

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024

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

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

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

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

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		Change
	2024	2023	
	<i>HK\$'000</i>	<i>HK\$'000</i>	
Revenue	646,517	551,422	+17.2%
Profit attributable to owners of the Company	12,250	13,534	-9.5%
Earnings per share - Basic	1.56 HK cents	1.72 HK cents	-9.3%

The Board is pleased to announce the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2024 (the “1H2024”), together with the comparative unaudited figures for the six months ended 30 June 2023 (the “1H2023”), as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Notes	Six months ended 30 June	
		2024	2023
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	3	646,517	551,422
Cost of revenue		(534,764)	(492,098)
Gross profit		111,753	59,324
Other income	4	10,628	42,872
Other gains, net	4	929	2,061
Impairment loss on financial assets		(70)	(335)
Selling and marketing costs		(15,550)	(14,739)
Administrative expenses		(74,384)	(60,460)
Share of results of a joint venture		(77)	—
Share of results of an associate		(2)	(2)
Operating profit		33,227	28,721
Finance income	5	675	845
Finance costs	5	(9,216)	(5,350)
Profit before income tax	6	24,686	24,216
Income tax expense	7	(8,632)	(7,308)
Profit for the period		16,054	16,908
Other comprehensive income:			
<i>Items that may be subsequently reclassified to profit or loss</i>			
Exchange differences on translation			
of financial statements of foreign operations		(37,851)	(37,914)
Share of other comprehensive income of a joint venture		1	—
<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		(2,152)	4,414
		(40,002)	(33,500)
Total comprehensive income for the period		(23,948)	(16,592)

	Notes	Six months ended 30 June	
		2024	2023
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Profit for the period attributable to:			
– owners of the Company		12,250	13,534
– non-controlling interests		3,804	3,374
		<u>16,054</u>	<u>16,908</u>
Total comprehensive income for the period attributable to:			
– owners of the Company		(26,757)	(20,474)
– non-controlling interests		2,809	3,882
		<u>(23,948)</u>	<u>(16,592)</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share attributable to owners of the Company for the period			
– Basic	8(a)	1.56	1.72
– Diluted	8(b)	<u>1.56</u>	<u>1.71</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

		As at	
	Notes	30 June 2024	31 December 2023
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	10	716,927	735,904
Intangible assets	10	102,765	89,200
Financial asset at fair value through other comprehensive income		26,784	30,044
Interests in a joint venture		2,919	—
Interests in an associate		296	298
Finance lease receivables	11	421,625	357,298
Prepayments for property, plant and equipment	11	—	229
Deferred tax assets		15,318	—
		1,286,634	1,212,973
Current assets			
Inventories		160,105	248,495
Contract assets, trade and other receivables and prepayments	11	682,316	665,326
Income tax recoverable		20	—
Cash and cash equivalents		48,782	206,549
		891,223	1,120,370
Current liabilities			
Contract liabilities, trade and other payables	12	507,691	516,588
Provision for tax		2,054	5,092
Lease liabilities		9,416	8,705
Bank borrowings	13	291,938	376,991
		811,099	907,376
Net current assets		80,124	212,994
Total assets less current liabilities		1,366,758	1,425,967

		As at	
		30 June	31 December
Notes		<u>2024</u>	<u>2023</u>
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
Non-current liabilities			
	Lease liabilities	6,873	8,507
	Bank borrowings	112,770	155,173
13	Deferred tax liabilities	42,781	36,739
	Deferred benefit obligations	265	265
		<u>162,689</u>	<u>200,684</u>
Net assets		<u>1,204,069</u>	<u>1,225,283</u>
EQUITY			
	Share capital	7,855	7,853
	Reserves	1,158,103	1,182,333
		<u>1,165,958</u>	1,190,186
	Non-controlling interests	38,111	35,097
Total equity		<u>1,204,069</u>	<u>1,225,283</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	Attributable to owners of the Company										
	Share capital	Share premium	Capital reserves	Share-based payments reserve	Exchange reserve	Financial asset at fair value through other comprehensive income reserve	Statutory reserves	Retained profits	Total	Non- controlling interests	Total equity
Balance at 1 January 2024 (Audited)	7,853	855,751	13,587	9,883	(75,850)	24,718	25,819	328,425	1,190,186	35,097	1,225,283
Comprehensive income											
Profit for the period	—	—	—	—	—	—	—	12,250	12,250	3,804	16,054
Other comprehensive income											
Exchange differences on translation of financial statements of foreign operations	—	—	—	—	(36,856)	—	—	—	(36,856)	(995)	(37,851)
Share of other comprehensive income of a joint venture	—	—	—	—	1	—	—	—	1	—	1
Change in fair value of a financial asset at fair value through other comprehensive income, net of tax	—	—	—	—	—	(2,152)	—	—	(2,152)	—	(2,152)
Total comprehensive income	—	—	—	—	(36,855)	(2,152)	—	12,250	(26,757)	2,809	(23,948)
Transactions with owners											
Employees share option scheme:											
– proceed from issue of shares	2	363	—	(69)	—	—	—	—	296	—	296
– share-based payment expense	—	—	—	2,233	—	—	—	—	2,233	205	2,438
– adjustment relating to forfeiture of share options	—	—	—	(10)	—	—	—	10	—	—	—
Total transactions with owners	2	363	—	2,154	—	—	—	10	2,529	205	2,734
Balance at 30 June 2024 (Unaudited)	<u>7,855</u>	<u>856,114</u>	<u>13,587</u>	<u>12,037</u>	<u>(112,705)</u>	<u>22,566</u>	<u>25,819</u>	<u>340,685</u>	<u>1,165,958</u>	<u>38,111</u>	<u>1,204,069</u>
Balance at 1 January 2023 (Audited)	7,851	855,400	13,587	6,577	(47,792)	20,382	20,448	250,660	1,127,113	23,377	1,150,490
Comprehensive income											
Profit for the period	—	—	—	—	—	—	—	13,534	13,534	3,374	16,908
Other comprehensive income											
Exchange differences on translation of financial statements of foreign operations	—	—	—	—	(38,422)	—	—	—	(38,422)	508	(37,914)
Change in fair value of a financial asset at fair value through other comprehensive income, net of tax	—	—	—	—	—	4,414	—	—	4,414	—	4,414
Total comprehensive income	—	—	—	—	(38,422)	4,414	—	13,534	(20,474)	3,882	(16,592)
Transactions with owners											
Employees share option scheme:											
– proceed from issue of shares	2	227	—	(46)	—	—	—	—	183	—	183
– share-based payment expense	—	—	—	2,577	—	—	—	—	2,577	—	2,577
– adjustment relating to forfeiture of share options	—	—	—	(3)	—	—	—	3	—	—	—
Total transactions with owners	2	227	—	2,528	—	—	—	3	2,760	—	2,760
Balance at 30 June 2023 (Unaudited)	<u>7,853</u>	<u>855,627</u>	<u>13,587</u>	<u>9,105</u>	<u>(86,214)</u>	<u>24,796</u>	<u>20,448</u>	<u>264,197</u>	<u>1,109,399</u>	<u>27,259</u>	<u>1,136,658</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Cash generated from/(used in) operations	58,035	(137,106)
Interest paid	(11,631)	(13,719)
Income tax paid	(19,497)	(2,699)
	<u>26,907</u>	<u>(153,524)</u>
Net cash generated from/(used in) operating activities	----- 26,907	----- (153,524)
Cash flows from investing activities		
Purchase of property, plant and equipment	(33,347)	(92,679)
Addition of intangible assets	(18,089)	(25,575)
Other investing cash flow – net	(2,293)	27,376
	<u>(53,729)</u>	<u>(90,878)</u>
Net cash used in investing activities	----- (53,729)	----- (90,878)
Cash flows from financing activities		
Proceeds from issue of shares by share options	296	183
Proceeds from bank borrowings	213,491	319,218
Repayments of bank borrowings	(337,150)	(119,379)
Repayments of capital element of lease liabilities	(5,039)	(3,746)
	<u>(128,402)</u>	<u>196,276</u>
Net cash (used in)/generated from financing activities	----- (128,402)	----- 196,276
Net decrease in cash and cash equivalents	(155,224)	(48,126)
Cash and cash equivalents at beginning of the period	206,549	162,055
Effect of foreign exchange rate changes, on cash held	(2,543)	(2,143)
	<u>48,782</u>	<u>111,786</u>
Cash and cash equivalents at end of the period	<u>48,782</u>	<u>111,786</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

