Materiality Judgements: Disclosure of Accounting Policies
Amendments to HKAS 12	Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	Income Taxes: International Tax Reform – Pillar Two Model Rules

HKFRS 17, Insurance Contracts

HKFRS 17 Insurance Contracts is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. HKFRS 17 replaces HKFRS 4 Insurance Contracts. HKFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of HKFRS 17 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. HKFRS 17 is based on a general model, supplemented by:

(i) A specific adaption for contracts with direct participation features (the variable fee approach); or

(ii) A simplified approach (the premium allocation approach) mainly for short-duration contracts.

The new standard had no impact on the Group's consolidated financial statements.

Amendments to HKAS 8, Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates

The amendments to HKAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Group's consolidated financial statements.

Amendments to HKAS 1, Presentation of Financial Statements and HKFRS Practice Statement 2, Making Materiality Judgements: Disclosure of Accounting Policies

The amendments to HKAS 1 and HKFRS Practice Statement 2, Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The Group has revisited the accounting policy information it has been disclosing and considered it is consistent with the amendments.

Amendments to HKAS 12, Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments to HKAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

The amendments had no impact on the Group's consolidated financial statements.

Amendments to HKAS 12, Income Taxes: International Tax Reform – Pillar Two Model Rules

The amendments to HKAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and include:

(i) A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdiction implementation of the Pillar Two model rules; and

(ii) Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023.

The amendments had no impact on the Group's consolidated financial statements as the Group is not in scope of the Pillar Two model rules as its revenue is less that EUR750 million per year.

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

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

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 1	Non-current Liabilities with Covenants[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[1]
Amendments to HKAS 7 and HKFRS 7	Disclosures: Supplier Financial Arrangements[1]
Amendments to HKAS 21	Lack of Exchangeability[2]

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

2 Effective for annual periods beginning on or after 1 January 2025.

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

2.3 Change in accounting policy on offsetting arrangement in long service payment scheme in Hong Kong

In June 2022, the Hong Kong SAR Government (the "**Government**") gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "**Amendment Ordinance**"), which will come into effect from 1 May 2025 (the "**Transition Date**"). Once the Amendment Ordinance takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory contributions to mandatory provident fund ("**MPF**") scheme to reduce the long service payment ("**LSP**") in respect of an employee's service from the Transition Date (the abolition of the "**offsetting mechanism**"). In addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee's monthly salary immediately before the Transition Date and the years of service up to that date.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" that provides accounting guidance relating to the offsetting mechanism and the abolition of the mechanism. In particular, the guidance indicates that entities may account for the accrued benefits derived from mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP.

However, applying this approach, upon the enactment of the Amendment Ordinance in June 2022, it is no longer permissible to apply the practical expedient in paragraph 93(b) of HKAS 19 that previously allowed such deemed contributions to be recognised as reduction of service cost (negative service cost) in the period the contributions were made; instead these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit.

To better reflect the substance of the abolition of the offsetting mechanism, the Group has changed its accounting policy in connection with its LSP liability and has applied the above HKICPA guidance retrospectively. The cessation of applying the practical expedient in paragraph 93(b) of HKAS 19 in conjunction with the enactment of the Amendment Ordinance resulted in a catch-up profit or loss adjustment in June 2022 for the service cost up to that date and consequential impacts on current service cost, interest expense and remeasurement effects from changes in actuarial assumptions for the financial year ended 31 December 2023, with the corresponding adjustment to the comparative carrying amount of the LSP liability.

However, since the amount of the catch-up profit or loss adjustment was immaterial with reference to the assessment by the external specialist engaged by the Group, this change in accounting policy did not result in material impact on the opening balance of equity at 1 January 2022, and the results, cash flows and earnings per share for the year ended 31 December 2022 and the consolidated financial position as at 31 December 2022.

3. **Segment information**

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

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

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

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

(a) Segment results

	Year ended 31 December 2023					
	Electric storage business	**EPC Services**	**PV Films**	**Automobile glass repair and replacement services**	**Others**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Revenue from external customers	**356,057**	**572,000**	**363,494**	**50,205**	**50,204**	**1,391,960**
Timing of revenue recognition within the scope of HKFRS 15						
– At a point in time	**356,057**	**45,230**	**363,494**	**50,205**	**41,089**	**856,075**
– Over time	**—**	**514,871**	**—**	**—**	**9,115**	**523,986**
	356,057	**560,101**	**363,494**	**50,205**	**50,204**	**1,380,061**
Revenue from other source:						
Finance lease income	**—**	**11,899**	**—**	**—**	**—**	**11,899**
Total revenue	**356,057**	**572,000**	**363,494**	**50,205**	**50,204**	**1,391,960**
Cost of revenue	**(325,016)**	**(432,125)**	**(367,229)**	**(36,104)**	**(36,194)**	**(1,196,668)**
Gross profit/(loss)	**31,041**	**139,875**	**(3,735)**	**14,101**	**14,010**	**195,292**
Depreciation charge of property, plant and equipment	**27,979**	**1,315**	**4,917**	**7,429**	**—**	**41,640**
Amortisation charge of intangible assets	**2,277**	**—**	**392**	**—**	**—**	**2,669**

