

**XINYI AUTOMOBILE GLASS
HONG KONG ENTERPRISES LIMITED
信義汽車玻璃香港企業有限公司**

(Incorporated under the laws of the Cayman Islands with limited liability)

Stock Code: 8328

2016
Interim Report

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

GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, 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 report, for which the board (the “Board”) of the directors (the “Directors”) of Xinyi Automobile Glass Hong Kong Enterprises Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with The Rules Governing the Listing of Securities on the GEM (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company and its subsidiaries (together, the “Group”, “we”, “us”, or “our”). The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report 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 report misleading.

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HIGHLIGHTS

- The Company has been listed on GEM since 11 July 2016.
- The revenue of the Group for the six months ended 30 June 2016 amounted to HK\$25.2 million, representing an increase of 12.5% as compared with the revenue of HK\$22.4 million for the six months ended 30 June 2015.
- Loss attributable to owners of the Company for the six months ended 30 June 2016 amounted to HK\$0.1 million, whereas there was a profit attributable to owners of the Company of HK\$5.1 million recorded for the six months ended 30 June 2015. The decrease in the profitability was principally attributable to the expenses incurred for the Listing. Excluding the Listing expenses of HK\$4.5 million incurred and charged to profit and loss for the six months ended 30 June 2016, the profit attributable to owners of the Company for the six months ended 30 June 2016 amounted to HK\$4.4 million, representing a decrease of HK\$0.7 million or 13.5% as compared with the six months ended 30 June 2015.
- No interim dividend is recommended by the Board for the six months ended 30 June 2016.

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Ms. LI Pik Yung
Mr. CHAN Chi Leung

NON-EXECUTIVE DIRECTORS

Mr. TUNG Ching Sai (*Chairman*)-
Mr. LEE Shing Kan^o

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. WANG Guisheng* ^o <
Mr. NG Wai Hung# <
Mr. CHAN Hak Kan# +

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

COMPANY SECRETARY

Mr. CHAN Chi Leung, CPA

AUTHORISED REPRESENTATIVES

Ms. LI Pik Yung
Mr. CHAN Chi Leung

REGISTERED OFFICE

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Clifton House
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Grand Cayman KY1-1108
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS

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LEGAL ADVISERS AS TO HONG KONG LAW

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CORPORATE INFORMATION (CONTINUED)

AUDITOR

PricewaterhouseCoopers,
Certified Public Accountants
22nd Floor, Prince's Building
Central, Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong)
Hang Seng Bank

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Estera Trust (Cayman) Limited
PO Box 1350
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Grand Cayman KY1-1108
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HONG KONG SHARE REGISTRAR

Computershare Hong Kong
Investor Services Limited
Shops 1712-16, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

WEBSITE

<http://www.xyglass.com.hk>

SHARE INFORMATION

Place of listing: GEM Board of The Stock
Exchange of Hong Kong Limited
Stock code: 08328
Listing date: 11 July 2016
Board lot: 4,000 ordinary shares
Financial year end: 31 December
Share price as of the date of this
interim report: HK\$1.83
Market capitalisation as of the date of
this interim report:
Approximately HK\$988 million

The Board is pleased to present the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2016 (which has been reviewed by the audit committee of the Board), together with the comparative unaudited figures for the six months ended 30 June 2015 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Notes	Three months ended 30 June		Six months ended 30 June	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Revenue	5	13,128	12,274	25,204	22,412
Cost of revenue		(8,422)	(6,948)	(16,407)	(13,229)
Gross profit		4,706	5,326	8,797	9,183
Other income	6	107	28	108	38
Selling and marketing costs		(928)	(889)	(2,071)	(1,948)
Administrative expenses		(1,756)	(586)	(6,094)	(1,180)
Operating profit		2,129	3,879	740	6,093
Finance income		1	–	2	–
Profit before income tax		2,130	3,879	742	6,093
Income tax expense	8	(539)	(817)	(845)	(1,010)
Profit/(loss) for the period		1,591	3,062	(103)	5,083
Other comprehensive income for the period		–	–	–	–
Total profit/(loss) and comprehensive income attributable to owners of the Company		1,591	3,062	(103)	5,083
Basic and diluted earnings/(loss) per share (HK cents per share)	9	0.33	0.63	(0.02)	1.05