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

This unaudited condensed consolidated interim financial information is presented in thousands of Hong Kong dollars (HK\$’000), unless otherwise stated. This unaudited condensed consolidated interim financial information has been approved for issue by the Board on 2 August 2024.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2024 has been prepared in accordance with the applicable disclosure provisions of the GEM Listing Rules and Hong Kong Accounting Standards (“**HKAS**”) 34, *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). This unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2023, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements of the Group for the year ended 31 December 2023, as described in 2023 annual financial statements.

(a) Adoption of new or revised HKFRSs – effective 1 January 2024

In the current period, the Group has applied for the first time the following new or revised HKFRSs issued by the HKICPA, which are relevant to and effective for the Group’s consolidated financial statements for the annual period beginning on 1 January 2024:

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

The adoption of the above new standards and amendments to standards that are effective from 1 January 2024 does not have any significant impact to the results and financial position of the Group.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

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

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

Amendments to HKAS 21	Lack of Exchangeability ¹
HKFRS 18	Presentation and Disclosure in Financial Statements ²
HKFRS 19	Subsidiaries without Public Accountability: Disclosures ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

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

² Effective for annual periods beginning on or after 1 January 2027.

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

3. REVENUE AND SEGMENT INFORMATION

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

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

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

(a) Segment results

	Six months ended 30 June 2024 (Unaudited)					Total
	Electric storage business	EPC services	PV Films	Automobile glass repair and replacement services	Others	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	65,926	323,963	224,172	25,976	6,480	646,517
Timing of revenue recognition within the scope of HKFRS 15						
– At a point in time	65,926	61,393	224,172	25,976	5,559	383,026
– Over time	—	253,567	—	—	921	254,488
	65,926	314,960	224,172	25,976	6,480	637,514
Revenue from other source:						
Finance lease income	—	9,003	—	—	—	9,003
Total revenue	65,926	323,963	224,172	25,976	6,480	646,517
Cost of revenue	(60,198)	(234,447)	(215,781)	(18,636)	(5,702)	(534,764)
Gross profit	5,728	89,516	8,391	7,340	778	111,753
Depreciation charge of property, plant and equipment	15,490	1,459	7,473	3,997	—	28,419
Amortisation of intangible assets	1,255	—	766	—	—	2,021
Additions to non-current assets during the period (other than financial instruments and deferred tax assets)	27,387	7,156	12,553	1,302	—	48,398

3. REVENUE AND SEGMENT INFORMATION (Continued)

(a) Segment results (Continued)

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

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

	Six months ended 30 June	
	2024	2023
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Segment gross profit	111,753	59,324
Unallocated items:		
Other income	10,628	42,872
Other gains, net	929	2,061
Impairment loss on financial assets	(70)	(335)
Selling and marketing costs	(15,550)	(14,739)
Administrative expenses	(74,384)	(60,460)
Share of results of a joint venture	(77)	—
Share of results of an associate	(2)	(2)
Finance income	675	845
Finance costs	(9,216)	(5,350)
Profit before income tax	24,686	24,216

3. REVENUE AND SEGMENT INFORMATION (Continued)

(a) Segment results (Continued)

During the six months ended 30 June 2024, 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 six months ended 30 June 2023:

	Electric storage business
	<u>HK\$'000</u>
Six months ended 30 June 2023 (Unaudited)	
– Customer A	<u>116,157</u>

(b) Disaggregation of revenue from contract with customers

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

	Six months ended 30 June	
	<u>2024</u>	<u>2023</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
The PRC	396,828	375,121
Canada	217,671	150,829
Hong Kong	25,993	23,675
Others	6,025	1,797
	<u>646,517</u>	<u>551,422</u>

3. REVENUE AND SEGMENT INFORMATION (Continued)

(c) Segment assets and liabilities

	Electric storage business	EPC services	PV Films	Automobile glass repair and replacement services	Others	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 30 June 2024 (Unaudited)						
Total assets	<u>602,053</u>	<u>882,853</u>	<u>597,432</u>	<u>45,710</u>	<u>49,635</u>	<u>2,177,683</u>
Total liabilities	<u>(153,741)</u>	<u>(263,501)</u>	<u>(121,004)</u>	<u>(13,306)</u>	<u>(16,329)</u>	<u>(567,881)</u>
At 31 December 2023 (Audited)						
Total assets	<u>742,304</u>	<u>836,816</u>	<u>643,247</u>	<u>52,720</u>	<u>57,804</u>	<u>2,332,891</u>
Total liabilities	<u>(198,014)</u>	<u>(230,424)</u>	<u>(96,183)</u>	<u>(19,892)</u>	<u>(29,143)</u>	<u>(573,656)</u>

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

	Assets as at		Liabilities as at	
	30 June 2024	31 December 2023	30 June 2024	31 December 2023
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Reportable segment assets/ (liabilities)	2,177,683	2,332,891	(567,881)	(573,656)
Unallocated items:				
Prepayments, deposits and other receivables	150	297	—	—
Cash and cash equivalents	24	155	—	—
Bank borrowings	—	—	(404,708)	(532,164)
Other creditors and accruals	—	—	(1,199)	(2,240)
Total assets/(liabilities)	<u>2,177,857</u>	<u>2,333,343</u>	<u>(973,788)</u>	<u>(1,108,060)</u>