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

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

	2023	2022
	HK$'000	*HK$'000*
Segment gross profit	**195,292**	165,331
Unallocated items:		
Other income	**70,840**	6,544
Other gains, net	**14,619**	4,875
Impairment loss on financial assets	**(1,077)**	(1,565)
Selling and marketing costs	**(35,568)**	(18,947)
Administrative expenses	**(120,715)**	(78,086)
Share of results of an associate	**(5)**	(5)
Finance income	**1,286**	3,441
Finance costs	**(15,048)**	(4,781)
Profit before income tax	**109,624**	76,807

During the year, none of the Group's customers account for more than 10% of the total revenue of the Group. Revenue from the following customers account for 10% or more of the total revenue during the year ended 31 December 2022:

	Electric storage business	**EPC Services**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Year ended 31 December 2022			
Revenue from			
– Customer A	—	163,716	163,716
– Customer B	127,286	—	127,286

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

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

	2023	2022
	HK$'000	*HK$'000*
The PRC	**962,301**	749,296
Canada	**375,946**	272,181
Hong Kong	**50,224**	44,708
Others	**3,489**	62
	1,391,960	1,066,247

(c) **Segment assets and liabilities**

	Year ended 31 December 2023					
	Electric storage business	**EPC Services**	**PV Films**	**Automobile glass repair and replacement services**	**Others**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Total assets	**742,304**	**836,816**	**643,247**	**52,720**	**57,804**	**2,332,891**
Total assets included:						
Additions to non-current assets during the year (other than financial instruments and deferred tax assets)	**99,245**	**4,151**	**87,191**	**9,882**	**88**	**200,557**
Total liabilities	**(198,014)**	**(230,424)**	**(96,183)**	**(19,892)**	**(29,143)**	**(573,656)**

	Year ended 31 December 2022					
	Electric storage business	EPC Services	PV Films	Automobile glass repair and replacement services	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	801,899	661,650	735,855	56,689	46,338	2,302,431
Total assets included:						
Additions to non-current assets during the year (other than financial instruments and deferred tax assets)	63,990	978	388,491	9,587	329	463,375
Total liabilities	(333,293)	(287,241)	(154,649)	(17,411)	(20,230)	(812,824)

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

	Assets		**Liabilities**	
	2023	2022	**2023**	2022
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Reportable segment assets/(liabilities)	**2,332,891**	2,302,431	**(573,656)**	(812,824)
Unallocated items:				
Prepayments, deposits and other receivables	**297**	254	**—**	—
Cash and cash equivalents	**155**	1,311	**—**	—
Bank borrowings	**—**	—	**(532,164)**	(339,024)
Other creditors and accruals	**—**	—	**(2,240)**	(1,658)
Total assets/(liabilities)	**2,333,343**	2,303,996	**(1,108,060)**	(1,153,506)

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:

	2023	2022
	HK$'000	*HK$'000*
The PRC	**781,117**	724,697
Canada	**5,070**	2,121
Hong Kong	**21,826**	19,394
Malaysia	**17,618**	11,067
	825,631	757,279

4. Other income and other gains, net

	2023	2022
	HK$'000	*HK$'000*
Other income		
Government grants (note (a))	**64,730**	3,491
Others	**6,110**	3,053
	70,840	6,544
Other gains, net		
Net gains on disposal of old facilities, scrapped materials or property, plant and equipment (note (b))	**5,462**	1,798
Rent concessions	**—**	48
Exchange gains, net	**9,157**	3,029
	14,619	4,875

Notes:

(a) The balance included mainly grants obtained from the PRC government to subsidise the operating costs amounting to approximately HK$60,740,000 (2022: Nil) and also tax subsidy amounting to approximately HK$2,580,000 (2022: HK$1,069,000).

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

5. Profit before income tax

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

	2023	2022
	HK$'000	*HK$'000*
Cost of inventories	**876,926**	688,498
Write-off and provision for impairment of inventories	**1,628**	2,360
Auditor's remuneration	**1,480**	1,160
Depreciation charge:		
– Property, plant and equipment owned	**32,500**	28,267
– Right-of-use assets	**9,140**	7,679
Amortisation charge	**2,669**	1,943
Employee benefit expenses (including directors' emoluments)	**104,882**	71,345
Expense relating to short-term leases	**2,607**	1,665
Rent concessions	**—**	(48)
Research and development expenses	**32,039**	22,035

6. Finance income and costs

	2023	2022
	HK$'000	*HK$'000*
Finance income		
Interest income from bank deposits	**1,286**	3,441
Finance costs		
Interest on bank borrowings	**27,966**	11,763
Interest on lease liabilities	**573**	336
Interest on discounted bills	**2,359**	—
Less: amounts capitalised (note)	**(15,850)**	(7,318)
	15,048	4,781

Note:

The capitalisation rate of 5.28% (2022: 3.90%) used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's general borrowings during the year.