CONDENSED CONSOLIDATED BALANCE SHEET

As of 30 June 2016

	Notes	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Plant and equipment	11	3,890	3,502
Leasehold land		9,031	9,181
		12,921	12,683
Current assets			
Inventories		9,176	9,183
Trade and other receivables	12	6,369	31,432
Cash and cash equivalents		42,857	25,252
		58,402	65,867
Total assets		71,323	78,550
EQUITY			
Equity attributable to owners of the Company			
Share capital	13	4,851	–
Reserves		61,043	62,805
Total equity		65,894	62,805

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

As of 30 June 2016

	Notes	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
LIABILITIES			
Current liabilities			
Trade and other payables	14	4,367	15,529
Current income tax liabilities		1,062	216
Total liabilities		5,429	15,745
Total equity and liabilities		71,323	78,550
Net current assets		52,973	50,122
Total assets less current liabilities		65,894	62,805

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to owners of the Company					
	Share Capital HK\$'000	Combined capital HK\$'000	Capital reserve HK\$'000	Share option reserve HK\$'000	Retained earnings HK\$'000	Total equity HK\$'000
Balance at 1 January 2016 (Audited)	-	-	9,100	2,720	50,985	62,805
Comprehensive income						
Loss for the period	-	-	-	-	(103)	(103)
Transactions with owners:						
Employee's share option scheme:						
- Value of employee services	-	-	-	192	-	192
Listing expenses borne by Xinyi Glass Group (Note 7)	-	-	3,000	-	-	3,000
Capitalisation issue of shares (Note 13)	4,851	-	-	-	(4,851)	-
Balance at 30 June 2016 (Unaudited)	4,851	-	12,100	2,912	46,031	65,894
Balance at 1 January 2015 (Audited)	-	100	-	2,350	55,528	57,978
Comprehensive income						
Profit for the period	-	-	-	-	5,083	5,083
Transactions with owners:						
Employee's share option scheme:						
- Value of employee services	-	-	-	185	-	185
Balance at 30 June 2015 (Unaudited)	-	100	-	2,535	60,611	63,246

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Net cash generated from operating activities	2,886	3,542
Net cash generated from/(used in) investing activities	25,387	(2,016)
Net cash (used in)/generated from financing activities	(10,668)	1,055
Net increase in cash and cash equivalents	17,605	2,581
Cash and cash equivalents at 1 January	25,252	6,112
Cash and cash equivalents at 30 June	42,857	8,693

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

Xinyi Automobile Glass Hong Kong Enterprises Limited (the “**Company**”) was incorporated in the Cayman Islands on 18 November 2015 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office of the Company is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands.

The Company is an investment holding company and the Group is principally engaged in the provision of installation of automobile glass products in Hong Kong.

Pursuant to the reorganisation (the “**Reorganisation**”) of the Group in connection with the listing (the “**Listing**”) of the shares of the Company on The Growth Enterprise Market (the “**GEM**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), the Company became the holding company of the companies now comprising the Group on 14 December 2015. The shares of the Company has been listed on GEM since 11 July 2016 (the “**Listing Date**”). Further information on the Reorganisation is set forth in the section headed “History, Development and Reorganisation” in the prospectus of the Company dated 28 June 2016 (the “**Prospectus**”).

The unaudited condensed consolidated interim financial information is presented in Hong Kong dollars (“**HK\$**”) which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2016 has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the disclosure requirements in Chapter 18 of The Rules Governing the Listing of Securities on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”).

The unaudited condensed consolidated interim financial information has been prepared under the historical cost convention.

This unaudited condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2015 as set forth in the accountant’s report of the Group in Appendix I to the Prospectus, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of the unaudited condensed consolidated interim financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015, except as mentioned below.

The following amendments to standards are mandatory for financial year beginning on 1 January 2016, the adoption of which does not have any significant impact to the results and financial position of the Group.

- HKAS 1 (Amendment), "Disclosure initiative"
- HKAS 27 (Amendment), "Equity method in separate financial statements"
- HKFRS 10, HKFRS 12 and HKAS 28 (Amendment), "Investment entities: applying the consolidation exception"
- HKFRS 14, "Regulatory deferral accounts"
- HKFRS (Amendment), "Annual improvements to HKFRSs 2012 – 2014 cycle"

The Group has not early applied the new and revised HKFRSs that have been issued by HKICPA but are not yet effective. The Group has commenced an assessment of the impact of these new standards and amendments, but is not yet in a position to state whether they would have a significant impact on its results and financial position.

4. SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group is principally engaged in the provision of installation of automobile glass products in Hong Kong, and resources are allocated based on what is most beneficial to the Group in enhancing the value as a whole, instead of any specific unit.