3. REVENUE AND SEGMENT INFORMATION (Continued)

(c) Segment assets and liabilities (Continued)

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

	As at	
	30 June 2024	31 December 2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
The PRC	774,386	781,117
Canada	7,555	5,070
Hong Kong	22,004	21,826
Malaysia	18,962	17,618
	<u>822,907</u>	<u>825,631</u>

4. OTHER INCOME AND OTHER GAINS, NET

	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Other income		
Government grants (note (a))	1,756	40,727
Others (note (b))	8,872	2,145
	<u>10,628</u>	<u>42,872</u>
Other gains, net		
Net gains on disposal of old facilities, scrapped materials or property, plant and equipment (note (c))	411	2,517
Exchange gains/(losses), net	518	(456)
	<u>929</u>	<u>2,061</u>

4. OTHER INCOME AND OTHER GAINS, NET (Continued)

Notes:

- (a) For the six months ended 30 June 2024, the balance included mainly grants obtained from the PRC government to subsidise the operating costs and tax subsidy which amounted to Nil (2023: HK\$40,392,000) and HK\$1,461,000 (2023: HK\$122,000), respectively.
- (b) For the six months ended 30 June 2024, the balance included mainly the additional deduction of input value-added tax and income from sale of electricity.
- (c) The Group's production operation generates scraps or recyclable materials and assets which are available for sale and give rise to disposal gains/(losses).

5. FINANCE INCOME AND FINANCE COSTS

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Finance income		
Interest income from bank deposits	<u>675</u>	<u>845</u>
Finance costs		
Interest on bank borrowings	9,295	12,440
Interest on leases liabilities	564	242
Interest on discounted bills	1,771	1,037
Less: amounts capitalised (note)	<u>(2,414)</u>	<u>(8,369)</u>
	<u>9,216</u>	<u>5,350</u>

Note:

The capitalisation rate of 2.02% (2023: 2.67%) used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's general borrowings during the period.

6. PROFIT BEFORE INCOME TAX

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

	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Cost of inventories	346,457	383,331
Write-off and provision for impairment of inventories	812	203
Depreciation charge	28,419	18,960
Amortisation charge	2,021	1,109
Employee benefit expense (including directors' emoluments)	52,802	47,662
Expense relating to short-term leases	1,472	1,239
Research and development expenses	20,014	17,018

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Current income tax		
– Hong Kong profits tax (note (a))	234	121
– PRC corporate income tax (note (b))	14,478	2,074
– Canadian corporate income tax (note (c))	1,664	621
	16,376	2,816
Deferred tax (credit)/charge	(7,744)	4,492
	8,632	7,308

7. INCOME TAX EXPENSE (Continued)

Notes:

- (a) Hong Kong profits tax has been provided for at the two-tiered rate of 8.25% (2023: 8.25%) for the first HK\$2 million of the estimated assessable profits for one of the Group's Hong Kong subsidiaries for the period and 16.5% (2023: 16.5%) on the remaining estimated assessable profits for the period.
- (b) Four (2023: 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% (2023: 15%). Other subsidiaries of the Group in the PRC are subject to standard tax rate of 25% (2023: 25%). Provision for the PRC corporate income tax is calculated at 15% - 25% (2023: 15% - 25%) on estimated assessable profit for the period.
- (c) Canadian corporate income tax is provided on the estimated assessable profits at the federal tax rate of 15% (2023: 15%) and provincial tax rates at rates prevailing in relevant provinces of 8% - 16% (2023: 8% - 16%) for the period.
- (d) In prior years, a subsidiary of the Company (the "**Subsidiary**") 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 was provided by the IRD regarding the basis of the assessments, and the Additional Assessments were subject to the IRD's further enquiries and investigations into the Subsidiary's tax affairs and were 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 might 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 lodged objection against the Additional Assessments and the IRD held over the tax in dispute completely and unconditionally while pending the resolution of the case. Since the financial year ended 31 December 2022, the Subsidiary also engaged a tax advisor to conduct a detailed tax positions review for the years of assessment 2012/2013 to 2022/2023 and liaised with the IRD for finalising the Subsidiary's tax positions for the relevant years of assessment. Accordingly, a settlement proposal was submitted to the IRD for review and approval. During the six months ended 30 June 2024, the Subsidiary concluded the tax field audit exercise with the IRD with the total additional tax and interest element of HK\$302,000 with respect to the years of assessment from 2017/2018 to 2020/2021. In addition, no tax adjustment was required for the subject time-barred years where protective assessments had 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 2021/2022 and 2022/2023. Therefore, there was 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 six months ended 30 June 2024 and 2023.

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (HK\$'000)	12,250	13,534
Weighted average number of ordinary shares in issue (thousands)	785,437	785,161
Basic earnings per share (HK cents)	1.56	1.72

(b) Diluted earnings per share

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

For the six months ended 30 June 2024, the outstanding share options were anti-dilutive.

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

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company used to determine the diluted earnings per share (HK\$'000)	12,250	13,534
Weighted average number of ordinary shares in issue (thousands)	785,437	785,161
Adjustment for share options (thousands)	—	4,494
	785,437	789,655
Diluted earnings per share (HK cents)	1.56	1.71

9. DIVIDENDS

No interim dividend was declared during the six months ended 30 June 2024 (2023: Nil).

10. CAPITAL EXPENDITURE

	Property, plant and equipment	Intangible assets
	<i>HK\$'000</i>	<i>HK\$'000</i>
Six months ended 30 June 2024 (Unaudited)		
Opening carrying amount at 1 January 2024	735,904	89,200
Additions	27,084	18,089
Disposals	(32)	—
Depreciation/Amortisation	(28,419)	(2,021)
Exchange realignment	(17,610)	(2,503)
	<u>716,927</u>	<u>102,765</u>
Closing carrying amount at 30 June 2024	<u>716,927</u>	<u>102,765</u>
Six months ended 30 June 2023 (Unaudited)		
Opening carrying amount at 1 January 2023	628,091	23,686
Additions	181,128	25,575
Disposals	(24)	—
Depreciation/Amortisation	(18,960)	(1,109)
Exchange realignment	(28,421)	(1,954)
	<u>761,814</u>	<u>46,198</u>
Closing carrying amount at 30 June 2023	<u>761,814</u>	<u>46,198</u>

