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XINYI ELECTRIC STORAGE HOLDINGS LIMITED

信義儲電控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 08328)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

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.*

The board (the “**Board**”) of Directors is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2020, together with the comparative figures for the year ended 31 December 2019, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue	3	218,134	202,882
Cost of revenue		(167,417)	(152,847)
Gross profit		50,717	50,035
Other income	4	5,480	6,077
Other gains/(losses), net	4	1,368	(852)
Impairment loss on a financial asset		(416)	—
Selling and marketing costs		(5,295)	(4,845)
Administrative expenses		(32,032)	(26,912)
Operating profit		19,822	23,503
Finance income	6	4,385	4,668
Finance costs	6	—	—
Profit before income tax	5	24,207	28,171
Income tax expense	7	(4,122)	(3,149)
Profit for the year		20,085	25,022
Profit for the year attributable to:			
– owners of the Company		19,921	25,022
– non-controlling interests		164	—
		20,085	25,022
Other comprehensive income:			
<i>Item that may be subsequently reclassified to profit or loss</i>			
Exchange differences on translation of financial statements of operations		25,099	(5,530)
<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		1,074	(303)
		26,173	(5,833)
Total comprehensive income for the year		46,258	19,189
Total comprehensive income for the year is attributable to:			
– owners of the Company		46,089	19,189
– non-controlling interests		169	—
		46,258	19,189
Basic and diluted earnings per share attributable to owners of the Company for the year	8	3.07	3.86

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

	<i>Notes</i>	2020 HK\$'000	2019 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Plant and equipment		203,147	140,481
Intangible asset		2,551	3,185
Financial asset at fair value through other comprehensive income		15,712	13,448
Trade receivables	11	11,763	—
Prepayments for plant and equipment	11	18,613	12,908
Deferred tax assets		—	746
		251,786	170,768
Current assets			
Inventories		34,917	31,134
Contract assets, trade and other receivables and prepayments	11	115,322	70,978
Income tax recoverable		604	—
Cash and cash equivalents		152,930	220,882
		303,773	322,994
Current liabilities			
Contract liabilities, trade and other payables	12	87,799	48,665
Provision for tax		7,318	7,506
Lease liabilities		6,115	5,553
Bank borrowings	13	8,000	30,000
		109,232	91,724
Net current assets		194,541	231,270
Total assets less current liabilities		446,327	402,038
Non-current liabilities			
Lease liabilities		3,775	6,239
Deferred tax liabilities		73	—
		3,848	6,239
Net assets		442,479	395,799
EQUITY			
Share capital		6,482	6,481
Reserves		435,826	389,318
		442,308	395,799
Non-controlling interests		171	—
Total equity		442,479	395,799

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 (together the “**Group**”) are principally engaged in the automobile glass repair and replacement business in Hong Kong and the production and sales of electric storage products as well as provision of the related contract processing services 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.

Subsequent to the passing of a special resolution in relation to the change of name of the Company by the shareholders of the Company (the “**Shareholders**”) at the extraordinary general meeting held on 9 December 2020, a Certificate of Incorporation on Change of Name was issued by the Registrar of Companies in the Cayman Islands on 18 December 2020 certifying that the name of the Company has been changed from “Xinyi Automobile Glass Hong Kong Enterprises Limited 信義汽車玻璃香港企業有限公司” to “Xinyi Electric Storage Holdings Limited 信義儲電控股有限公司” with effect from 18 December 2020.

These consolidated financial statements are presented in thousands of Hong Kong dollars (“**HK\$’000**”) unless otherwise stated. These consolidated financial statements have been approved and authorised for issue by the Board of Directors on 26 February 2021.

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

2.1 Adoption of new or revised HKFRSs – effective 1 January 2020

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 2020:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform
Amendment to HKFRS 16	COVID-19-Related Rent Concessions*

* early adopted by the Group

Except for the early adoption of amendment to HKFRS 16, the adoption of the above new standards, amendments to standards and interpretation that are effective from 1 January 2020 does not have any significant impact to the results and financial position of the Group.

Amendment to HKFRS 16, COVID-19-Related Rent Concessions

HKFRS 16 was amended to provide a practical expedient to lessees in accounting for rent concessions arising as a result of the COVID-19 pandemic, by including an additional practical expedient in HKFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 pandemic and only if all of the following criteria are satisfied:

- (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) the reduction in lease payments affects only payments originally due on or before 30 June 2021;
and
- (c) there is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with this practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of lease modification. Lessees shall apply other requirements of HKFRS 16 in accounting for the rent concession.

Accounting for rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

The Group has elected to utilise the practical expedient for all rent concessions that meet the criteria. In accordance with the transitional provisions, the Group has applied the amendment retrospectively, and has not restated prior period figure. As the rent concessions have arisen during the current financial period, there is no retrospective adjustment to opening balance of retained profits at 1 January 2020 on initial application of the amendment.