7. Income tax expense

	2023	2022
	HK$'000	*HK$'000*
Current income tax		
– Hong Kong profits tax (note (a))	**563**	275
– PRC corporate income tax (note (b))	**4,812**	6,037
– Canadian corporate income tax (note (c))	**3,982**	1,911
– Over-provision for prior years	**(4,792)**	—
	4,565	8,223
Deferred tax charge	**12,959**	13,654
	17,524	21,877

Notes:

(a) Hong Kong profits tax has been provided at the two-tiered rate of 8.25% (2022: 8.25%) for the first HK$2 million of the estimated assessable profits for one of the Group's Hong Kong subsidiaries for the year and 16.5% (2022: 16.5%) on the remaining estimated assessable profits for the years.

(b) Four (2022: Two) of the PRC subsidiaries, being qualified as a New and High Technology Enterprise, are entitled to a preferential corporate income tax rate of 15% (2022: 15%) for the year. Other subsidiaries of the Group in the PRC are subject to standard tax rate of 25% (2022: 25%). Provision for the PRC corporate income tax is calculated at 15% - 25% (2022: 15% - 25%) on estimated assessable profit for the year ended 31 December 2023.

(c) Canadian corporate income tax is provided on the estimated assessable profits for the year at the federal tax rate of 15% (2022: 15%) and provincial tax rates at rates prevailing in relevant provinces of 8% - 16% (2022: 8% - 16%) for the year ended 31 December 2023.

(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**") under a tax field audit exercise. 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. Since last year, the Subsidiary has also engaged a tax advisor to conduct a detailed tax positions review for the years of assessment 2012/2013 to 2022/2023 and liaise with the IRD for finalising the Subsidiary's tax positions for the relevant years of assessment. Accordingly, a settlement proposal has been submitted to the IRD for review and approval. As advised by the tax advisor, up to the issue date of these financial statements, based on the discussion results with the IRD, it is highly probable that the total additional tax and interest element payable would be approximately HK$302,000 with respect to the years of assessment from 2017/2018 to 2020/2021 as a result of the tax field audit exercise. In addition, no tax adjustment is required for the subject time-barred years where protective assessments have previously been issued (i.e. the five years of assessment from 2012/2013 to 2016/2017) as well as for the subsequent years of assessment 2021/22 and 2022/23. Therefore, there is no additional tax liabilities arisen in this regard for those years.

8. Earnings per share

(a) Basic earnings per share

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

	2023	2022
	HK$'000	*HK$'000*
Profit attributable to owners of the Company	**83,142**	45,898
	('000)	*('000)*
Weighted average number of ordinary shares in issue	**785,208**	745,913
	HK Cents	*HK Cents*
Basic earnings per share	**10.59**	6.15

(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 2023, the Company had dilutive potential ordinary shares from share options outstanding at the end of the year (2022: dilutive). 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.

	2023	2022
	HK$'000	*HK$'000*
Profit attributable to owners of the Company	**83,142**	45,898
	('000)	*('000)*
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**785,208**	745,913
Adjustment for share options	**3,336**	5,354
	788,544	751,267
	HK Cents	*HK Cents*
Diluted earnings per share	**10.54**	6.11

9. Dividends

No final dividend was proposed during the year (2022: Nil).

10. Contract assets, trade and other receivables and prepayments

	2023	2022
	HK$'000	*HK$'000*
Finance lease – gross receivables	**505,884**	258,291
Less: Unearned finance income	**(127,257)**	(64,011)
Present value of minimum lease payments	**378,627**	194,280
Less: Loss allowance	**(1,487)**	(636)
	377,140	193,644
Trade receivables (note (a))		
– Third parties	**281,851**	357,993
– Related companies	**54,915**	15,817
	336,766	373,810
Less: Loss allowance	**(2,199)**	(2,030)
	334,567	371,780
Contract assets	**204,226**	135,009
Less: Loss allowance	**(345)**	(335)
	203,881	134,674
Bills receivables (note (b))		
– at amortised cost	**—**	28,308
– at fair value through other comprehensive income	**70,078**	—
	70,078	28,308
Prepayments	**28,239**	127,840
Value-added tax recoverable	**1,481**	55,835
Deposits and other receivables	**7,467**	4,845
	1,022,853	916,926
Less: Non-current portion		
Finance lease receivables	**(357,298)**	(183,544)
Prepayments for property, plant and equipment	**(229)**	(105,199)
Current portion	**665,326**	628,183