11. CONTRACT ASSETS, TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at	
	30 June 2024	31 December 2023
	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Finance lease – gross receivables	598,658	505,884
Less: Unearned finance income	<u>(151,101)</u>	<u>(127,257)</u>
Present value of minimum lease payments	447,557	378,627
Less: Loss allowance	<u>(1,526)</u>	<u>(1,487)</u>
	----- 446,031	----- 377,140
Trade receivables (note (a))		
– Third parties	350,401	281,851
– Related companies	<u>32,965</u>	<u>54,915</u>
	383,366	336,766
Less: Loss allowance	<u>(2,251)</u>	<u>(2,199)</u>
	----- 381,115	----- 334,567
Contract assets	204,442	204,226
Less: Loss allowance	<u>(302)</u>	<u>(345)</u>
	----- 204,140	----- 203,881
Bills receivables at fair value through other comprehensive income (“FVOCI”) (note (b))	25,175	70,078
Prepayments	36,013	28,239
Value-added tax recoverable	2,021	1,481
Deposits and other receivables	<u>9,446</u>	<u>7,467</u>
	1,103,941	1,022,853
Less: Non-current portion		
Finance lease receivables	(421,625)	(357,298)
Prepayments for property, plant and equipment	<u>—</u>	<u>(229)</u>
Current portion	<u><u>682,316</u></u>	<u><u>665,326</u></u>

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

Notes:

(a) Trade receivables

Majority of credit period granted by the Group to its customers is 30 to 90 days (31 December 2023: 30 to 90 days). Ageing analysis of the Group's trade receivables based on the invoice date was as follows:

	As at	
	30 June 2024	31 December 2023
	HK\$'000 (Unaudited)	HK\$'000 (Audited)
0 - 90 days	257,141	204,754
91 - 180 days	35,138	58,774
181 - 365 days	48,523	63,396
Over 365 days	40,313	7,643
	<u>381,115</u>	<u>334,567</u>

(b) Bills receivables

The maturity dates of bills receivables are within 6 months (31 December 2023: 6 months).

Transferred financial assets that are not derecognised in their entirety

As at 30 June 2024, the Group endorsed certain unmatured bills receivables accepted by banks in the PRC (the “**Endorsed Bills**”) with a carrying amount of HK\$18,551,000 (31 December 2023: HK\$25,724,000) to certain of its suppliers in order to settle the trade and other payables due to such suppliers (the “**Endorsement**”). In addition, as at 30 June 2024, the Group discounted certain unmatured bills receivables accepted by banks in the PRC (the “**Discounted Bills**”) with a carrying amount of HK\$2,377,000 (31 December 2023: HK\$18,411,000) 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\$18,551,000 (31 December 2023: HK\$25,724,000), and the Discounted Bills and the associated borrowings amounting to HK\$2,377,000 (31 December 2023: HK\$18,411,000). 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.

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

Notes: (Continued)

(b) Bills receivables (Continued)

Transferred financial assets that are derecognised in their entirety

As at 30 June 2024, the Group had unmatured Endorsed Bills with an aggregate carrying amount of HK\$26,369,000 (31 December 2023: HK\$87,957,000) and unmatured Discounted Bills with an aggregate carrying amount of HK\$198,591,000 (31 December 2023: HK\$181,053,000) that have been transferred and derecognised (the “**Derecognised Bills**”). The Derecognised Bills have maturity from six months (31 December 2023: 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 six months ended 30 June 2024 and 2023, the Group had not recognised any gain or loss arising from the Derecognised Bills. No gain or loss were recognised from the Continuing Involvement, both during the periods or cumulatively.

12. CONTRACT LIABILITIES, TRADE AND OTHER PAYABLES

	As at	
	30 June 2024	31 December 2023
	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Trade payables (note)		
– Third parties	192,368	202,746
– Related companies	971	2,675
	193,339	205,421
Bills payables	157,574	122,586
Contract liabilities	19,877	21,940
Accrued salaries and bonus	14,812	28,478
Other payables for purchase of property, plant and equipment	60,820	74,080
Other creditors and accruals	28,021	28,877
Value-added tax payable	7,588	8,876
Deferred revenue in respect of government grants	25,660	26,330
	507,691	516,588

Note:

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

	As at	
	30 June 2024	31 December 2023
	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Within 30 days	86,972	101,382
31 - 90 days	52,316	43,627
91 - 180 days	13,813	19,467
Over 180 days	40,238	40,945
	193,339	205,421

13. BANK BORROWINGS

The Group's bank borrowings are repayable as follows:

	As at	
	30 June 2024	31 December 2023
	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
On demand or within one year	291,938	376,991
In the second year	78,632	85,115
In the third to fifth years	34,138	70,058
Wholly repayable within five years	404,708	532,164
Less: portion due on demand or within one year under current liabilities	<u>(291,938)</u>	<u>(376,991)</u>
Portion due over one year under non-current liabilities	<u>112,770</u>	<u>155,173</u>

Notes:

- (a) As at 30 June 2024, HK\$2,377,000 (31 December 2023: HK\$18,411,000) of the current bank borrowings was related to the Discounted Bills (note 11(b)) and was carried at fixed rate of 1.5% per annum (31 December 2023: 1.3% to 1.6% per annum). The Group's remaining bank borrowings amounting to HK\$53,786,000 (31 December 2023: HK\$222,098,000) were carried at floating rate of 5.9% per annum (31 December 2023: 5.1% to 7.2% per annum) and HK\$348,545,000 (31 December 2023: HK\$291,655,000) were carried at fixed rates ranging from 2.5% to 3.9% per annum (31 December 2023: 2.5% to 3.9% per annum).
- (b) As at 30 June 2024, the Group's bank borrowings were secured by corporate guarantees given by the Company and a subsidiary of the Company.
- (c) As at 30 June 2024, the Group had banking facilities amounting to HK\$1,789,256,000 (31 December 2023: HK\$1,737,105,000), out of which HK\$1,088,646,000 (31 December 2023: HK\$974,875,000) were not utilised.

14. SHARE CAPITAL

The number of the Company's shares authorised and issued as of 30 June 2024 and 31 December 2023 is as follows:

	Number of shares	<i>HK\$'000</i>
Authorised:		
Ordinary shares of HK\$0.01 each	<u>2,000,000,000,000</u>	<u>20,000,000</u>
Issued and fully paid:		
At 31 December 2023 and 1 January 2024	785,315,981.38	7,853
Issue of ordinary shares upon exercise of share options	<u>217,648</u>	<u>2</u>
At 30 June 2024	<u>785,533,629.38</u>	<u>7,855</u>

15. SHARE OPTIONS

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

	Six months ended 30 June			
	2024		2023	
	Average exercise price in HK\$ per share	Options (units)	Average exercise price in HK\$ per share	Options (units)
At 1 January	2.87	16,079,071	2.86	14,562,823
Granted	1.78	2,200,000	3.00	2,200,000
Exercised	1.36	(217,648)	1.23	(148,854)
Forfeited	2.99	(300,550)	4.06	(261,736)
At 30 June	2.75	17,760,873	2.87	16,352,233

On 4 March 2024, 2,200,000 share options were granted to two executive Directors and certain employees of the Group. The exercise price is HK\$1.78 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 4 March 2024 to 31 March 2028. One third of the options will vest on each of the year-end date of 2024, 2025 and 2026 if each grantee has met the conditions of vesting as stated in the letter of grant. The options can be exercised from 1 April 2027 to 31 March 2028.