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 HK Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ⁴
Amendments to HKAS 16	Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract ²
HKFRS 17	Insurance Contracts ⁴
Amendments to HKFRS 3	Reference to the Conceptual Framework ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ²

1 Effective for annual periods beginning on or after 1 January 2021

2 Effective for annual periods beginning on or after 1 January 2022

3 Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022

- 4 Effective for annual periods beginning on or after 1 January 2023
- 5 The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of ‘settlement’ to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

HK Int 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Int 5 (2020) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

The directors of the Company do not anticipate that the application of the amendments and revision in the future will have an impact on the financial statements.

Amendments to HKAS 16, Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

The directors of the Company are currently assessing the impact that the application of the amendments will have on the Group’s consolidated financial statements.

Amendments to HKAS 37, Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that the “cost of fulfilling” a contract comprises the “costs that relate directly to the contract”. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The directors of the Company are currently assessing the impact that the application of the amendments will have on the Group’s consolidated financial statements.

Amendments to HKFRS 3, Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 Levies, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements.

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

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The directors of the Company anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transaction arise.

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16, Interest Rate Benchmark Reform – Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the “**Reform**”). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Group’s consolidated financial statements.

Annual Improvements to HKFRSs 2018-2020

The annual improvements amends a number of standards, including:

- HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, which permit a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent’s date of transition to HKFRSs.
- HKFRS 9, Financial Instruments, which clarify the fees included in the ‘10 per cent’ test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other’s behalf are included.
- HKFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

The directors of the Company do not anticipate that the application of these new and amended HKFRSs in the future will have an impact on the Group’s consolidated financial statements.

3. Segment information

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

The executive directors determine the reportable segments from service/product perspective. The executive directors identified four operating segments, which represent the Group's reportable segments, respectively, including (1) electric storage business; (2) EPC Services; (3) automobile glass repair and replacement services; and (4) other segments.

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

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

(a) **Segment results**

	Year ended 31 December 2020				
	Electric storage business	Services	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>
Revenue from external customers	<u>94,491</u>	<u>39,176</u>	<u>45,098</u>	<u>39,369</u>	<u>218,134</u>
Timing of revenue recognition					
– At a point in time	94,491	1,537	45,098	36,719	177,845
– Over time	<u>—</u>	<u>37,639</u>	<u>—</u>	<u>2,650</u>	<u>40,289</u>
	94,491	39,176	45,098	39,369	218,134
Cost of revenue	<u>(75,447)</u>	<u>(27,502)</u>	<u>(33,817)</u>	<u>(30,651)</u>	<u>(167,417)</u>
Gross profits	<u>19,044</u>	<u>11,674</u>	<u>11,281</u>	<u>8,718</u>	<u>50,717</u>
Depreciation charge of plant and equipment	13,243	—	6,208	25	19,476
Amortisation charge of intangible asset	<u>797</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>797</u>

Year ended 31 December 2019

	Electric storage business	EPC Services	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>
Revenue from external customers	<u>119,011</u>	<u>—</u>	<u>50,537</u>	<u>33,334</u>	<u>202,882</u>
Timing of revenue recognition					
– At a point in time	98,711	—	50,537	31,655	180,903
– Over time	<u>20,300</u>	<u>—</u>	<u>—</u>	<u>1,679</u>	<u>21,979</u>
	119,011	—	50,537	33,334	202,882
Cost of revenue	<u>(90,528)</u>	<u>—</u>	<u>(38,112)</u>	<u>(24,207)</u>	<u>(152,847)</u>
Gross profits	<u>28,483</u>	<u>—</u>	<u>12,425</u>	<u>9,127</u>	<u>50,035</u>
Depreciation charge of plant and equipment	12,210	—	5,280	25	17,515
Amortisation charge of intangible asset	<u>811</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>811</u>

“Battery pack and energy storage system” segment and “Production and sales of lithium battery” segment has been combined to “Electric storage business” segment this year. Certain comparative figures of segment information were therefore represented to conform with changes in presentation in current year.

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

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment gross profit	50,717	50,035
Unallocated items:		
Other income	5,480	6,077
Other gains/(losses), net	1,368	(852)
Impairment loss on a financial asset	(416)	—
Selling and marketing costs	(5,295)	(4,845)
Administrative expenses	(32,032)	(26,912)
Finance income	4,385	4,668
Finance costs	—	—
Profit before income tax	<u>24,207</u>	<u>28,171</u>

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

	Electric storage business	Others	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Year ended 31 December 2020			
Revenue from			
– Customer A	<u>56,789</u>	<u>—</u>	<u>56,789</u>
Year ended 31 December 2019			
Revenue from			
– Entities under common control of a related party	28,127	3,345	31,472
– Customer A	<u>55,869</u>	<u>—</u>	<u>55,869</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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
The PRC	169,455	150,982
Hong Kong	45,980	50,537
Others	2,699	1,363
	<u>218,134</u>	<u>202,882</u>