In addition, the Group's chief operating decision-maker considers that the performance assessment of the Group should be based on the profit before income tax of the Group as a whole. Accordingly, management considers there is only one operating segment under the requirements of HKFRS 8.

The Group primarily operates in Hong Kong with all of its non-current assets located at and capital expenditure incurred in Hong Kong. During the six months ended 30 June 2016 and 2015, all revenue was from external customers in Hong Kong.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

5. REVENUE

An analysis of the revenue from the Group's principal activities, which is also the Group's turnover are as follows:

	Three months ended 30 June		Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Sales of automobile glass with installation and repair services	13,128	12,274	25,204	22,412

6. OTHER INCOME

	Three months ended 30 June		Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Net disposal gain from plants and equipment	79	12	79	12
Others	28	16	29	26
	107	28	108	38

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

7. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after (crediting)/charging the followings:

		Six months ended 30 June	
		2016	2015
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
(a)	Finance income		
	Interest income on short-term bank deposits	(2)	–
(b)	Other items		
	Cost of inventories sold	6,242	5,433
	Write-off of inventories	89	–
	Employee benefit expenses (including directors' emoluments)	9,634	7,807
	Operating lease payments in respect of rented premises	2,131	1,206
	Listing expenses [#]	4,500	–

[#] Listing expenses mainly include professional fee to sole sponsor, the legal advisers, the legal advisers to the sole sponsor and the reporting accountant.

Listing expenses are recognised in the consolidated statement of profit or loss and other comprehensive income as and when they are incurred. On 7 December 2015, it was agreed with Xinyi Glass Holdings Limited (“Xinyi Glass”) that two third and one third of such expenses were borne by Xinyi Glass and its subsidiaries (collectively “Xinyi Glass Group”) and the Company, respectively. Upon payment of these expenses by Xinyi Glass Group, a capital contribution from Xinyi Glass Group were recorded in the Company's equity.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

8. INCOME TAX EXPENSE

The Group is not subject to taxation in the Cayman Islands and the British Virgin Islands. Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profits arising in or derived from Hong Kong for the six months ended 30 June 2016 (2015: 16.5%).

	Three months ended 30 June		Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Current income tax				
– Hong Kong profits tax	539	817	845	1,010

9. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2016 and 2015.

The weighted average number of ordinary shares in issue used in the basic earnings per share calculation is determined on the assumption that the Reorganisation and Capitalisation Issue as described in Appendix IV to the Prospectus as well as the additional capitalisation issue on 8 July 2016 as described in note 13 had been effective on 1 January 2015.

	Three months ended 30 June		Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Profit/(Loss) attributable to owners of the Company (HK\$'000)	1,591	3,062	(103)	5,083
Weighted average number of ordinary shares for the purpose of basic and diluted earnings/loss per share ('000)	485,113	485,113	485,113	485,113
Basic and diluted earnings/(loss) (HK cents per share)	0.33	0.63	(0.02)	1.05

No adjustment has been made to the basic earnings/(loss) per share amount for the six months ended 30 June 2016 and 2015 as the Group had no potential dilutive ordinary shares in issue during the respective periods.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

10. DIVIDENDS

No interim dividend was declared during the six months ended 30 June 2016 (2015: Nil).

11. CAPITAL EXPENDITURE

	Plant and equipment HK\$'000	Leasehold land HK\$'000
Six months ended 30 June 2016 (Unaudited)		
Opening net book amount at 1 January 2016	3,502	9,181
Additions	810	–
Disposals	–	–
Depreciation/Amortisation	(422)	(150)
Closing net book amount at 30 June 2016	3,890	9,031
Six months ended 30 June 2015 (Unaudited)		
Opening net book amount at 1 January 2015	3,850	9,481
Additions	28	–
Disposals	–	–
Depreciation/Amortisation	(379)	(150)
Closing net book amount at 30 June 2015	3,499	9,331

12. TRADE AND OTHER RECEIVABLES

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Trade receivables (Note)	4,943	3,266
Amounts due from related parties	–	26,848
Prepayments	279	241
Deposits and other receivables	1,147	1,077
	6,369	31,432

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

12. TRADE AND OTHER RECEIVABLES (CONTINUED)

Note:

The majority of credit period granted by the Group to its customers is generally 30 to 60 days. At 30 June 2016 and 31 December 2015, the ageing analysis of the Group's trade receivables based on invoice date was as follows:

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
0 – 60 days	3,315	2,343
61 – 180 days	1,500	893
181 – 365 days	128	30
	4,943	3,266

13. SHARE CAPITAL

The Company was incorporated in Cayman Islands on 18 November 2015. At the date of incorporation the authorised share capital is HK\$20,000,000,000 comprising 2,000,000,000,000 ordinary shares of HK\$0.01 each and 100 share was allotted and issued to Xinyi Automobile Glass (BVI) Limited (“**Xinyi Glass (BVI)**”).