Notes:

(a) Trade receivables

Majority of credit period granted by the Group to its customers is 30 to 90 days (2022: 30 to 90 days). Ageing analysis of the Group's trade receivables based on the invoice date was as follows:

	2023	2022
	HK$'000	*HK$'000*
0 – 90 days	**204,754**	233,025
91 – 180 days	**58,774**	14,005
181 – 365 days	**63,396**	42,664
Over 365 days	**7,643**	82,086
	334,567	371,780

(b) Bills receivables

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

Transferred financial assets that are not derecognised in their entirety

As at 31 December 2023, the Group endorsed certain unmatured bills receivables accepted by banks in the PRC (the "**Endorsed Bills**") with a carrying amount of HK$25,724,000 (2022: Nil) to certain of its suppliers in order to settle the trade and other payables due to such suppliers (the "**Endorsement**"). In addition, as at 31 December 2023, the Group discounted certain unmatured bills receivables accepted by banks in the PRC (the "**Discounted Bills**") with a carrying amount of HK$18,411,000 (2022: Nil) to certain banks to finance its operating cash flows (the "**Discount**"). In the opinion of the Directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills and Discounted Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade and other payables settled amounting to HK$25,724,000 (2022: Nil), and the Discounted Bills and the associated borrowings amounting to HK$18,411,000 (2022: Nil). Subsequent to the Endorsement and Discount, the Group did not retain any rights on the use of the Endorsed Bills and Discounted Bills, including the sale, transfer or pledge to any other third parties.

Transferred financial assets that are derecognised in their entirety

As at 31 December 2023, the Group had unmatured Endorsed Bills with an aggregate carrying amount of HK$87,957,000 (2022: HK$113,755,000) and unmatured Discounted Bills with an aggregate carrying amount of HK$181,053,000 (2022: Nil) that have been transferred and derecognised (the "**Derecognised Bills**"). The Derecognised Bills have maturity from six months (2022: six months) at the end of the reporting period. In accordance with the relevant laws and regulations in the PRC and relevant discounting arrangements with certain banks, the holders of the Derecognised Bills have a right of recourse against the Group if the accepting banks default (the "**Continuing Involvement**"). In the opinion of the Directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the Directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the years ended 31 December 2023 and 2022, the Group had not recognised any gain or loss arising from the Derecognised Bills. No gain or loss were recognised from the Continuing Involvement, both during the years or cumulative years.

11. Contract liabilities, trade and other payables

	2023	2022
	HK$'000	*HK$'000*
Trade payables (note (a))		
– Third parties	**202,746**	140,284
– Related companies	**2,675**	1,581
	205,421	141,865
Bills payables	**122,586**	341,605
Contract liabilities	**21,940**	41,652
Accrued salaries and bonus	**28,478**	19,211
Other payables for purchase of property, plant and equipment	**74,080**	65,602
Other creditors and accruals	**28,877**	14,264
Value-added tax payable	**8,876**	2,471
Deferred revenue in respect of government grants	**26,330**	147,503
	516,588	774,173

Note:

(a) Trade payables

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

	2023	2022
	HK$'000	*HK$'000*
Within 30 days	**101,382**	82,368
31 – 90 days	**43,627**	24,384
91 – 180 days	**19,467**	17,009
Over 180 days	**40,945**	18,104
	205,421	141,865

12. Bank borrowings

The Group's bank borrowings are repayable as follows:

	2023	2022
	HK$'000	*HK$'000*
On demand or within one year	**376,991**	208,423
In the second year	**85,115**	95,401
In the third to fifth years	**70,058**	35,200
Wholly repayable within five years	**532,164**	339,024
Less: portion due on demand or within one year under current liabilities	**(376,991)**	(208,423)
Portion due over one year under non-current liabilities	**155,173**	130,601

Notes:

(a) As at 31 December 2023, HK$18,411,000 (2022: Nil) of the current bank borrowings was related to the Discounted Bills (note 10(b)) and was carried at fixed rates ranged from 1.3% to 1.6% per annum. The Group's remaining bank borrowings amounting to HK$222,098,000 (2022: HK$249,628,000) were carried at floating rates ranging from 5.1% to 7.2% per annum (2022: 5.8% to 6.4% per annum) and HK$291,655,000 (2022: HK$89,396,000) were carried at fixed rates ranging from 2.5% to 3.9% per annum (2022: 3.8% per annum).

(b) As at 31 December 2023, the Group's bank borrowings were secured by corporate guarantees given by the Company and a subsidiary of the Company.