(c) Segment assets and liabilities

	Year ended 31 December 2020				
	Electric storage business <i>HK\$'000</i>	EPC Services <i>HK\$'000</i>	Automobile glass repair and replacement services <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Total assets	<u>429,161</u>	<u>46,011</u>	<u>39,885</u>	<u>37,499</u>	<u>552,556</u>
Total assets included:					
Additions to non-current assets during the year (other than financial instruments and deferred tax assets)	<u>70,935</u>	<u>—</u>	<u>4,578</u>	<u>1,301</u>	<u>76,814</u>
Total liabilities	<u>(61,683)</u>	<u>(14,038)</u>	<u>(12,740)</u>	<u>(15,572)</u>	<u>(104,033)</u>

Year ended 31 December 2019

	Electric storage business	Automobile glass repair and replacement EPC services	Others	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets	<u>338,796</u>	<u>—</u>	<u>123,598</u>	<u>489,318</u>
Total assets included:				
Additions to non-current assets during the year (other than financial instruments and deferred tax assets)	<u>41,607</u>	<u>—</u>	<u>4,321</u>	<u>47,308</u>
Total liabilities	<u>(50,686)</u>	<u>—</u>	<u>(13,975)</u>	<u>(66,675)</u>

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

	Assets		Liabilities	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Reportable segment assets/(liabilities)	552,556	489,318	(104,033)	(66,675)
Unallocated items:				
Prepayments, deposits and other receivables	255	20	—	—
Cash and cash equivalents	2,748	4,424	—	—
Bank borrowings	—	—	(8,000)	(30,000)
Other creditors and accruals	—	—	(1,047)	(1,288)
Total assets/(liabilities)	<u>555,559</u>	<u>493,762</u>	<u>(113,080)</u>	<u>(97,963)</u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
The PRC	208,140	138,788
Hong Kong	16,171	17,786
	<u>224,311</u>	<u>156,574</u>

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

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<i>Contract assets:</i>		
– Provision of EPC Services	<u>2,552</u>	<u>—</u>
<i>Contract liabilities:</i>		
– Provision of EPC Services	950	—
– Others	<u>5,147</u>	<u>1,708</u>
	<u>6,097</u>	<u>1,708</u>

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

Contract assets have been increased by HK\$2,552,000 (2019: decreased by HK\$6,533,000) relating to the Group's EPC Services since the Group is engaged in new EPC Services contracts during the year.

Contract liabilities have been increased by HK\$4,389,000 (2019: decreased by HK\$669,000) during the year mainly due to the increase in receipt in advance of ongoing trading of forklift business as at 31 December 2020 and the new EPC Services contracts during the year.

(ii) **Revenue recognised in relation to contract liabilities**

Revenue of HK\$1,710,000 (2019: HK\$2,271,000) is recognised in relation to contract liabilities in the year.

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

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Other income		
Government grants (note (a))	4,866	5,638
Others	614	439
	<u>5,480</u>	<u>6,077</u>
Other gains/(losses), net		
Net gains on disposal of old facilities, scrapped materials or plant and equipment (note (b))	560	351
Rent concessions	1,242	—
Exchange losses	(434)	(1,203)
	<u>1,368</u>	<u>(852)</u>

Notes:

- (a) For the year ended 31 December 2020, the balance mainly represents grants under the Employment Support Scheme (“ESS”) introduced by HKSAR Government which amounted to approximately HK\$3,201,000. The grants are to provide time-limited financial support to employers in order to retain employees who may otherwise be made redundant during the period of economic uncertainty as a result of global pandemic outbreak of COVID-19 and are allocated over the period to match the relevant costs incurred. There are no unfulfilled and other contingencies attaching to ESS. For the year ended 31 December 2019, the balance mainly represented grants obtained from the PRC government in relation to the factory rental subsidy and tax subsidy.
- (b) The Group’s production operation generates scraps or recyclable materials and assets which are available for sale and give rise to disposal gains/(losses).

5. Profit before income tax

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Cost of inventories	111,371	93,110
Write-off and provision for impairment of inventories	1,021	881
Auditor's remuneration	800	700
Depreciation charge:		
– Plant and equipment owned	12,090	10,912
– Right-of-use assets	7,386	6,603
Amortisation charge	797	811
Employee benefits expense (including directors' emoluments)	35,074	42,156
Expense relating to short-term leases	625	1,205
Rent concessions	(1,242)	—
Research and development expenses	13,984	8,490

6. Finance income and costs

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Finance income		
Interest income from bank deposits	4,385	4,668
Finance costs		
Interest on bank borrowings	97	67
Interest on lease liabilities	541	714
Less: amounts capitalised (note)	(638)	(781)
	—	—

Note:

The capitalisation rate of 4.79% (2019: 4.80%) 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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current income tax		
– Hong Kong profits tax	495	652
– PRC Corporate Income Tax	2,561	3,597
– PRC withholding tax	475	—
	<u>3,531</u>	<u>4,249</u>
Deferred tax charge/(credit)	<u>591</u>	<u>(1,100)</u>
	<u><u>4,122</u></u>	<u><u>3,149</u></u>

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

One of the PRC subsidiaries, being qualified as a New and High Technology Enterprise, is entitled to a preferential Corporate Income Tax rate of 15% (2019: 15%). Other subsidiaries of the Group in the PRC are subject to standard tax rate of 25% (2019: 25%). Provision for the PRC Corporate Income Tax is calculated at 15% - 25% (2019: 15% - 25%) on estimated assessable profit for the year ended 31 December 2020.

