Xin Point Holdings Limited
信邦控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1571

ANNUAL REPORT 2017

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. MA Xiaoming (Chairman)
Mr. MENG Jun
Mr. ZHANG Yumin
Mr. LIU Jun
Mr. HE Xiaolu
Mr. JIANG Wei

Independent Non-executive Directors

Mr. TANG Chi Wai
Mr. GAN Weimin
Prof. CAO Lixin

COMPANY SECRETARY

Mr. AU Wai Keung

AUTHORISED REPRESENTATIVES

Mr. MA Xiaoming
Mr. AU Wai Keung

AUDIT COMMITTEE

Mr. TANG Chi Wai (Chairman)
Mr. GAN Weimin
Prof. CAO Lixin

REMUNERATION COMMITTEE

Prof. CAO Lixin (Chairman)
Mr. MA Xiaoming
Mr. TANG Chi Wai

NOMINATION COMMITTEE

Mr. MA Xiaoming (Chairman)
Prof. CAO Lixin
Mr. GAN Weimin

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1503, 15/F
Midas Plaza
1 Tai Yau Street, San Po Kong
Kowloon
Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN PRC

Keen Point Hi-tech Industrial Park
Xikeng, Huicheng District
Huizhou
Guangdong
China

STOCK CODE

The Main Board of The Stock Exchange of Hong Kong Limited
1571

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman
KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17/F
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Bank of China

AUDITOR

Ernst & Young

COMPLIANCE ADVISER

TC Capital International Limited

LEGAL ADVISER

Chiu & Partners

INVESTOR AND MEDIA RELATIONS

Porda Havas International Finance Communications Group

WEBSITE

http://www.xinpoint.com

FINANCIAL SUMMARY

For the Year Ended December 31,

	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000
Revenue	**1,877,155**	1,540,666	1,203,717	1,006,249
Gross Profit	**779,251**	633,312	452,493	387,868
Gross Profit margin (%)	**41.5%**	41.1%	37.6%	38.5%
Profit before tax	**510,128**	411,428	273,212	228,473
Profit attributable to the owners of the Company	**391,270**	298,341	228,446	174,586

As at December 31,

	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000
Total assets	**2,540,056**	1,517,684	1,267,472	965,880
Total liabilities	**579,629**	489,748	444,547	283,523
Equity attributable to the owners of the Company	**1,960,427**	1,027,936	822,925	682,357

Notes: The summary of the consolidated results and financial position of the Group for the year ended 31 December 2014, 2015 and 2016 are extracted from the Company's prospectus dated 11 June 2017.

No financial information of the Group for the year ended 31 December 2013 has been published.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of director (the "**Board**"), I am pleased to present the annual results of Xin Point Holdings Limited (the "**Company**" or "**Xin Point**") and its subsidiaries (the "**Group**") for the year ended 31 December 2017 (the "**Year**") since the successful listing of the shares of the Company on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 28 June 2017 (the "**Listing date**").

MARKET AND BUSINESS REVIEW

In 2017, the global automobile sales were mixed. The U.S. overall automobile sales dropped 2 percent to 17.2 million in 2017, according to Autodata Corp. It was their first year-over-year ("**yoy**") decline since 2009, ending an unprecedented seven-year expansion. However, the European automobile market returned to growth while the automobile market in the People's Republic of China (the "**PRC**") continued to grow steadily and has resumed to be the largest automobile market in the world since 2008 in terms of automobile unit production. According to the statistic of the China Association of Automobile Manufacturers (中國汽車工業協會), vehicles production volume in the PRC reached over 29 million units in 2017, maintaining a steady growth yoy. Meanwhile, given the rapid development of the domestic automotive market, the favourable policies initiated by Chinese government as well as the improvement in technology and quality of Chinese products, the global automotive interior component production capacity also continued to shift to the PRC market, boosting the strong development of automotive decorative component industry in the PRC during the Year. Against this backdrop, the revenue of Xin Point, a leading automotive plastic electroplated components supplier in the PRC, reached a new high of RMB1.88 billion, representing an increase of approximately 21.8% yoy, while the net profit reached RMB391.3 million, representing an increase of 31.1% yoy.