On 14 December 2015, all the 100,000 shares of Xinyi Automobile Glass Company Limited were transferred from Xinyi International Investments Limited to the Group at the consideration of 599 shares allotted and issued by the Company to Xinyi Glass (BVI).

On 25 June 2016, the Company further allotted and issued 485,111,513.38 Shares to Xinyi Glass (BVI) by way of capitalisation issue.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

13. SHARE CAPITAL (CONTINUED)

The number of the Company's shares authorised and issued as of 30 June 2016 and 31 December 2015 are as follows:

	Number of shares	HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each	2,000,000,000,000	20,000,000
Ordinary shares, issued and fully paid:		
Issued during the period from 18 November 2015 to 31 December 2015	699.00	–
At 31 December 2015 (Audited)		
Capitalisation issue of shares	485,111,513.38	4,851
At 30 June 2016 (Unaudited)		
	485,112,212.38	4,851

The ordinary shares in issue has increased by 750 shares by way of an additional capitalisation issue of 750 shares at HK\$0.01 each on 8 July 2016 to maintain the distribution ratio of one share for eight Xinyi Glass Shares (as defined in the Prospectus) under the Xinyi Glass Distribution (as defined in the Prospectus).

In connection with the Listing, 55,000,000 shares of HK\$0.01 each of the Company were issued at the offer price of HK\$0.70 to public investors with gross proceeds of HK\$38.5 million. HK\$0.6 million was credited to the share capital account and HK\$37.1 million (net of professional fees of HK\$0.9 million) was credited to the share premium account.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

14. TRADE AND OTHER PAYABLES

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Trade payables (<i>Note</i>)		
– Third parties	654	458
– Related companies	304	123
	958	581
Amounts due to related companies (non-trade)	–	6,128
Accrued salaries and bonus	2,917	5,391
Accrued listing expenses	187	3,402
Other creditors and accruals	305	27
	4,367	15,529

Note:

Payment term with majority of the suppliers is 30 days.

The ageing analysis of trade payables based on invoice date as of the balance sheet date is as follows:

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Less than 30 days	958	581

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

15. RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2016 and 2015, the Group carried out the following significant transactions with its related parties:

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Purchases of goods from Xinyi Glass Group	1,711	3,787
Operating lease rental to Mr. Lee Shing Kan and Mr. Tung Fong Ngai	228	284
Agency fee for purchase of glass glue to Xinyi Glass Japan Company Limited	–	4

Operating lease rental is charged in accordance with the agreement entered into between the relevant parties, whereas those transactions with related companies are entered into at terms mutually agreed between the relevant parties.

Key management compensation amounted to HK\$3,871,000 for the six months ended 30 June 2016 (2015: HK\$3,296,000).

16. CAPITAL COMMITMENT

The following is the detail of capital expenditure contracted for but not provided in the interim financial information:

	30 June	31 December
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Commitment for acquisition of property, plant and equipment	726	–

17. EVENTS AFTER REPORTING PERIOD

The Company has been listed on GEM since 11 July 2016. Please refer to note 13 for details of movement of share capital after the reporting period and the proceeds from the issuance of new shares.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a service provider of vehicle glass repairs and replacement services in Hong Kong. The Group currently has four service centres and 19 motorcade service teams for the provision of our services.

Customers of the Group include (a) corporate customers, such as garages, car dealers, car rental companies, coach and bus companies and public service organisations and government departments, which are not insured under the motor vehicle insurance policies maintained with the insurance companies; (b) individual customers not insured under motor vehicle insurance policies; and (c) insurance companies pursuant to which we have entered into cooperation arrangements for the provision of vehicle glass repairs and replacement services for the insured car owners.

Driven by the strategy to enhance the business relationship with insurance companies, the Group has entered into four additional cooperation agreements with insurance companies in Hong Kong for the provision of vehicle glass repairing service to the cars under their insurance coverage.