PRC withholding tax represents tax charged by the PRC tax authority on dividends distributed by one of the Group's PRC subsidiaries during the year.

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.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit attributable to owners of the Company	<u><u>19,921</u></u>	<u><u>25,022</u></u>

	('000)	('000)
Weighted average number of ordinary shares in issues	<u>648,147</u>	<u>648,136</u>
	<i>HK Cents</i>	<i>HK Cents</i>
Basic earnings per share	<u>3.07</u>	<u>3.86</u>

(b) Diluted earnings per share

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

For the year ended 31 December 2020, the Company had dilutive potential ordinary shares from share options. The calculation for share options was determined by the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above was compared with the number of shares that would have been issued assuming the exercise of the share options. The number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the same total proceeds was the number of shares issued for no consideration. The resulting number of shares issued for no consideration was included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share (2019: anti-dilutive).

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit attributable to owners of the Company	<u>19,921</u>	<u>25,022</u>
	('000)	('000)
Weighted average number of ordinary shares		
for the purpose of diluted earnings per share	648,147	648,136
Adjustment for share options (thousands)	<u>8</u>	<u>—</u>
	<u>648,155</u>	<u>648,136</u>
	<i>HK Cents</i>	<i>HK Cents</i>
Diluted earnings per share	<u>3.07</u>	<u>3.86</u>

10. Dividends

No final dividend was proposed during the year (2019: Nil).

11. Contract assets, trade and other receivables and prepayments

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables (note (a))		
– Third parties	78,440	39,471
– Related companies	2,868	1,867
Less: Loss allowance	(906)	(431)
	<u>80,402</u>	<u>40,907</u>
Contract assets	2,552	—
Bills receivables (note (b))	22,298	18,132
Prepayments	25,034	15,454
Value-added tax recoverable	8,193	2,701
Deposits and other receivables	<u>7,219</u>	<u>6,692</u>
	145,698	83,886
Less: Non-current portion		
Trade receivables	(11,763)	—
Prepayments for plant and equipment	<u>(18,613)</u>	<u>(12,908)</u>
Current portion	<u>115,322</u>	<u>70,978</u>

Notes:

(a) Trade receivables

Majority of credit period granted by the Group to its customers is 30 to 90 days, except certain customers arising from EPC Services who have been granted with credit period of 24 months and repayable on monthly basis (2019: 30 to 90 days). Ageing analysis of the Group's trade receivables based on the invoiced date was as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 – 90 days	63,201	37,863
91 – 180 days	3,235	2,221
181 – 365 days	4,256	573
Over 365 days	<u>9,710</u>	<u>250</u>
	<u>80,402</u>	<u>40,907</u>

(b) Bills receivables

The maturity dates of bills receivables are within 12 months (2019: 12 months).

12. Contract liabilities, trade and other payables

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables (note (a))		
– Third parties	35,858	13,497
– Related companies	664	2,862
	<u>36,522</u>	<u>16,359</u>
Contract liabilities	6,097	1,708
Accrued salaries and bonus	13,654	13,232
Other payables for purchase of plant and equipment	15,210	11,215
Other creditors and accruals	5,593	5,036
Retention payables for disposal of old facilities or scraps	1,191	1,115
Deferred revenue in respect of a government grant	9,532	—
	<u>87,799</u>	<u>48,665</u>

Note:

(a) Trade payables

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 30 days	31,577	13,502
31 – 90 days	2,940	1,899
91 – 180 days	1,817	788
Over 180 days	188	170
	<u>36,522</u>	<u>16,359</u>

13. Bank borrowings

Bank borrowings represent the revolving loan drawn by the Group which are due for repayment within one year. The carrying amounts of the Group's bank borrowings approximate their fair values and are denominated in HK\$. As at 31 December 2020, the effective interest rate of the bank borrowings was 1.9% p.a. (2019: 3.9% p.a.). As at 31 December 2020, the Group has undrawn borrowing facilities of HK\$102,000,000 (2019: HK\$80,000,000), which are facilities subject to periodic review.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

New Energy - Electric Storage Business

The Group has production facilities for lithium battery products in Wuhu City, Anhui Province, China and has commenced commercial production and sales of lithium battery products since the third quarter of 2017. Products of the Group are mainly sold and installed in integrated systems comprising lithium batteries, battery management systems and other components (such as energy management systems and power conditioning systems).

The Group is engaged in the development, processing and sales of energy storage facilities with lithium batteries, including large-scale power banks for manufacturing facilities to facilitate load shifting and power stabilization, uninterruptible power supply and micro energy storage products. The Group is also engaged in the provision of contract processing services of battery packs and energy storage products to its customers.