Out of the above outstanding share options, 10,810,621 options were exercisable as at 30 June 2024 (31 December 2023: 247,690 options).

These outstanding share options as at 30 June 2024 have the following expiry dates and exercise prices:

Expiry date	At 30 June 2024 (Unaudited)		At 31 December 2023 (Audited)	
	Average exercise price in HK\$ per share	Options (units)	Average exercise price in HK\$ per share	Options (units)
31 March 2024	N/A	—	1.36	247,690
31 March 2025	2.28	10,810,621	2.29	10,843,620
31 March 2026	5.13	2,816,552	5.10	2,884,561
31 March 2027	3.00	1,987,700	3.00	2,103,200
31 March 2028	1.78	2,146,000	N/A	—
		17,760,873		16,079,071

15. SHARE OPTIONS (Continued)

The weighted average fair value of these options granted on 4 March 2024 was determined using the Black-Scholes valuation model, which was performed by an independent valuer, Greater China Appraisal Limited, and was HK\$0.95 per option. The significant inputs into the model are as follows:

Grant date	4 March 2024
Closing share price, at the grant date (HK\$)	1.78
Exercise price (HK\$)	1.78
Volatility (%)	68.08%
Dividend yield (%)	0.00%
Expected share option life (years)	4.08
Annual risk-free interest rate	3.55%

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

16. FAIR VALUE MEASUREMENT

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

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

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

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

16. FAIR VALUE MEASUREMENT (Continued)

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 30 June 2024 (Unaudited)				
Bills receivables at FVOCI	—	25,175	—	25,175
Financial asset at FVOCI	—	—	26,784	26,784
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
As at 31 December 2023 (Audited)				
Bills receivables at FVOCI	—	70,078	—	70,078
Financial asset at FVOCI	—	—	30,044	30,044
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

As at 30 June 2024 and 31 December 2023, the fair value of bills receivables measured at FVOCI was at a level 2 fair value measurement which was calculated by discounting the rates available for instruments with similar terms, credit risk and remaining maturities offered by the banks.

As at 30 June 2024 and 31 December 2023, instruments included in level 3 represent unlisted equity interest, which was classified as financial asset at FVOCI.

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

Valuation technique	Significant unobservable inputs	Range of inputs	Favourable/(Unfavourable) change to the fair value	
			As at	
			30 June 2024 <i>HK\$'000</i>	31 December 2023 <i>HK\$'000</i>
Discounted cash flows approach (note)	Electricity outputs	+/-5%	<u>2,072/(1,638)</u>	<u>2,549/(2,549)</u>
	Operating expenses	+/-5%	<u>(617)/289</u>	<u>(947)/958</u>
	Discount rate	+/-1%	<u>(240)/242</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.

16. FAIR VALUE MEASUREMENT (Continued)

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

Unlisted equity investments

	<i>HK\$'000</i>
As at 1 January 2024 (Audited)	30,044
Change in fair value recognised in other comprehensive income	(2,532)
Exchange realignment	(728)
	<hr/>
As at 30 June 2024 (Unaudited)	<u>26,784</u>

There have been no transfers between level 1, 2 and 3 during the six months ended 30 June 2024 (2023: Nil). The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

17. RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2024 and 2023, save as disclosed elsewhere in this announcement, the Group carried out the following significant transactions with its related parties:

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Related party transactions with subsidiaries of Xinyi Glass Holdings Limited		
– Purchase of automobile glass	3,670	2,993
– Purchase of other glasses	—	3
– Purchase of consumables	953	254
– Sales of electric storage products	5,992	2,014
– Sales of automobile glass	258	—
– Management fee received	921	4,531
– Acquisition of right-of-use assets in respect of lease of office premises	911	—
– Lease payments in respect of office premises paid	343	280
– Purchase of steam	189	834
– Lease income in respect of office premises received	384	414
– Sales of fixed assets and consumables	45	10
– Sales of electricity	1,380	—
	1,380	—
Related party transactions with subsidiaries of Xinyi Solar Holdings Limited		
– Sales of electric storage products	8,534	6,313
– Sales of PV Films	20	20
– Operating and maintenance fee income received	—	1,263
– Sales of consumables	—	26
	—	26
Related party transactions with an entity controlled by a non-controlling interest		
– Sales of electric storage products	88	—
	88	—
Related party transactions with Mr. LEE Shing Kan, M.H. and Mr. TUNG Fong Ngai		
– Lease payments in respect of shop premises paid	270	270
	270	270
Related party transactions with an entity controlled by close family members of Mr. LEE Shing Kan, M.H.		
– Lease payments in respect of shop premises paid	360	—
	360	—

The transactions with related parties are conducted with price and terms mutually agreed with related parties.

Key management compensation amounted to HK\$6,091,000 for the six months ended 30 June 2024 (2023: HK\$5,068,000).

18. CAPITAL COMMITMENT

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

	As at	
	30 June	31 December
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Contracted but not provided for in respect of		
- Construction of production plant and purchase of construction materials/property, plant and equipment	5,460	14,640

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

Electric storage business – Increase in gross profit and gross profit margin

The Group is dedicated to the development and application of different types of battery pack, energy storage system products and residential “photovoltaic, storage and charging” products, and is engaged in the integrated research and development (R&D), design, manufacturing, system integration and service with lithium batteries as the core to further develop into different types of lithium battery products and energy storage products, which have become the core business activities of the Group. The Group has always adhered to the scientific and technological innovation, and the Directors believe that R&D is the key to success of the Group’s long-term development. Therefore, the Group has provided strong support to the investment in R&D and has strengthened continuously the investment in R&D. In response to the customers’ demands and the market changes, R&D and production of energy storage system products and other associated products have been strengthened for the purpose of offering customers with a wider range of energy storage products, technical services and comprehensive system solutions.

The Group is of the view that the demand for the industrial and commercial energy storage products and the residential “photovoltaic, storage and charging” products will serve as the growth drivers in the future, thus active deployment is being carried out for the dual development in these business activities. The Group’s industrial and commercial energy storage products are part of the Group’s comprehensive product solutions, with products including air cooling energy storage system and liquid cooling energy storage system, and are suitable for different applications, such as power generation, power supply and user-side. In the 1H2024, the variety of the Group’s industrial and commercial energy storage products have been further expanded with the commencement of shipment and delivery of its industrial and commercial outdoor energy storage containers.