(c) As at 31 December 2023, the Group had banking facilities amounting to HK$1,737,105,000 (2022: HK$691,254,000), out of which HK$974,875,000 (2022: HK$352,230,000) were not utilised.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group recorded a significant increase in revenue by 30.5% to HK$1,392.0 million in 2023 from HK$1,066.2 million in 2022. The increase was mainly attributable to the increase in revenue of the electric storage business and the PV Films. Profit attributable to owners of the Company increased by 81.1% to HK$83.1 million in 2023 from HK$45.9 million in 2022. The increase was principally due to (i) the increase in gross profit of the Group as a result of the increase in revenue and (ii) the recognition of government grants based on the operating costs of the Group, which are partially offset by the increase in finance costs as a result of increased bank borrowings for the business expansion of the Group.

Renewable Energy – Electric Storage Business

The Group has production facilities in Zhangjiagang, Jiangsu Province for the manufacturing and sales of lithium battery and electric storage products. 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. 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 residential 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 conversion systems). The Group's electric 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 electric storage products for residential use mainly include micro energy storage products and portable electric vehicle chargers.

Renewable 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 in Canada.

Renewable Energy – PV Films

The Group is engaged in the production and sales of PV Films, which are used as encapsulant materials for solar modules. The Group has PV Films plant in Wuhu City, Anhui Province, the PRC for the production and sales of PV Films. Also, the Group has PV Films production lines in Malaysia.

Automobile Glass Repair and Replacement Services

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

BUSINESS REVIEW

Electric storage business – Rapid growth in sales of industrial and commercial energy storage products as well as stable sales of residential "photovoltaic, storage and charging" products

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

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

The Group is of the view that industrial and commercial energy storage and residential "photovoltaic, storage and charging" products will serve as the powertrains in the future, thus active deployment is being carried out for a dual development in these fronts. On the industrial and commercial energy storage, the energy storage products of the Group possess comprehensive product solution, with products include air cooling energy storage system and liquid cooling energy storage system, and are suitable for different application scenarios such as power generation, power supply and user side. During 2023, the Group continued to capture the demand of renewable energy for energy storage systems with more projects undertaken and products successively launched. Thanks to the increase in delivery of the relevant products, the revenue from electric storage business recorded a rapid growth.

In addition, as far as the residential "photovoltaic, storage and charging" products are concerned, the well-established R&D team of the Group is dedicated to developing the product path for the integration and systematisation of "photovoltaic, storage and charging". These products mainly comprise three major series, namely residential energy storage, electric vehicle charger and portable energy storage. The residential energy storage products mainly include inverters and residential energy storage battery packs. The Group has formed strategic cooperation with inverter manufacturers to support the supply of the products of the residential energy storage series, and the products have been launched steadily in 2023. Furthermore, the delivery of the electric vehicle charger series to the North America market has been stable with products available at leading e-commerce and home appliance retailers in North America (including Bestbuy, The Home Depot, Amazon, Walmart). The European version of electric vehicle chargers has completed product certification and is ready for mass production. In terms of the portable energy storage series, the R&D of various portable energy storage products of the Group have gradually entered the final stage. It is expected that the development will be completed, while the samples will be delivered to potential customers in the first half of 2024.

Having benefited from the increase in revenue of industrial and commercial energy storage products, the revenue from electric storage business for 2023 increased by approximately 31.1% as compared to 2022.

Engineering, procurement and construction (“EPC”) services (“EPC Services”) for photovoltaic power stations – Steady growth in business with business presence further expanded

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

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

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

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2023, the Group's revenue was HK$1,392.0 million (2022: HK$1,066.2 million), representing an increase by 30.5% mainly attributable to the change in revenue contributed by business segments analysed as follows:

Revenue — by segment

	Year Ended 31 December					
	2023		2022		Increase/(decrease)	
	HK$'million	*%*	*HK$'million*	*%*	*HK$'million*	*%*
Electric storage business	**356.1**	**25.6**	271.7	25.5	84.4	31.1
EPC Services	**572.0**	**41.1**	626.1	58.7	(54.1)	(8.6)
PV Films	**363.5**	**26.1**	77.0	7.2	286.5	372.1
Automobile glass repair and replacement services	**50.2**	**3.6**	44.7	4.2	5.5	12.3
Others (Trading of forklift and wind farm related business)	**50.2**	**3.6**	46.7	4.4	3.5	7.5
Total revenue	**1,392.0**	**100.0**	1,066.2	100.0	325.8	30.5

Revenue — by geographical area

	Year Ended 31 December					
	2023		2022		Increase/(decrease)	
	HK$'million	*%*	*HK$'million*	*%*	*HK$'million*	*%*
The PRC	**962.3**	**69.1**	749.3	70.3	213.0	28.4
Canada	**376.0**	**27.0**	272.1	25.5	103.9	38.2
Hong Kong	**50.2**	**3.6**	44.7	4.2	5.5	12.3
Others	**3.5**	**0.3**	0.1	—	3.4	3,400.0
Total revenue	**1,392.0**	**100.0**	1,066.2	100.0	325.8	30.5

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

(a) the increase in revenue attributable to the electric storage business, which contributed revenue amounting to HK$356.1 million for the year ended 31 December 2023, as compared to revenue amounting to HK$271.7 million for the year ended 31 December 2022, which was mainly due to increase in sales of industrial and commercial energy storage products during the year; and

(b) the increase in revenue attributable to the PV Films, which contributed revenue amounting to HK$363.5 million for the year ended 31 December 2023, as compared to revenue amounting to HK$77.0 million for the year ended 31 December 2022, which was mainly due to the gradual increase in sales volume following the commencement of the new business.