The Group is in the process of constructing a production plant for lithium battery products and energy storage products in Zhangjiagang, Jiangsu Province, China with commercial production expected to commence in the second quarter of 2021.

New Energy - EPC Services

During the year ended 31 December 2020, the Group successfully entered into contracts with selected customers for the installation of photovoltaic power stations in their factory premises in the PRC. This new business of the Group provides an additional source of revenue to the Group and is expected to boost the profit growth and market position among the new energy enterprises.

Automobile Glass Repair and Replacement Business

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

Others

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

In addition, some of the Group's customers of power batteries and battery pack systems have been engaged in the production of forklifts. The Group has agreed with some of these customers to purchase forklifts for forklift trading business, which contributed an additional source of revenue for the Group.

Revenue increased by 7.5% from HK\$202.9 million in 2019 to HK\$218.1 million in 2020. The profit attributable to owners of the Company decreased by 20.4% from HK\$25.0 million in 2019 to HK\$19.9 million in 2020. The decrease was primarily due to the increase in the expenditure for research and development of the Group's products during the year ended 31 December 2020.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2020, the Group's revenue was HK\$218.1 million (2019: HK\$202.9 million), representing an increase by 7.5% mainly attributable to the change in revenue contributed by business segments analysed as follows:

Revenue — by segment

	Year Ended 31 December					
	2020		2019		Increase/(decrease)	
	<i>HK\$'million</i>	<i>%</i>	<i>HK\$'million</i>	<i>%</i>	<i>HK\$'million</i>	<i>%</i>
Electric storage business	94.5	43.3	119.0	58.7	(24.5)	(20.6)
EPC Services	39.2	18.0	—	—	39.2	N/A
Automobile glass repair and replacement services	45.1	20.7	50.6	24.9	(5.5)	(10.8)
Others (Trading of forklift and wind farm related business)	39.3	18.0	33.3	16.4	6.0	18.0
Total revenue	218.1	100.0	202.9	100.0	15.2	7.5

Revenue — by geographical area

	Year Ended 31 December					
	2020		2019		Increase/(decrease)	
	<i>HK\$'million</i>	<i>%</i>	<i>HK\$'million</i>	<i>%</i>	<i>HK\$'million</i>	<i>%</i>
The PRC	169.4	77.7	151.0	74.4	18.4	12.2
Hong Kong	46.0	21.1	50.5	24.9	(4.5)	(8.9)
Others	2.7	1.2	1.4	0.7	1.3	92.9
Total revenue	<u>218.1</u>	<u>100.0</u>	<u>202.9</u>	<u>100.0</u>	<u>15.2</u>	<u>7.5</u>

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

- (a) the increase in revenue attributable to our new business, EPC Services for photovoltaic power stations, which contributed revenue amounting to HK\$39.2 million for the year ended 31 December 2020;
- (b) the increase in revenue attributable to “Others” business segment by 18.0%, which was mainly due to the increase in demand of the forklifts during the year; and
- (c) partially offset by (i) the decrease in revenue attributable to the electric storage business by 20.6%, which was mainly due to the decrease in demand of the energy storage systems during the year; and (ii) the decrease in revenue attributable to the automobile glass repair and replacement services by 10.8%, which was mainly due to the decrease in demand for the services as a result of the outbreak of COVID-19.

Cost of revenue and gross profit

Cost of revenue comprised of HK\$75.4 million (2019: HK\$90.5 million) arising from the electric storage business, HK\$27.5 million (2019: Nil) arising from the EPC Services, HK\$33.8 million (2019: HK\$38.1 million) arising from the automobile glass repair and replacement services, and HK\$30.7 million (2019: HK\$24.2 million) arising from others (trading of forklift and wind farm related business).

Cost of revenue for the electric storage business of HK\$75.4 million (2019: HK\$90.5 million) mainly represented the material cost, labour cost and depreciation charge of plant and equipment. The gross profit of the electric storage business decreased by 33.3% from HK\$28.5 million for the year ended 31 December 2019 to HK\$19.0 million for the year ended 31 December 2020 due to the change in product mix as a result of the decrease in demand of the energy storage systems, which have relatively higher gross profit margin than other products, and the increase in demand of lithium battery products during the year.

Cost of revenue for the EPC Services of HK\$27.5 million (2019: Nil) mainly represented the material cost and subcontracting cost. The gross profit of the EPC Services amounted to HK\$11.7 million for the year ended 31 December 2020 (2019: Nil).

Cost of revenue for the automobile glass repair and replacement services decreased by 11.3% from HK\$38.1 million for the year ended 31 December 2019 to HK\$33.8 million for the year ended 31 December 2020. The gross profit of the automobile glass repair and replacement services decreased by 8.9% from HK\$12.4 million for the year ended 31 December 2019 to HK\$11.3 million for the year ended 31 December 2020 mainly because the rental and other overhead expenses (including labour costs) were generally stable, while revenue decreased.