In line with the increase in demand from the insurance companies which are customers of the Group, the revenue of the Group continued to grow during the six months ended 30 June 2016. The revenue of the Group for the six months ended 30 June 2016 was HK\$25.2 million (2015: HK\$22.4 million), representing an increase of 12.5%.

However, the profitability of the Group was adversely affected by the expenses incurred for the Listing. The loss attributable to owners of the Company for the six months ended 30 June 2016 amounted to HK\$0.1 million, whereas there was a profit attributable to owners of the Company of HK\$5.1 million recorded for the six months ended 30 June 2015. Excluding the Listing expenses of HK\$4.5 million incurred and charged to profit and loss for the six months ended 30 June 2015, the profit attributable to owners of the Company for the six months ended 30 June 2016 was HK\$4.4 million, representing a decrease of HK\$0.7 million or 13.5% as compared with the six months ended 30 June 2015.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW

Revenue

The revenue of the Group for the six months ended 30 June 2016 was HK\$25.2 million, representing an increase of 12.5% as compared with the revenue of HK\$22.4 million for the six months ended 30 June 2015. The increase was mainly due to the rise in demand from the insurance customers of the Group. The Group has entered into four additional cooperation agreements with insurance companies for the provision of vehicle glass repairing service to the cars under their insurance coverage.

Cost of revenue and gross profit

Cost of revenue of the Group increased by 24.0% from HK\$13.2 million for the six months ended 30 June 2015 to HK\$16.4 million for the six months ended 30 June 2016.

The gross profit of the Group decreased from HK\$9.2 million for the six months ended 30 June 2015 to HK\$8.8 million for the six months ended 30 June 2016, representing a decrease of 4.2%.

The percentage of increase in the cost of revenue of 24.0% was higher than the percentage of increase in the revenue of 12.5% mainly due to the incurrence of additional rental expenses of HK\$1.1 million for the new warehouse which was leased since October 2015.

Expenses

Selling and marketing costs for the six months ended 30 June 2016 increased by HK\$0.1 million which was mainly due to increase in employee benefit expenses.

Administrative expenses for the six months ended 30 June 2016 increased by HK\$4.9 million from HK\$1.2 million for the six months ended 30 June 2015 to HK\$6.1 million for the six months ended 30 June 2016, primarily due to the increase in Listing expenses of HK\$4.5 million and additional emoluments of HK\$0.4 million paid to the executive Directors.

Loss for the period attributable to owners of the Company

Loss attributable to owners of the Company for the six months ended 30 June 2016 amounted to HK\$0.1 million, whereas there was a profit attributable to owners of the Company of HK\$5.1 million recorded for the six months ended 30 June 2015. The decrease in the profitability was principally attributable to the expenses incurred for the Listing. Excluding the Listing expenses of HK\$4.5 million incurred and charged to profit and loss for the six months ended 30 June 2016, the profit attributable to owners of the Company for the six months ended 30 June 2016 was HK\$4.4 million, representing a decrease of HK\$0.7 million or 13.5% as compared with the six months ended 30 June 2015. The decrease was mainly attributable to the operating performance of the Group as analysed above.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS PROSPECTS

The Company has been listed on GEM since 11 July 2016. The Listing not only allows the Company to raise additional equity financing through the Hong Kong Public Offering (as defined in the Prospectus), it also increases the corporate profile of the Group. The enhanced corporate profile facilitates the Group in implementing its business strategies and achieving its business objectives set forth in the Prospectus.

The Group will continue to implement its future plans according to the implementation schedules set forth in the Prospectus by using the net proceeds from the Hong Kong Public Offering. Although the Group did not enjoy the benefit from the Listing during the six months ended 30 June 2016, the Directors are carrying out the implementation plans for the six months ending 31 December 2016. As of the date of this report, the Directors confirm that no modification to the implementation plans would be required.

The Directors are optimistic that the Hong Kong vehicle glass repairs and replacement market will remain stable over the next few years. The Group is committed to continue to improve the quality and the efficiency of the services it provides, so as to increase its market share of its core business in Hong Kong.