Cost of revenue and gross profit

Cost of revenue comprised of HK$325.0 million (2022: HK$252.3 million) arising from the electric storage business, HK$432.1 million (2022: HK$495.1 million) arising from the EPC Services, HK$367.2 million (2022: HK$84.3 million) arising from the PV Films, HK$36.1 million (2022: HK$34.6 million) arising from the automobile glass repair and replacement services, and HK$36.2 million (2022: HK$34.6 million) arising from others (trading of forklift and wind farm related business).

Cost of revenue for the electric storage business of HK$325.0 million (2022: HK$252.3 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$19.4 million for the year ended 31 December 2022 to HK$31.0 million for the year ended 31 December 2023. The increase in gross profit was 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$432.1 million (2022: HK$495.1 million) mainly comprised of the material cost, installation cost and other subcontracting costs. The gross profit of the EPC Services increased from HK$131.0 million for the year ended 31 December 2022 to HK$139.9 million for the year ended 31 December 2023 despite a decrease of revenue, which was mainly due to the increase in revenue attributable to the EPC Services in Canada which has a relatively higher gross profit margin.

Cost of revenue for the PV Films of HK$367.2 million (2022: HK$84.3 million) mainly comprised of material cost, labour cost and depreciation charge of property, plant and equipment. The gross loss of the PV Films decreased from HK$7.3 million for the year ended 31 December 2022 to HK$3.7 million for the year ended 31 December 2023 mainly due to the increase in sales volume which led to the decrease in unit cost of production. The gross loss of the PV Films was due to the startup phase of the new production incurred additional costs for production efficiency and quality improvement.

Cost of revenue for the automobile glass repair and replacement services of HK$36.1 million (2022: HK$34.6 million) mainly comprised of labour costs and depreciation charge of property, plant and equipment (including the depreciation charge of right-of-use assets of lease contracts). The gross profit of the automobile glass repair and replacement services increased from HK$10.1 million for the year ended 31 December 2022 to HK$14.1 million for the year ended 31 December 2023 mainly because the depreciation charge and other overhead expenses (including labour costs) were generally stable, while revenue increased.

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

The gross profit increased by HK$30.0 million from HK$165.3 million for the year ended 31 December 2022 to HK$195.3 million for the year ended 31 December 2023. The gross profit margin decreased from 15.5% for the year ended 31 December 2022 to 14.0% for the year ended 31 December 2023, which was mainly due to the increase in revenue attributable to the electric storage business and the PV Films which had relatively lower gross profit margins than other businesses of the Group.

Other income

Other income for the year ended 31 December 2023 mainly represented the government grants from the PRC government which were recognised based on the operating costs of the Group in connection with the production and sales of the PV Films in the PRC.

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

Other gains, net

Other gains, net for the years ended 31 December 2022 and 2023 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$16.7 million from HK$18.9 million for the year ended 31 December 2022 to HK$35.6 million for the year ended 31 December 2023, 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, advertising expenses, entertainment expenses and after-sales service expenses.

Administrative expenses increased by HK$42.6 million from HK$78.1 million for the year ended 31 December 2022 to HK$120.7 million for the year ended 31 December 2023, 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; (ii) the increase in the expenditure for R&D of the Group's products; and (iii) the increase in professional fee relating to the possible transfer listing to the Main Board of the Stock Exchange.

Finance costs

Finance costs increased by HK$10.2 million from HK$4.8 million (or HK$12.1 million before capitalisation) for the year ended 31 December 2022 to HK$15.0 million (or HK$30.9 million before capitalisation) for the year ended 31 December 2023. 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$15.9 million (2022: HK$7.3 million) was mainly 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$17.5 million for the year ended 31 December 2023 (2022: HK$21.9 million), which comprised of Hong Kong profits tax, PRC corporate income tax and Canadian corporate income tax. The effective tax rate was 16.0% for the year ended 31 December 2023 (2022: 28.5%). The decrease in effective tax rate is mainly due to the utilisation of certain tax losses brought forward from prior years to offset the current year profit and the over-provision for prior years. Four (2022: Two) 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 2023 amounted to HK$83.1 million (2022: HK$45.9 million). The increase in the profitability was mainly due to (i) the increase in gross profit of the Group as a result of the increase in revenue and (ii) the recognition of government grants based on the operating costs of the Group, which are partially offset by the increase in finance costs as a result of increased bank borrowings for the business expansion of the Group.