The revenue of the Group from the domestic market witnessed a strong growth of 32.0%, amounted to RMB888.9 million for the year ended 31 December 2017 ("**FY2017**") as compared with the same period of last year. Meanwhile, the revenue of the Group from the European market also witnessed a strong growth of 27.1%, amounted to RMB442.5 million. Despite the decline in new vehicle sales in the United States in 2017, leveraging on our advanced production technologies and outstanding quality of products, the revenue of the Group from the North America market still recorded a yoy increase of RMB486.4 million or 5.2% during the Year.

The increase in the revenue of the Group in FY2017 was mainly attributable to: 1) increase in average unit selling price around the world over the past year. Take the European and North America market as examples, the average unit selling prices for these two regions in FY2017 increased by 17% and 11% respectively as compared to figures for the year ended 31 December 2016 ("**FY2016**"); 2) significant increase in total sales volume around the world. Compared to FY2016, we saw an increase of 13.4% in overall order volume in FY2017. We are also proud to witness the quantity sold in the European market increased by 8.8% for FY2017, as a result of our continued sales efforts in the region.

Following the launch of new vehicle models by our overseas clients and the sustainable recovery of global economy, we believe our export sales expansion will continue in 2018. Meanwhile, there are still a lot of potentials in the domestic market. China, being the largest automobile market in the world, still holds long-term growth potential as many central and western regions are under-penetrated. From an industry-wide perspective, it is believed that China's automobile market will experience an unprecedented transformation in the coming years. The Chinese government is actively promoting industrial upgrading and modernization of the China's manufacturing industries, including the automotive industry which currently enjoys a series of supporting incentives from Chinese government. The Automotive Restructuring and Revitalization Plan (汽車產業調整和振興規劃)" encourages leading automotive companies to expand through merger and acquisition. Moreover, the Opinion on Promoting Sustained and Healthy Development of Export of Automotive Products (關於促進我國汽車產品出口持續健康發展的意見)" pointed out that, up until 2020 China's exports of automotive and automotive components will maintain a steady growth, accounting for nearly 10% of the global trade value. Together with the favourable policies promulgated by Chinese government to new energy vehicle market and the improvement of advanced production technologies in the PRC, we believe it will enable domestic automotive interior component industry to grow continuously, especially for automotive plastic electroplated component industry. It is because the adoption of light materials to reduce the weight of (new energy) automobile is the current trend in the industry, which is expected to bring about increasing demand for plastic materials, including the electroplated plastics. Furthermore, plastic components are generally cheaper than metal components, which encourages the use of plastic electroplated components for cost-saving purpose.

CAPACITY EXPANSION

During 2017, in order to meet the global market demand and fulfill orders from clients, we continued to implement our plan to expand our production capacities. Our Huizhou new production base and Wuxi new production base focused on injection moulding and components assembly, and commenced operation in October 2017 and August 2017 respectively. In addition, we also acquired two factory buildings in Jiujiang in September 2017 and have planned to build the first electro-plating production line in Jiujiang with a total capacity of around 700,000 square meters per annum in 2018. We also acquired an electro-plating company in Changzhou City, Jiangsu Province in the PRC in October 2017. With the addition of new production lines in various production bases together with the closure of one obsolete production line, our annualized electro-plating production capacity by the end of 2017 further increased to approximately 3.18 million sq.m., representing an increase of 49.3% when compared to that at the end of 2016. In the meanwhile, the average utilization rate of electro-plating production capacity for 2017 was approximately 80.3% (2016: 80.7%) to cater for our future business growth. On top of the domestic strategic plans, Xin Point has a global vision. In 2016, we proactively commenced the construction of a new production base in Mexico to fully capture the export sales growth potential ahead, especially for our existing clients in the North America markets. This new base is expected to start production in the first half of 2019, with all-encompassing capabilities in injection moulding, electro-plating, components assembly, storage and logistics. Besides the expansion on the electro-plating production capacity, we also have expansion plans for the painting and PVD production capacity. In 2018, we will build 3 more painting lines in greater Huizhou area to fulfil customer orders. These new lines will bring in an additional painting capacity of 390,000 sq.m. and shall commence production in 2018.