In addition, regarding the residential “photovoltaic, storage and charging” products, the R&D team of the Group is dedicated to the development of a product development roadmap for the integration and serialisation of “photovoltaic, storage and charging”. These products mainly comprise three major series, namely (i) residential energy storage, (ii) electric vehicle charger and (iii) portable energy storage. The residential energy storage products mainly include residential energy storage battery packs. The Group has formed strategic cooperation with inverter manufacturers to support the supply of the residential energy storage products, among which the delivery of 13.5kWh residential energy storage battery pack, the new product, commenced in the 1H2024. Furthermore, the delivery of the electric vehicle charger series is stable with products available at leading e-commerce and home appliance retailers. The Group also conducts R&D and certification on various types of electric vehicle chargers. In terms of the portable energy storage series, the R&D of various portable energy storage products of the Group has been mostly completed, and the works on acquiring certification for these products has commenced.

The Group also focuses on the development of markets and projects, which means suitable R&D and switching on products will be carried out in a timely manner in accordance with the technological requirements on the industrial and commercial energy storage products. The Group also undertakes fewer projects with lower gross profit margins while resources will be deployed on projects with reasonable profit returns. Since the Group was engaged in reduced number of industrial and commercial energy storage projects in the 1H2024, the revenue generated from the electric storage business decreased, as compared to the 1H2023. However, under the general condition that the profit of the energy storage projects in the PRC is evidently under pressure, the revenue of the electric storage business still contributed to the increase in the gross profit margin for the Group as compared to the 1H2023.

Engineering, procurement and construction (“EPC”) services business for photovoltaic power stations – Growth in revenue and gross profit in the PRC and overseas markets

Because of the rapid development in the distributed photovoltaic field, the Group has formed a professional and efficient photovoltaic EPC team and has commenced the EPC service business in the PRC and Canada. Under the realisation of “carbon emission peak and carbon neutrality (碳達峰、碳中和)” goal actively promoted by the PRC government, the applications of the photovoltaics are increasing in all scenarios. The distributed photovoltaic power stations are built on roofs for achieving energy-saving and carbon dioxide emission reduction, which provided an enormous market for the photovoltaic business. The Group is also engaged in the provision of photovoltaic EPC services for residential users in Canada in the form of one-stop energy solution covering the design and development, financial planning, installation and the post-completion maintenance.

The performance of the photovoltaic EPC service business of the Group was significant during the 1H2024, and the revenue of this business recorded an increase of 50.3%, as compared to the 1H2023. Meanwhile, with the benefit arising from the decrease in the price of key materials such as photovoltaic modules, the photovoltaic EPC service business recorded a high gross profit margin of 27.6%, representing a significant increase as compared to the 1H2023.

In addition, the Group has established a joint venture in Indonesia with a well-known local enterprise in the 1H2024 for the purpose of providing photovoltaic EPC services to the domestic users in Indonesia to further expand the photovoltaic EPC services business overseas. Currently, several potential projects are under negotiations.

PV Films business – Increase in sales volume and reduction in production cost

The Group is actively exploring the manufacturing business on PV Films for the purpose of aligning with 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 according to the customers' demands for the type and technical requirements of photovoltaic modules, so as to provide them with PV Films products that meet their requirements. The Group's PV Films production lines are located in Wuhu City, Anhui Province, which have completed the construction of 45 gigawatts (“GW”) of production capacity for the encapsulant films. Moreover, the Group has set up a production line in Malacca, Malaysia, with a production capacity of 5GW for the encapsulant films, for the continuously growing needs of the photovoltaic module markets in Southeast Asia.

As the certification and product introduction work with multiple module manufacturers have been completed, the sales volume of the PV Films products of the Group increased significantly in the 1H2024. Meanwhile, the Group aims to enhance continuously the production and manufacturing processes while adopting various measures to minimise the consumption and improve the efficiency, for the purpose of lowering the production costs. Through increased sales volume and reduced unit costs, the Group's PV Films business achieved a gross profit in the 1H2024.

BUSINESS OUTLOOK

The Group's principal business has been transformed from the provision of the automobile glass and repair services business in Hong Kong to a comprehensive solution provider of a wide range of electric storage products, EPC services and PV Films. The Group has a clear development direction on its current business activities. The Group currently focuses on a diversified approach of “3E” renewable energy business, namely Energy storage, EPC services and EVA Films.

A series of government policies has been implemented by the PRC government and in other foreign countries which are beneficial to the development of a sustainable and comprehensive business model of energy storage business. In addition to the driving force brought by the renewable energy, such as photovoltaics combined with energy storage, several factors, including the widening gap between the peak-trough tariff, the continuous decreases in the costs of the energy storage system and the ever-advancing technology in the field of energy storage, also contribute to the improvement in the investment returns on the energy storage for the users and reduce the payback period, thus driving a swift development in the industrial and commercial energy storage on user-side. It is expected that the installation for energy storage in the future will be benefitted significantly.

The Group has accumulated years of R&D and operation experience in the electric storage business and will continue to leverage such experience to capture the opportunities arising from the booming industry. The Group will continue to focus on the market development, strengthen the R&D and optimise the product standards, while focusing on the development of overseas markets, in which resources will be deployed to strengthen and accelerate the product R&D and certification applicable to overseas markets. In the meantime, the Group will actively co-operate with the overseas project development teams to expand the business in industrial and commercial sectors overseas. In addition, the Group will continue to emphasise on the integration of the energy storage and photovoltaic, with a particular focus on the implementation of “photovoltaic, storage and charging” in its equipment for residential side. The Group co-operates 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. The Group will continuously deploy resources on the R&D of products, increase the percentage of the R&D expenses, strive to improve the product performance, reduce the production costs, strengthen the market development capabilities and customer service levels to enhance the Group’s competitiveness in the market.

In order to address the climate change, the concept of “sustainable development” has received much attention in recent years. Its key is to promote green and environmental-friendly development. The use of photovoltaic has experienced continuous enhancement in standards and continuous expansion in scale. With the recent significant decreases in the installation cost for photovoltaic, the global installation for photovoltaic maintains a faster pace in its growth. The PV Films produced by the Group are 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 is to complete the certification work with the other top 15 module manufacturers in the PRC, while actively securing the supply share of the customers which have already completed the product introduction. For the overseas markets, the Group will continue to put efforts on the certification and product introduction to the module manufacturers in Southeast Asia to prepare well for the gradual increase in the production volume of the PV Films production line in Malaysia. In addition, with the swift development in photovoltaic, there is a change in the technology and requirement for the photovoltaic modules from the industry, R&D for the upgrade and iteration of

encapsulant technology and product types is a key to the sustainable development for the PV Films enterprises. The Group will make efforts on 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 in the new generation of 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. The Group will strive to reduce the procurement cost and optimise its manufacturing process in order to improve its efficiency, and implement different measures on reducing consumption and enhancing efficiency, thus enhancing the profitability of this business.