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

The overall gross profit margin decreased from 24.7% for the year ended 31 December 2019 to 23.3% for the year ended 31 December 2020 mainly due to (i) the change in product mix as a result of the decrease in demand of the energy storage systems which have relatively higher gross profit margin than other products, partially offset by the increase in demand of the other products and (ii) lower average price of forklifts to boost the sales volume.

Other income

Other income mainly represented government grants amounting to HK\$4.9 million (2019: HK\$5.6 million) which included the government grants from the PRC government in relation to the tax subsidy and Hong Kong government in relation to various subsidies granted to the automobile glass repair and replacement business.

Other gains/(losses), net

Other gains, net for the year ended 31 December 2020 mainly represented rental concessions for the factory granted by the PRC government and the service centres in Hong Kong granted by the landlords due to the outbreak of COVID-19 and gain on disposal of scrapped materials, partially offset by the exchange losses.

Other losses, net for the year ended 31 December 2019 mainly represented the exchange losses.

Expenses

Selling and marketing costs for the year ended 31 December 2020 increased by HK\$0.5 million from HK\$4.8 million for the year ended 31 December 2019 to HK\$5.3 million for the year ended 31 December 2020, which was mainly due to the increase in quality control related expenses.

Administrative expenses increased by HK\$5.1 million from HK\$26.9 million for the year ended 31 December 2019 to HK\$32.0 million for the year ended 31 December 2020 mainly due to the increase in research and development cost for the development and improvement of products.

Finance costs

No finance costs were charged to profit or loss for the year ended 31 December 2020 (2019: Nil) as all the interest expenses were capitalised. During the year under review, interest expense of HK\$0.6 million (2019: HK\$0.8 million) was capitalised into the construction costs of the lithium battery production facilities. The capitalised amounts will depreciate together with the relevant assets over their estimated useful lives. The decrease in amount capitalised was mainly attributable to the lower weighted average carrying amount of bank borrowings during the year to finance the capital expenditures for its lithium battery production facilities.

Income tax expense

The Group incurred income tax expense of HK\$4.1 million for the year ended 31 December 2020 (2019: HK\$3.1 million), which represented Hong Kong profits tax, PRC Corporate Income Tax and PRC withholding tax. The effective tax rate was 17.0% for the year ended 31 December 2020 (2019: 11.2%). One of the PRC subsidiaries, being qualified as New and High Technology Enterprise, was entitled to a preferential Corporate Income Tax rate of 15% and tax incentives for research and development tax credit.

Profit before income tax and net profit for the year

The Group recorded profit before income tax for the year ended 31 December 2020 of HK\$24.2 million (2019: HK\$28.2 million). This was mainly attributable to the performance of the Group as analysed above.

The profit attributable to owners of the Company decreased by 20.4% from HK\$25.0 million in 2019 to HK\$19.9 million in 2020.

FINANCIAL RESOURCES AND LIQUIDITY

For the year ended 31 December 2020, the Group's primary sources of funding included its own working capital, the net proceeds from the rights issue in May 2018 and bank borrowings. As at 31 December 2020, the Group had net current assets of HK\$194.5 million (31 December 2019: HK\$231.3 million) and cash and cash equivalents of HK\$152.9 million (31 December 2019: HK\$220.9 million) which were placed with major banks in Hong Kong and the PRC. As at 31 December 2020, the Group had bank borrowings of HK\$8.0 million (31 December 2019: HK\$30.0 million) and had unutilised banking facilities of HK\$102.0 million (31 December 2019: HK\$80.0 million).

The Group's gearing ratio calculated based on net debt (bank borrowings less cash and cash equivalents) divided by the shareholders' equity of the Group was not applicable as the Group had no net debt as at 31 December 2020 and 2019.

CAPITAL STRUCTURE

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

CAPITAL EXPENDITURES AND COMMITMENTS

The Group incurred capital expenditures of HK\$70.5 million for the year ended 31 December 2020 (2019: HK\$47.3 million), which was mainly related to the development and construction of lithium battery production facilities in the PRC.

Capital commitments contracted but not provided for by the Group as at 31 December 2020 amounted to HK\$107.1 million (31 December 2019: HK\$139.7 million), which were mainly related to the purchase of various production plants and machinery for the lithium battery plant in the PRC from independent third parties under different independent contracts.

PLEDGE OF ASSETS

No assets of the Group were pledged as security for bank borrowings as at 31 December 2020 and 2019.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2020, the Group had 259 (31 December 2019: 266) full-time employees, of whom 200 (31 December 2019: 206) were based in the PRC and 59 (31 December 2019: 60) were based in Hong Kong. The total staff costs, including the emoluments of the Directors, amounted to HK\$49.6 million (2019: HK\$49.7 million) for the year ended 31 December 2020. 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 2020 (2019: Nil).

TREASURY POLICIES AND EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

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

Amid the recent appreciation (2019: depreciation) of RMB against HK\$, the Group reported non-cash translation gain (2019: loss) – an increase in the reserve of its consolidated statement of financial position of HK\$25.1 million (2019: a decrease of HK\$5.5 million), when converting RMB-denominated assets and liabilities into HK\$ at 31 December 2020.