PROSPECTS

Xin Point is committed to become a leading solution provider in automotive interior decoration sector with global production capability by implementing the planned strategies. In 2018, the global sales of new automobiles is expected to achieve moderate growth, mainly driven by the economic recovery in the United States and Europe, as well as the growing demand for automobile in Asia Pacific. Compared with oversea markets. the turnover of China's automotive components markets recorded a strong growth in the past five years and is expected to further grow at a CAGR of 7.4% from 2016 to 2019, outpaced the global market growth, showing the increasing competitiveness of China's automotive components in the global market.

We believe overseas demand for Chinese products are still growing, as the Chinese manufacturers are continuously upgrading their technologies and improving their product qualities, while the prices for Chinese products are still highly competitive on the international market. The stability of Renminbi also contributes to such demands. Besides, benefited from the steady development of global economy, the promotion of new energy vehicles on major automobile markets and the biggest tax cut policy to be implemented in the U.S., it is expected that the strong demand for vehicles on global market, especially for new energy vehicles will bring great momentum to the growth of China's automotive interior decorative component industry.

The Company will spare no efforts in expanding the production capacity to satisfy the need of the customers and to achieve the long-term growth. According to our capacity expansion plan, the Company's future electro-plating production capacity will reach about 3.5 million sq. m. and 4.3 million sq. m. by the end of 2018 and 2019 respectively. Moreover, the Company will also continue to devote resources to increase the one-stop production capability which will help the Company deepen the cooperation with customers throughout the manufacturing cycle. While targeting to play a greater role at each stage of the products design, our components assembly and after-sales services will provide our customers with highly customized solutions.

Based on our experience and observations in the past years, end consumers are having higher standards of aesthetics for automotive interior decoration. They are pursuing more luxurious and complex design. In order to accommodate this trend, we are dedicated to develop diversified technologies, not only electro-plating technologies but also spray-painting as well as PVD technologies. In 2018, our exploration and experiment for diversified technologies will continue to meet customer demand. Meanwhile, we will also develop more environment-friendly technologies in cooperation with government policies and in attempt to control potential risks in the industry.

In 2018, we will continue to focus on the automotive interior component industry. We plan to promote our R&D capability to secure higher production yield rates. We will also improve the enterprise resources planning system to further enhance the efficiencies of resource and inventory management. Moreover, by establishing new production bases geographically located in our targeted markets, we will capture more opportunities from our existing clients and will enter into new business with potential new clients. As one of the largest exporter of automotive plastic electro-plated components in China, we will leverage on our strong R&D capacity, advanced production technology, capacity expansion plans, merger and acquisition opportunities as well as sufficient orders on hand to grasp the steady development opportunities in the global automotive market, so as to improve our profitability to create greater returns for our shareholders.

ACKNOWLEDGEMENTS

On behalf of the Board, I hereby express my sincere gratitude to the shareholders and partners of the Group for their trust and long-time supports. In addition, my thanks go to the Board, the Company's management team and all employees for their great efforts and contribution in the past years. In 2018, the Company will continue to work harder, achieve better results, and bring higher returns to our shareholders.

MA Xiaoming
Chairman
12 March 2018

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. MA Xiaoming (馬曉明先生), aged 52, is an executive Director and the chairman of the Board. He is also the chairman of the nomination committee and a member of the remuneration committee of the Company. He is primarily responsible for strategic planning and development of our Group and overseeing our Group's operation and management through meetings with the senior management on a regular basis. He was appointed as our Director on 28 August 2014 and was re-designated as our executive Director and the chairman of the Board on 6 April 2016. He was awarded a Bachelor's degree in Engineering in July 1988 from the Department of Applied Chemistry of Harbin Institute of Technology (哈爾演工業大學應用化學系), the PRC, specialising in electrochemical production process (電化學生產工藝).

Mr. Ma is one of the founders of our Group. He joined our Group in August 2005 as the president and the chairman of the board of directors of Xin Point Corporation (the "**XPC**"), a subsidiary of the Company. Mr. Ma has been in charge of formulating and implementing the overall strategic development of our Group, overseeing the execution of the operational plans as well as the supervising the day-to-day management of our Group's business. He is currently a director of each of the subsidiaries of the Group and the president of XPC. Mr. Ma has extensive experience in the manufacturing industry, specialising in industrial management and general operation of manufacturing enterprises.

In the last three years, Mr. Ma did not hold any directorship in other listed companies.