As set forth in the Prospectus, leveraging the listing status of the Company, the Group is actively pursuing new business opportunities in new energy industry and investment opportunities outside Hong Kong. After completing the required feasibility study following the Listing, the Company has registered on 28 July 2016 a wholly-owned subsidiary in the People's Republic of China, namely 蕪湖信義電源有限公司 (“信義電源”), for the production of lithium battery products for different commercial and industrial applications. Dr. Yang Tie Bao, a specialist in this industry, joined the Group as the General Manager of 信義電源. The initial registered capital of this subsidiary is RMB3.0 million (equivalent to HK\$3.5 million), which is unpaid as of the date of this report, and the expected total capital expenditure would be about RMB100.0 million (equivalent to HK\$117.0 million). The Directors expect that the production capacity of the production facilities would reach 300 million watt-hours following full commercial production in the second quarter of 2017. The Group is expected to obtain the required funding from bank borrowings, which will be guaranteed by certain connected persons of the Company as requested by the relevant banks upon normal commercial terms following arm's length negotiations with the bank and the connected persons. The Directors expect that this business opportunity would be one of the business growth drivers of the Group in addition to its core service business in Hong Kong.

The Directors will continue to carry out the implementation plans set forth in the Prospectus and assess new business opportunities prudently for the purpose of creating maximum economic return to the Shareholders and facilitating the long-term growth of the business of the Group as a whole.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Liquidity, Financial Resources and Capital Structure

As of 30 June 2016, our Group maintained cash and bank balances amounting to approximately HK\$42.9 million (31 December 2015: HK\$25.3 million). There was no bank and other borrowings as of 30 June 2016 (31 December 2015: Nil). Net current assets increased from HK\$50.1 million as of 31 December 2015 to HK\$53.0 million as of 30 June 2016, which was mainly due to receipt of settlement of current account by Xinyi Glass Group as well as an increase in cash and bank balances in relation to the net cash generated from operating activities.

Gearing Ratio

Gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as "equity" (as shown in the unaudited condensed consolidated balance sheet) plus net debt. Accordingly, our Group's gearing ratio was nil as our Group had no outstanding bank and other borrowings as of 30 June 2016 and 31 December 2015.

Capital Commitments

The Group's material capital commitments as of 30 June 2016 and 31 December 2015 are set forth in note 16 to the interim financial information.

Charges over Assets of the Group

As of 30 June 2016, there was no significant pledge on our Group's assets (31 December 2015: Nil).

Contingent Liabilities

As of 30 June 2016, our Group had no significant contingent liabilities (31 December 2015: Nil).

Future Plans for Material Investments or Capital Assets

As of 30 June 2016, the Group did not have plans for material investments or capital assets other than those set forth in the Prospectus or disclosed elsewhere in this report.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Significant Investment, Material Acquisitions and Disposal of Subsidiaries

During the six months ended 30 June 2016 and 2015, our Group did not hold any significant investment in equity interest in any other company and there were no material acquisitions and disposals of subsidiaries and affiliated companies by our Group.

Foreign Exchange Exposure

Our Group's exposure to currency risk is insignificant as our Group operates in Hong Kong with majority of our cash and cash equivalents and transactions denominated and settled in Hong Kong dollar. As of 30 June 2016, our Group has not used any derivative financial instruments to hedge foreign exchange risk (31 December 2015: Nil).

Employees and Remuneration Policies

The remuneration package of our staff includes salary and discretionary bonus. Employees' remuneration is determined based on the individual's qualifications, experience, position, job responsibilities and market conditions. Salary adjustments and staff promotion are based on evaluation of staff performance by way of annual review, and discretionary bonuses are paid to staff with reference to our financial performance of the preceding financial year and performance of individual staff.

As of 30 June 2016, our Group engaged a total of 49 employees (31 December 2015: 42). Total staff costs including Directors' remuneration for the six months ended 30 June 2016 amounted to approximately HK\$9.6 million (six months ended 30 June 2015: HK\$7.8 million). Our Group's remuneration policies are in line with the prevailing market practices.

No share options have been granted nor any existing share option schemes have been adopted by the Company as of the date of this report.

Prior to the Listing Date, share options were granted by the then ultimate holding company, Xinyi Glass, to the employees of the Group pursuant to a share option scheme adopted by Xinyi Glass.