BUSINESS OUTLOOK

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

Driven by the renewable energy with energy storage, the energy storage industry has entered an explosive period. The Group's electric storage business has accumulated years of R&D and operation experience and will continue to leverage on such experience to capture the opportunities arising from the booming industry. At present, the sales of industrial and commercial energy storage products of the Group have recorded rapid growth in the PRC. The Group will continue to focus on market development, strengthen the R&D and optimise product standards, while focusing on the development of overseas markets, actively co-operating with the overseas project development team to expand business in industrial and commercial sectors overseas. In addition, the Group will emphasise on the integration of energy storage and photovoltaic, with a particular focus on the implementation of "photovoltaic, storage and charging" in its equipment and continuously joining hand with inverter manufacturers to develop new generation of battery packs, high-capacity energy storage products with inverter integrated, so as to further increase the variety of products. The Group will also continue to expand its products such as electric vehicle charger and portable energy storage to overseas markets, gradually fit into major retailers and e-commerce platforms, and thus further expand the sales channels. Meanwhile, the Group also plans to further develop overseas markets for its residential "photovoltaic, storage and charging" products to expand the sales presence. The Group will continuously deploy the resources on the R&D of products, increase the proportion of R&D expenses, strive to improve the performance of products, reduce production costs, strengthen market development capabilities and customer service levels to enhance the Group's competitiveness in the market.

In addition, against a backdrop of increasing demand for photovoltaic in the market, the photovoltaic market has huge development opportunities. PV Film is an important encapsulant material for photovoltaic modules. The demand for PV Films is expected to grow rapidly as the demand for photovoltaic power generation continues to increase. The Group's primary goal will be to continuously facilitate the supporting certification work with other top 15 module manufacturers in Mainland China, while actively securing the supply share of the customers who have already completed the product introduction. For the Southeast Asia market, the Group will continue to put efforts on the supporting certification and product introduction work with module manufacturers in Southeast Asia to make it well prepare for the gradual release of production capacity of PV Films production line in Malaysia. Meanwhile, the Group will make great efforts on the R&D of PV Films through deploying its resources, and strengthen the establishment of its R&D team in order to improve the quality and performance of PV Films in accordance with technological changes in photovoltaic modules and customer needs, while deploying resources in the R&D of new generation PV Films in order to establish a long-term collaboration with its customers by providing products and service standards with better quality to increase the influence of the Group in the PV Films market. In the meantime, the Group will strive to lower the procurement cost and optimise its manufacturing process in order to improve its efficiency, thus enhancing the profitability of this business.

With the recent integrated development of the renewable energy and energy storage markets, enterprises with the ability to combine the two are bound to become more competitive in the market. Leveraging on its extensive experience in the photovoltaic and energy storage industries, the Group will apply the relevant experience to actively deploy the development of derivation from photovoltaic EPC to photovoltaic and energy storage EPC to provide total solutions of photovoltaic systems and energy storage systems to customers and promote the Group's self-developed products through this channel. The Group will also increase its resources for the investment in overseas photovoltaic and energy storage EPC business and actively explore other development opportunities in overseas markets. The Group has identified a number of target markets, including Indonesia, South Africa and the Philippines, and will set up local companies to develop the relevant business. In terms of EPC in the PRC, the Group will also appropriately select outstanding projects to introduce the energy management contract (EMC) model to further expand the EPC Services business. Meanwhile, the growth of the EPC Services business will also contribute to the development of the PV Films business.

FINANCIAL RESOURCES AND LIQUIDITY

For the year ended 31 December 2023, 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 of 31 December 2023, the Group had net current assets of HK$213.0 million (31 December 2022: HK$341.5 million) and cash and cash equivalents of HK$206.5 million (31 December 2022: HK$162.1 million) which were mainly placed with major banks in Hong Kong, the PRC and Canada. As of 31 December 2023, the Group had bank borrowings of HK$532.2 million (31 December 2022: HK$339.0 million) and had unutilised banking facilities of HK$974.9 million (31 December 2022: HK$352.2 million).

As of 31 December 2023, the Group's gearing ratio calculated based on net debt (bank borrowings less cash and cash equivalents) divided by the shareholders' equity of the Group was 26.6% (31 December 2022: 15.4%).

CAPITAL STRUCTURE

There has been no material change in the capital structure of the Company during the year. The capital of the Group comprises only ordinary shares.

CAPITAL EXPENDITURES AND COMMITMENTS

The Group incurred capital expenditures of HK$131.5 million for the year ended 31 December 2023 (2022: HK$447.9 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 of 31 December 2023 amounted to HK$14.6 million (31 December 2022: HK$66.0 million), which were mainly related to the purchase of various production plants and machinery for the PV Films plant and lithium battery plant in the PRC from independent third parties under different independent contracts.