With the recent integrated development in the renewable energy and energy storage markets, enterprises with the ability to combine these two will become more competitive. Leveraging its extensive experience in the photovoltaic and energy storage industries, the Group will apply the relevant experience to 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. The Group will also increase the investment in overseas photovoltaic and energy storage EPC service business and actively explore other development opportunities in overseas markets. Apart from Indonesia, in which the Group has established a joint venture there in 2024, the Group has also identified a number of target markets, including South Africa, the Philippines and Australia, and may set up local business presence for the development of the relevant business. In terms of EPC services business in the PRC, the Group will also appropriately select outstanding projects to introduce the energy management contract (EMC) model to further expand the business. The growth of the EPC services business will also promote the development of the PV Films business.

Looking forward, the Group will continue to focus on the further development of the selected sector in renewable energy, such as energy storage, the provision of the EPC services and the manufacturing of the PV Films, and expand its market share and position in the increasingly competitive renewable energy market, so as to further improve the Group's profitability. The Group will also adopt a flexible and adaptive management strategy to address the demand on the renewable energy industry from, and the changes in, the market. In the long run, the Directors believe that these business directions will deliver satisfactory returns to the shareholders and contribute to the global green energy transformation.

FINANCIAL REVIEW

Revenue

For the 1H2024, the Group's revenue was HK\$646.5 million (1H2023: HK\$551.4 million), representing an increase by 17.2% mainly attributable to the change in revenue contributed by business segments as analysed as follows:

	Six months ended 30 June					
	2024		2023		Increase/(Decrease)	
	<i>HK\$'million</i>	<i>%</i>	<i>HK\$'million</i>	<i>%</i>	<i>HK\$'million</i>	<i>%</i>
Electric storage business	65.9	10.2	158.9	28.8	(93.0)	(58.5)
EPC services	324.0	50.1	215.5	39.1	108.5	50.3
PV Films	224.2	34.7	122.8	22.3	101.4	82.6
Automobile glass repair and replacement services	26.0	4.0	23.7	4.3	2.3	9.7
Others (Trading of forklift and wind farm related business)	6.4	1.0	30.5	5.5	(24.1)	(79.0)
Total revenue	646.5	100.0	551.4	100.0	95.1	17.2

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

- (a) the increase in revenue attributable to the EPC services, which contributed revenue amounting to HK\$324.0 million for the 1H2024, as compared to revenue amounting to HK\$215.5 million for the 1H2023, which was mainly due to (i) the continuous expansion of the EPC services in Canada and (ii) the improvement of the EPC services in the PRC in respect of the installation volume during the 1H2024;
- (b) the increase in revenue attributable to the PV Films, which contributed revenue amounting to HK\$224.2 million for the 1H2024, as compared to revenue amounting to HK\$122.8 million for the 1H2023, which was mainly due to the gradual increase in sales volume following the increase in number of customers completed the certification and product introduction; and
- (c) partially offset by the decrease in revenue attributable to the electric storage business, which contributed revenue amounting to HK\$65.9 million for the 1H2024, as compared to revenue amounting to HK\$158.9 million for the 1H2023, which was mainly due to fewer projects delivered during the 1H2024. The Group undertook fewer industrial and commercial energy storage projects with low gross profit margins during the 1H2024.

Cost of revenue and gross profit

For the 1H2024, cost of revenue comprised of HK\$60.2 million (1H2023: HK\$154.5 million) arising from the electric storage business, HK\$234.5 million (1H2023: HK\$171.8 million) arising from the EPC services, HK\$215.8 million (1H2023: HK\$125.8 million) arising from the PV Films, HK\$18.6 million (1H2023: HK\$17.2 million) arising from the automobile glass repair and replacement services, and HK\$5.7 million (1H2023: HK\$22.8 million) arising from others (trading of forklift and wind farm related business).

Cost of revenue for the electric storage business of HK\$60.2 million (1H2023: HK\$154.5 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\$4.5 million for the 1H2023 to HK\$5.7 million for the 1H2024. The increase in gross profit was mainly because the Group sold electric storage products with higher gross profit margins during the period.

Cost of revenue for the EPC services of HK\$234.5 million (1H2023: HK\$171.8 million) mainly comprised of the material cost, installation cost and other subcontracting costs. The gross profit of the EPC services increased from HK\$43.7 million for the 1H2023 to HK\$89.5 million for the 1H2024 mainly due to the increase in revenue and the number of projects with higher gross profit margins during the 1H2024.

Cost of revenue for the PV Films of HK\$215.8 million (1H2023: HK\$125.8 million) mainly comprised of material cost, labour cost and depreciation charge of property, plant and equipment. The gross profit of the PV Films increased from a gross loss of HK\$3.0 million for the 1H2023 to a gross profit of HK\$8.4 million for the 1H2024 mainly due to the increase in sales volume and implementation of cost saving measures during the 1H2024.

Cost of revenue for the automobile glass repair and replacement services of HK\$18.6 million (1H2023: HK\$17.2 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\$6.5 million for the 1H2023 to HK\$7.4 million for the 1H2024 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\$52.5 million from HK\$59.3 million for the 1H2023 to HK\$111.8 million for the 1H2024, which was attributable to the increase in gross profit of the three core businesses of the Group. The gross profit margin increased from 10.8% for the 1H2023 to 17.3% for the 1H2024, which was mainly due to the increase in gross profit margins of the electric storage business and the EPC services during the 1H2024.

Other income

Other income for the 1H2024 mainly represented the tax subsidy, additional deduction of input value-added tax and income from sale of electricity generated from the Group's distributed photovoltaic power generation facilities and energy storage facilities.

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

The decrease in other income for the 1H2024 as compared to the 1H2023 was mainly due to the absence of government grants recognised based on the operating costs in connection with the production and sales of the PV Films.

Other gains, net

Other gains, net for the 1H2024 and 1H2023 included the gains on disposal of scrapped materials arising from the production. For the 1H2024, other gains, net also included the net exchange gains.

Expenses

Selling and marketing costs slightly increased by HK\$0.9 million from HK\$14.7 million for the 1H2023 to HK\$15.6 million for the 1H2024, which were generally stable.

Administrative expenses increased by HK\$13.9 million from HK\$60.5 million for the 1H2023 to HK\$74.4 million for the 1H2024, primarily due to (i) the increase in employee benefit expense as a result of the increase in average number of employees for administrative duties during the 1H2024 and the share-based compensation for share options granted; (ii) the increase in the expenditure for R&D; and (iii) the increase in depreciation charge of property, plant and equipment.

Finance costs

Finance costs increased by HK\$3.8 million from HK\$5.4 million (or HK\$13.7 million before capitalisation) for the 1H2023 to HK\$9.2 million (or HK\$11.6 million before capitalisation) for the 1H2024. The increase in finance costs after capitalisation was mainly attributable to the decrease in amounts eligible for capitalisation as a result of the decrease in qualifying assets during the 1H2024. During the 1H2024, interest expense of HK\$2.4 million (1H2023: HK\$8.3 million) was mainly capitalised into the property, plant and equipment of the PV Film production facilities. The capitalised amounts will depreciate together with the relevant assets over their estimated useful lives.