Our Group operates a defined contribution mandatory provident fund retirement benefit scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all of our employees in Hong Kong in accordance with the rules of the MPF Scheme.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Any Associated Corporation

As of 30 June 2016, the interests of the Directors and their associates in the shares, underlying shares and debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and The Stock Exchange pursuant to the model code for securities transactions by Directors of the Company (the "Model Code"), were as follows:

(a) *Interests and short positions of our Directors in our Shares or the shares of our associated corporations*

Director	Capacity	Name of the controlled corporations	Number of issued ordinary shares held	Percentage of the issued share capital of the Company (%)
Mr. Tung Ching Sai	Interest in a controlled corporation ⁽¹⁾	Copark ⁽¹⁾ (as defined below)	30,866,572.38	6.363
		Full Guang ⁽³⁾ (as defined below)	3,696,750.00	0.762
	Personal interest/Spouse interest ⁽¹⁾		12,338,250.00	2.543
	Interest in persons acting in concert ^{(2) (3)}		277,327,382.38	57.168

Notes:

- (1) Mr. TUNG Ching Sai is the beneficial owner of all the issued share capital of Copark Investment Limited ("Copark"), a company incorporated in the BVI and wholly-owned by Mr. TUNG Ching Sai, which is the registered owner of 30,866,572.38 our Shares. Mr. TUNG Ching Sai also has personal interest in 363,500 Shares held in his own name and 11,974,750 Shares held through his spouse, Madam SZE Tang Hung.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

- (2) Pursuant to the shareholders' agreement dated 25 June 2016 (the "**Shareholders' Agreement**"), the parties have agreed to grant a right of first offer to the other parties to the agreement if they want to sell their Shares allotted to them under the Xinyi Glass Distribution.
- (3) The interests in our Shares are held through Full Guang Holdings Limited ("**Full Guang**"), a company incorporated in the BVI with limited liability on 19 December 2005. Full Guang is owned by Datuk LEE Yin Yee, B.B.S. as to 33.98%, Mr. TUNG Ching Bor as to 16.20%, Mr. TUNG Ching Sai as to 16.20%, Mr. LEE Sing Din as to 11.85%, Mr. LI Ching Wai as to 5.56%, Mr. NG Ngan Ho as to 3.70%, Mr. LI Man Yin as to 3.70%, Mr. SZE Nang Sze as to 5.09% and Mr. LI Ching Leung as to 3.70%.

(b) Interests and short positions discloseable under Divisions 2 and 3 of Part XV of the SFO

As of 30 June 2016, in addition to the interests disclosed under paragraph (a) above, so far as our Directors are aware, the following person have or is deemed to have or taken to have interests or short positions in our Shares, underlying shares and debentures of our Company which will be required to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, directly or indirectly, interested in 10% or more of the par value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group or has any option in respect of such capital:

	Name of person	Capacity	Number of Shares	Percentage of issued Shares (%)
Long position	Madam SZE Tang Hung	Spouse interest ⁽¹⁾	277,327,382.38	57.168
Short position	Nil			

Note:

- (1) Madam SZE Tang Hung is the spouse of Mr. TUNG Ching Sai and she is deemed to be interested in the interest in our Shares of Mr. TUNG Ching Sai.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Code of Conduct Regarding Securities Transaction 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 set forth in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of 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 during the six months ended 30 June 2016.

Substantial Shareholders' Interests in Shares

So far as is known to the Directors, as of 30 June 2016, the following persons (not being a Director or chief executive of the Company) had, or were deemed to have interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Long positions in the Shares of the Company

Name of the Shareholders	Nature of interest and capacity	Number of issued shares held	Percentage of the issued share capital of the Company (%)
Datuk LEE Yin Yee, B.B.S.	Interest in controlled corporation	90,651,194	18.687
	Interest in controlled corporation ⁽¹⁾	3,696,750	0.762
	Personal interest	10,679,250	2.201
	Interest in persons acting in concert ⁽²⁾	277,327,382.38	57.168
Mr. TUNG Ching Bor	Interest in a controlled corporation	33,345,807	6.874
	Interest in controlled corporation ⁽¹⁾	3,696,750	0.762
	Personal interest	3,450,000	0.711
	Interest in persons acting in concert ⁽²⁾	277,327,382.38	57.168

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Name of the Shareholders	Nature of interest and capacity	Number of issued shares held	Percentage of the issued share capital of the Company (%)
Mr. LEE Sing Din	Interest in a controlled corporation	31,449,386.13	6.483
	Interest in controlled corporation ⁽¹⁾	3,696,750	0.762
	Personal interest	2,596,250	0.535
	Interest in persons acting in concert ⁽²⁾	277,327,382.38	57.168
Mr. LI Ching Wai	Interest in a controlled corporation	14,572,608.50	3.004
	Interest in controlled corporation ⁽¹⁾	3,696,750	0.762
	Interest in persons acting in concert ⁽²⁾	277,327,382.38	57.168
Mr. LI Man Yin	Interest in a controlled corporation	9,880,238.88	2.037
	Interest in controlled corporation ⁽¹⁾	3,696,750	0.762
	Personal interest	292,500	0.060
	Interest in persons acting in concert ⁽²⁾	277,327,382.38	57.168
Mr. SZE Nang Sze	Interest in a controlled corporation	13,203,847.63	2.722
	Interest in controlled corporation ⁽¹⁾	3,696,750	0.762
	Personal interest	35,000	0.007
	Interest in persons acting in concert ⁽²⁾	277,327,382.38	57.168