The Group transacts mainly in HK\$ and RMB. However, the Group retains some bank balances in HK\$ in the PRC which contributed to a foreign currency translation loss of HK\$0.4 million (2019: HK\$1.2 million) as HK\$ fluctuates against RMB during the year ended 31 December 2020.

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 2020, the Group did not use any financial instrument for hedging purpose.

USE OF PROCEEDS OF RIGHTS ISSUE

In May 2018, the Company raised net proceeds of approximately HK\$198.9 million by way of rights issue of 108,022,591 rights shares. The table below sets out the proposed applications of the net proceeds, the actual utilisation up to 31 December 2020 and the expected utilisation for the year ending 31 December 2021:

	Proposed applications of the net proceeds	Amount utilised up to 31 December 2020	Unutilised balance as at 31 December 2020	Expected amount to be utilised for the year ending 31 December 2021	Expected unutilised balance as at 31 December 2021
	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>
Set-up new production lines for lithium batteries business	135.4	107.6	27.8	27.8	—
Repay the outstanding capital expenditure of the existing lithium battery production facilities	24.7	24.7	—	—	—
General working capital	38.8	38.8	—	—	—
Total	<u>198.9</u>	<u>171.1</u>	<u>27.8</u>	<u>27.8</u>	<u>—</u>

The amount proposed for the repayment of the outstanding capital expenditure of existing lithium battery production facilities of HK\$24.7 million and for general working capital purpose of HK\$38.8 million were fully utilised as intended. As at 31 December 2020, the remaining balance of HK\$27.8 million proposed to be used for the set-up of new production lines for the lithium battery business had yet to be utilised as the construction works of the factory building and the set-up of the production lines (including site preparation and formation, building design, layout design of the production lines, and selection and tendering of related equipment) required longer period of time for completion and the delay in construction work as a result of COVID-19. The remaining amount of net proceeds from the rights issue is expected to be fully utilised by 31 December 2021.

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

As at 31 December 2020, 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 2020. Save as the disclosed plan to set up the new lithium battery production line in Zhangjiagang, Jiangsu Province, China, there were no other plans authorised by the Board for any material investments or additions of capital assets as at the date of this announcement.

CONTINGENT LIABILITIES

As at 31 December 2020, the Group did not have any significant contingent liabilities (31 December 2019: Nil).

EVENT AFTER THE REPORTING PERIOD

No significant events have taken place subsequent to 31 December 2020 and up to the date of this announcement.

BUSINESS REVIEW

Electric Storage Business – Proactively upgrade existing products and develop new products to enhance market competitiveness

Since the Group has started the production of lithium battery products in 2017, various types of electric storage system 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 fully utilised the competitive advantage of vertically integrated industrial chain and has developed the existing core business segments.

The Group has always believed that R&D is the key to long-term development and therefore has given strong support to the investment in the R&D of lithium battery products. The Group continues to strengthen the R&D and production of lithium battery products and other associated products based on customers' demand, and thereby strive to offer a wider range of power supply products, technical services and comprehensive system solutions. During the year under review, capitalising on its increasingly sophisticated R&D and production technologies, the Group unveiled new products to meet the market demand during the year, marked by the increasing use of battery management systems (“**BMS**”) and the battery systems in different industries for different applications. Applications of these products have increased significantly as compared to 2019. In addition, production of aluminium shell batteries with long life cycle and large capacity will commence at its Zhangjiagang new production facilities in the second quarter of 2021, and these additional facilities will contribute cost-competitive advantages to the Group's battery packs and energy storage products. For the year ended 31 December 2020, revenue and gross profit from the electric storage business amounted to HK\$94.5 million and HK\$19.0 million, respectively, accounting for approximately 43.3% and 37.5%, respectively, of the Group's total revenue and gross profit.

The outbreak of the COVID-19 pandemic posed significant challenges to the global economy and various industries. The Group's lithium battery products business in China was also affected, particularly in the first quarter of 2020. For example, the production activities of the Group's lithium battery products could only be resumed after the Chinese New Year holidays which resulted in the delay in product delivery by the Group to our customers. As the pandemic in China is under control and the market recovered in an orderly manner, the Group's production and delivery of lithium battery products have gradually improved and stabilised since March 2020.

Engineering, Procurement and Construction (“EPC”) Business of Solar Power Stations – New business leads to profit growth and advances the market status of the Group among new energy enterprises

Recognising the recent increasing demand in the fast-growing photovoltaic market, the Group seized the opportunity and launched the EPC services for photovoltaic power stations during the year. The Group has successfully signed EPC contracts for three projects and completed installation of facilities at customers’ factories in China during the year. For the year ended 31 December 2020, revenue and gross profit from the EPC services for photovoltaic power stations business amounted to HK\$39.2 million and HK\$11.7 million, respectively, representing approximately 18.0% and 23.0% of the Group’s total revenue and gross profit. In the fourth quarter of 2020, the Group established a subsidiary in Canada for the provision of EPC services in which it holds a 68% equity stake. This subsidiary is principally engaged in the provision of EPC services for photovoltaic power systems, which represents the foundation for the Group to develop its business in overseas markets.