Income tax expense

The Group incurred income tax expense of HK\$8.6 million for the 1H2024 (1H2023: HK\$7.3 million), which comprised of Hong Kong profits tax, PRC corporate income tax and Canadian corporate income tax. The effective tax rate was 35.0% for the 1H2024 (1H2023: 30.2%). The increase in income tax expense was mainly due to the increase in profit before income tax. Four (1H2023: 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 1H2024 amounted to HK\$12.3 million (1H2023: HK\$13.5 million). The slight decrease in the profitability was mainly attributable to the operating performance of the Group as analysed above.

FINANCIAL RESOURCES AND LIQUIDITY

For the 1H2024, the Group's primary sources of funding included its own working capital, the net proceeds from the rights issue in September 2022 and bank borrowings. As of 30 June 2024, the Group had net current assets of HK\$80.1 million (31 December 2023: HK\$213.0 million) and cash and cash equivalents of HK\$48.8 million (31 December 2023: HK\$206.5 million) which were mainly placed with major banks in Hong Kong, the PRC and Canada. As of 30 June 2024, the Group had bank borrowings of HK\$404.7 million (31 December 2023: HK\$532.2 million) and had unutilised banking facilities of HK\$1,088.6 million (31 December 2023: HK\$974.9 million).

As of 30 June 2024, the Group's gearing ratio calculated based on net debt (bank borrowings less cash and cash equivalents) divided by total equity of the Group was 29.6% (31 December 2023: 26.6%). The change in the Group's gearing level was primarily due to the decrease in cash and cash equivalents.

CAPITAL STRUCTURE

During the 1H2024, there has been no material change in the capital structure of the Company. The capital of the Group comprises only ordinary shares.

CAPITAL EXPENDITURES AND COMMITMENTS

The Group incurred capital expenditures of HK\$27.3 million for the 1H2024 (1H2023: HK\$78.8 million), which were mainly related to the acquisition of new equipment for the electric storage business and the EPC service business.

Capital commitments contracted for but not provided for by the Group as of 30 June 2024 amounted to HK\$5.5 million (31 December 2023: HK\$14.6 million), which were mainly related to the construction and purchase of various production plants and machinery for the PV Film production facilities in the PRC from independent third parties under different independent contracts.

PLEDGE OF ASSETS

No assets of the Group were pledged as security for banking facilities as of 30 June 2024 and 31 December 2023.

EMPLOYEES AND REMUNERATION POLICIES

As of 30 June 2024, the Group had 521 (31 December 2023: 597) full-time employees, of whom 366 (31 December 2023: 438) were based in the PRC, 58 (31 December 2023: 57) were based in Hong Kong and 97 (31 December 2023: 102) were based in Malaysia and Canada. The Group maintains good relationships with all of its employees and provides the employees with sufficient training in business and professional skills and knowledge including information on the features of the Group's products and skills in maintaining good customer relationships. Remuneration packages offered to the Group's employees have been consistent with the prevailing market terms and have been reviewed on a regular basis. Discretionary bonuses may be awarded to employees taking into consideration the Group's performance and that of the individual employee.

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

TREASURY POLICIES AND EXPOSURE TO FLUCTUATION IN FOREIGN EXCHANGE RATES

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

The presentation currency of the Group's consolidated financial statements is HKD. Amid the depreciation of RMB against HKD during the 1H2024, the Group reported non-cash translation loss - a decrease in the exchange reserve of its condensed consolidated financial position of HK\$36.9 million (1H2023: HK\$38.4 million) - when converting RMB-denominated assets and liabilities into HKD as of 30 June 2024. As a result, the Group's consolidated exchange reserve recorded a debit balance of HK\$112.7 million as of 30 June 2024, as compared to a debit balance of HK\$75.9 million as of 31 December 2023.

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 1H2024, the Group did not use any financial instrument for hedging purpose.

USE OF THE NET PROCEEDS FROM RIGHTS ISSUE

In September 2022, the Company raised net proceeds of HK\$393.2 million by way of rights issue of 71,367,861 rights shares. The net proceeds from the rights issue have been fully utilised by 30 June 2024. The table below sets forth the proposed application of the net proceeds and the actual usage up to 30 June 2024:

	Proposed application of the net proceeds	Remaining balance as of 31 December 2023	Amount utilised up to 30 June 2024	Remaining balance as of 30 June 2024
	<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>
Additional working capital for development of the PV Films business	<u>393.2</u>	<u>59.8</u>	<u>59.8</u>	<u>—</u>

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

As of 30 June 2024, 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 1H2024. 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 30 June 2024, the Group did not have any significant contingent liabilities (31 December 2023: Nil).

EVENT AFTER THE REPORTING PERIOD

No significant events have taken place subsequent to 30 June 2024 and up to the date of this announcement.

SHARE OPTION SCHEME

Pursuant to the share option scheme adopted by the Company in May 2017, an aggregate of 2,200,000 share options were granted to two executive Directors and selected employees in March 2024. The share options are valid from 4 March 2024 to 31 March 2028. One third of the share options would be vested on each year-end date of 2024, 2025 and 2026 if the relevant grantee has satisfied the conditions of vesting as stated in the relevant letter of grant.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the 1H2024, neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

NO COMPETING BUSINESS

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) has any interests in any business which competes or may compete, either directly or indirectly, with the business of the Group or has any other conflicts of interests which any such person has or may have with the Group.

CORPORATE GOVERNANCE

The Directors confirm that the Company has complied with the applicable code provisions as contained in the Corporate Governance Code as set forth in Part 2 of Appendix C1 to the GEM Listing Rules during the 1H2024.

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 as set forth in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries to the Directors, all Directors confirm that they have complied with such required standard of dealings and its code of conduct regarding securities transactions by Directors during the 1H2024.

INTERIM DIVIDEND

The Directors did not recommend the payment of any interim dividend for the 1H2024 (1H2023: Nil).

AUDIT COMMITTEE

The Board has established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the Audit Committee are reviewing and supervising the financial reporting process and the 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 the corporate governance of the Group. The members of the Audit Committee include all independent non-executive Directors, namely Mr. WANG Guisheng, Mr. NG Wai Hung and Mr. CHAN Hak Kan, S.B.S, J.P.. Mr. WANG Guisheng is the chairman of the Audit Committee.

The unaudited interim results of the Company for the 1H2024 have not been reviewed by the external auditor of the Company but have been reviewed by the Audit Committee.

PUBLICATION OF THE INTERIM REPORT

The interim report of the Company for the 1H2024 containing all the information required by the GEM Listing Rules and other applicable laws and regulations will be published on the websites of the Stock Exchange and the Company in due course in full compliance with the GEM Listing Rules.

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 and Non-executive Director

Hong Kong, 2 August 2024

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, M.H., 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.