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Name of the Shareholders	Nature of interest and capacity	Number of issued shares held	Percentage of the issued share capital of the Company (%)
Mr. NG Ngan Ho	Interest in a controlled corporation	9,731,739	2.006
	Interest in controlled corporation ⁽¹⁾	3,696,750	0.762
	Personal interest	325,000	0.067
	Interest in persons acting in concert ⁽²⁾	277,327,382.38	57.168
Mr. LI Ching Leung	Interest in a controlled corporation	9,731,738.88	2.006
	Interest in controlled corporation ⁽¹⁾	3,696,750	0.762
	Personal interest	481,250	0.099
	Interest in persons acting in concert ⁽²⁾	277,327,382.38	57.168

Notes:

- (1) The interests in our Shares are held through Full Guang. Full Guang is owned by Datuk LEE Yin Yee, B.B.S. as to 33.98%, Mr. TUNG Ching Bor as to 16.20%, Mr. TUNG Ching Sai as to 16.20%, Mr. LEE Sing Din as to 11.85%, Mr. LI Ching Wai as to 5.56%, Mr. NG Ngan Ho as to 3.70%, Mr. LI Man Yin as to 3.70%, Mr. SZE Nang Sze as to 5.09% and Mr. LI Ching Leung as to 3.70%.
- (2) Pursuant to the Shareholders' Agreement and entered amongst our Controlling Shareholders, each of the parties has agreed to grant a right of first offer to the other parties if any of them intends to sell their Shares allotted to them under the Xinyi Glass Distribution.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Save as disclosed above, as of 30 June 2016, the Directors were not aware of any other persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to section 336 of the SFO.

Share Option Scheme

No share options have been granted nor any existing share option schemes have been adopted by the Company as of the date of this report.

Purchase, Sale or Redemption of Listed Securities

Since the Listing Date, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of our Company's listed securities.

Competing Interests

As far as the Directors are aware of, during the six months ended 30 June 2016, none of the Directors or the Controlling Shareholders or their respective associates (as defined in the GEM Listing Rules) have any interests in a business which competed or may compete with the business of the Group.

Interests of the Compliance Adviser

As notified by RHB Capital Hong Kong Limited ("**RHB Capital**"), compliance adviser of the Company, except for (i) RHB Capital's participation as the sole sponsor and its affiliated company, RHB Securities Hong Kong Limited, as the sole lead manager in relation to the Listing; and (ii) the compliance adviser agreement entered into between the Company and RHB Capital dated 16 December 2015, neither RHB Capital nor any of its close associates (as defined in the GEM Listing Rules) and none of the directors or employees of RHB Capital had any interest in the share capital of our Company or any member of our Group (including options or rights to subscribe for such securities, if any) which is required to be notified to our Company pursuant to Rule 6A.32 of the GEM Listing Rules as of 30 June 2016.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Compliance with Corporate Governance Code

As the Company has not yet listed on GEM during the period under review, the requirements under the code provisions set forth in the Corporate Governance Code (the “CG Code”) contained in Appendix 15 to the GEM Listing Rules were not applicable to the Company for the said period. The Company has adopted the CG Code as its corporate governance practices since the Listing Date.

Audit Committee

The Company has established an audit committee of the Board 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 internal control systems of the Group. 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. Mr. WANG Guisheng is the chairman of the audit committee.

The unaudited condensed consolidated financial information of the Company for the six months ended 30 June 2016 has been reviewed by the audit committee.

Interim Dividend

During the six months ended 30 June 2016, no interim dividend was declared by the Board (2015: Nil).

By Order of the Board
Xinyi Automobile Glass Hong Kong Enterprises Limited
TUNG Ching Sai
Chairman

Hong Kong, 13 August 2016

As of the date of this report, the executive Directors are Ms. LI Pik Yung and Mr. CHAN Chi Leung, the non-executive Directors are Mr. TUNG Ching Sai (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.