Automobile Glass Repair and Replacement Services Business – Continues to generate stable cashflow to the Group to support its core business development

The Group’s automobile glass repair and replacement services business only recorded revenue of HK\$45.1 million during the year, which was mainly affected by factors such as the outbreak of COVID-19, weak local consumption and shrinking investment expenditure. During the year under review, the amount of revenue generated from Group’s automobile glass repair and replacement services business in Hong Kong recorded a year-on-year decrease, mainly due to the drop in revenue from customers not covered by insurance, such as coach companies, garages or individual customers. Despite the revenue and gross profit of the Group’s automobile glass repair and replacement services business in Hong Kong decreased in the short term, with its deep roots in Hong Kong for years, the Directors believe that this business will gradually resume and contribute stable cash flows to the Group.

Other Business – Continue to increase efforts in expanding sales channels of forklift to expand customer base

The Group's active investment in the early stage of forklift electrification has achieved fruitful results, making the Group one of the major lithium battery suppliers in the forklift industry in the PRC. The demand for forklifts continuously increased during the year, and with the additional supports from China's environmental protection policies. The Group has focused on promoting lithium battery-powered forklifts in seriously polluted regions with high energy consumption in China. The Group has established business relationships with more customers, and this is set to boost related revenue. During the year, revenue from other businesses expanded by 18.0% to HK\$39.3 million.

BUSINESS OUTLOOK

The Group is committed to develop the potential of its new energy business and it will strive to develop this segment. The Group will enhance R&D of applications of new electric storage products and power batteries, increase the percentage of R&D expenditure, strive to strengthen the performance of products, reduce production costs, enhance market expansion and optimise services provided to our customers, so as to solidify the foundation that could bolster its competitive advantages in the market. In recent years, the new energy industry has been booming and the installed capacity and power generation continues to expand. Among the new energy, photovoltaic power and wind power require the support of electric storage to attain its value. The Group believes that electric storage offers huge room for development in the new energy on-grid and load shifting markets.

Furthermore, amid the falling prices of products, including lithium batteries, the investment costs of lithium battery applications have decreased. The Group expects its lithium battery products will be widely used in the market and it will therefore launch more innovative products, combined with the active marketing and sales strategies in order to explore more business opportunities, expand its customer base and enhance its profitability. At the same time, the construction of the Group's new factory in Zhangjiagang is in progress, and is expected to commence production in the second quarter of 2021. By then, the level of production capacity and equipment could enhance significantly and the Group will be well positioned to seize the bright prospects in the lithium battery and electric storage industry.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance practices are based on the principles of the Corporate Governance Code (the "**CG Code**") as set forth in Appendix 15 to the GEM Listing Rules. The Directors will continue to review its corporate governance standard, to comply with the increasingly tightened regulatory requirements from time to time, and to meet the rising expectation of Shareholders and other stakeholders of the Company. For the year ended 31 December 2020, the Company had complied with the applicable code provisions set forth in the CG Code.

AUDIT COMMITTEE

The Company established an audit committee of the Board (the "**Audit Committee**") on 25 June 2016 with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and risk management and internal control systems of the Group, nominate and monitor external auditors and provide advice and comments to the Board on matters related to corporate governance. The members of the Audit Committee include three independent non-executive Directors, namely Mr. WANG Guisheng, Mr. NG Wai Hung and Mr. CHAN Hak Kan, B.B.S., 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 2020 has been reviewed by the Audit Committee.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings concerning securities transaction set forth in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries with all Directors, the Company was not aware of any non-compliance with such required standard of dealings and its code of conduct regarding securities transactions by directors for the year ended 31 December 2020.

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

For the year ended 31 December 2020, 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 for photovoltaic power stations.

Arrangements have been implemented 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 2020, none of the Directors or the controlling shareholders (as defined in the GEM Listing Rules) or their respective associates (as defined in the GEM Listing Rules) have any interests in a business which competed or may compete, either directly or indirectly, with the business of the Group or have any other conflicts of interests which any such person has or may have with the Group. Hence, the Deed of Non-Competition (as defined in the prospectus of the Company dated 28 June 2016) has been duly complied with.

SUFFICIENCY OF PUBLIC FLOAT

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

PUBLICATION OF FINAL RESULTS

This announcement is published on the websites of the Stock Exchange and the Company. The annual report of the Company for the financial year ended 31 December 2020 containing all the information required by the GEM Listing Rules and other applicable laws and regulations will be dispatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

FIGURES IN PRELIMINARY ANNOUNCEMENT AGREED BY AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

By order of the Board

Xinyi Electric Storage Holdings Limited

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

Chairman

Hong Kong, 26 February 2021

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

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

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