PLEDGE OF ASSETS

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

EMPLOYEE AND REMUNERATION POLICIES

As of 31 December 2023, the Group had 597 (31 December 2022: 518) full-time employees, of whom 438 (31 December 2022: 396) were based in the PRC, 57 (31 December 2022: 55) were based in Hong Kong and 102 (31 December 2022: 67) were based in Malaysia and Canada. The total staff costs, including the emoluments of the Directors, amounted to HK$144.4 million (2022: HK$104.4 million) for the year ended 31 December 2023. The Group maintains good relationships with all of its employees. It provides the employees with sufficient training in business and professional knowledge, including information about the applications of the Group's products and skills in maintaining good customer relationships. Remuneration packages offered to the Group's employees have been consistent with the prevailing market terms and are reviewed on a regular basis. Discretionary bonuses may be awarded to employees taking into consideration the Group's performance and that of the individual employee.

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

FINAL DIVIDEND

The Directors did not recommend the payment of any final dividend for the year ended 31 December 2023 (2022: 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$**"), Renminbi ("**RMB**") and Canadian Dollar ("**CAD**"). Exchange rate fluctuations between RMB and HK$ 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$. Amid the depreciation of RMB against HK$ in 2023, the Group reported non-cash translation loss – a decrease in the exchange reserve of its consolidated statement of financial position of HK$28.1 million (2022: decrease HK$73.9 million), when converting RMB-denominated assets and liabilities into HK$ at 31 December 2023. As a result, the Group's consolidated exchange reserve recorded a debit balance of HK$75.9 million as of 31 December 2023, as compared to a debit balance of HK$47.8 million as of 31 December 2022.

The Group has not experienced any material difficulties and liquidity problems resulting from currency exchange fluctuations. The Group may use financial instruments for hedging purposes as and when required. During the year ended 31 December 2023, the Group did not use any financial instrument for hedging purpose.

USE OF THE NET PROCEEDS FROM RIGHTS ISSUE

In September 2022, the Company raised 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 2023:

	Proposed applications of the net proceeds	Remaining balance as of 31 December 2022	Amount utilised up to 31 December 2023	Remaining balance as of 31 December 2023	Timeline for the intended use
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*	
Additional working capital for the development of the PV Films business	393.2	344.2	284.4	59.8	By end of 2024

As of 31 December 2023, the remaining balance of HK$59.8 million proposed to be used for additional working capital for the development of the PV Films business had yet to be utilised due to (i) the development time of the PV Films business is slightly longer than originally planned and (ii) the decrease in the prices of raw materials during the year. The remaining amount of net proceeds from the rights issue is expected to be fully utilised by end of 2024.

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

As of 31 December 2023, there were no significant investments held which exceed 5% of the total assets of the Group. There were no material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 December 2023. There were no other plans authorised by the Board for any material investments or additions of capital assets as of the date of this announcement.

CONTINGENT LIABILITIES

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

EVENT AFTER THE REPORTING PERIOD

No significant events have taken place subsequent to 31 December 2023 and up to the date of this announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Directors confirmed that the Company had complied with the applicable code provisions as contained in the Corporate Governance Code (the "**CG Code**") set forth in Part 2 of Appendix C1 to the GEM Listing Rules for the year ended 31 December 2023.

AUDIT COMMITTEE

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

The audited consolidated financial statements of the Group for the year ended 31 December 2023 have been reviewed by the Audit Committee.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings concerning securities transaction set forth in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries with the Directors, all Directors confirmed that they had complied with such required standard of dealings and its code of conduct regarding securities transactions by directors throughout the year ended 31 December 2023.

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

For the year ended 31 December 2023, neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

NO COMPETING BUSINESS

The Company and Xinyi Solar Holdings Limited ("**Xinyi Solar**") (stock code: 00968), a company listed on the Main Board of the Stock Exchange, are both engaged in the provision of EPC Services. Xinyi Solar is controlled by certain Directors and controlling shareholders of the Company. Arrangements have been in place to ensure that there will be no competing business between the Company and Xinyi Solar in terms of geographical locations. There is no overlapping customer between the Company and Xinyi Solar.

Save as disclosed above, as far as the Directors are aware, during the year ended 31 December 2023, none of the Directors or the controlling shareholders (as defined in the GEM Listing Rules) or their respective associates (as defined in the GEM Listing Rules) have any interests in a business which competed or may compete, either directly or indirectly, with the business of the Group or have any other conflicts of interests which any such person has or may have with the Group.

SUFFICIENCY OF PUBLIC FLOAT

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

PUBLICATION OF ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2023 containing all the information required by the GEM Listing Rules and other applicable laws and regulations will be despatched to the shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

SCOPE OF WORK OF AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in this preliminary announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by BDO Limited on this preliminary announcement.

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

Hong Kong, 1 March 2024

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

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

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