Mr. MENG Jun (孟軍先生), aged 52, is an executive Director. He is primarily responsible for overseeing the overall marketing operation and management of our Group. He was appointed as our executive Director on 6 April 2016. He was awarded a Bachelor's degree in engineering in July 1988 from the Department of Applied Chemistry of Harbin Institute of Technology (哈爾濱工業大學應用化學系), the PRC, specialising in electrochemical production process (電化學生產工藝). By a certificate issued by the Personnel Department of Heilongjiang Province (黑龍江省人事廳) dated September 1999, Mr. Meng was qualified as a senior engineer (高級工程師) in applied chemistry (應用化工). Mr. Meng has over 25 years of experience in the industry.

Mr. Meng joined our Group in August 2004. From August 2004 to December 2009, Mr. Meng assumed the office as the general manager of Tianjin Jinxin Precision Plastic Components Company Limited (the "**Tianjin Jinxin**"), a subsidiary of the Company, responsible for overseeing its general operation and daily management. Since January 2010, Mr. Meng has assumed the office as marketing director and has been responsible for overseeing the daily management of our Group's marketing department. Mr. Meng was appointed as director of XPC in October 2011.

In the last three years, Mr. Meng did not hold any directorship in other listed companies.

Mr. ZHANG Yumin (張玉敏先生), aged 52, is an executive Director. He was appointed as our executive Director on 6 April 2016 and joined our Group in April 2006. Mr. Zhang was awarded a bachelor's degree in engineering in July 1988 from the Department of Applied Chemistry of Harbin Institute of Technology (哈爾濱工業大學應用化學系), the PRC, specialising in electrochemical production process (電化學生產工藝).

From January 2018, Mr. Zhang was also assigned to be the Eastern and Northern China Vice President of the Group, and following such assignment, all those subsidiaries of the Company in the Eastern and Northern China are required to report directly to Mr. Zhang and he is primarily responsible for overseeing the operations and management of the Group's within the Eastern and Northern China Regions.

In the last three years, Mr. Zhang did not hold any directorship in other listed companies.

Mr. LIU Jun (劉軍先生), aged 42, is an executive Director. He was appointed as our executive Director on 6 April 2016. Mr. Liu joined Huizhou Haoyu Industrial Company Limited (惠州市浩瑜實業有限公司), the predecessor entity of KP (Huizhou) Electronics (one of our principal operating subsidiaries, in December 2002. Mr. Liu was awarded a Bachelor's degree in Chemical Processing (化工工藝) from Hubei Three Gorges Institute (湖北三峽學院), the PRC, in June 1998 and was awarded a graduation certificate from the College of Advanced Continuing Education of Sun Yat-sen University (國中山大學高等繼續教育學院), the PRC, in April 2007 for completing a one-year programme on Business Administration.

From January 2018, Mr. Liu was also assigned to be the Southern China Vice President, and following such assignment, all those subsidiaries of the Company in the Southern China are required to report directly to Mr. Liu Jun and he is primarily responsible for overseeing the operations and management of the Group's within the Southern China Regions.

In the last three years, Mr. Liu did not hold any directorship in other listed companies.

Mr. HE Xiaolu (何曉律先生), aged 42, is an executive Director. He is primarily responsible for the day-to-day sales and marketing operation and management of our Group, in particular overseeing the business development and sales and marketing strategies of our Group's overseas subsidiaries. He was appointed as our executive Director on 6 April 2016. Mr. He graduated from Fudan University (復旦大學), the PRC, majoring in History (International Tourism) (歷史學(涉外旅遊)) in July 1997. He further obtained a degree of Executive Master of Business Administration from European University, Switzerland, in June 2005.

Mr. He joined our Group in April 2006. In April 2006, Mr. He assumed the office as the administration and human resources manager, responsible for the overseeing the administration and human resources management of XPC. Since July 2007, in addition to being the administration and human resources manager, Mr. He also assumed the office as marketing manager of XPC in which he was also responsible for formulating and overseeing marketing strategies. From July 2008 onwards, Mr. He ceased to assume dual roles in XPC and has devoted his time in overseeing the daily marketing management, in particular, overseeing the business development and strategies of overseas subsidiaries. Mr. He was appointed as director of XPC in October 2011 and a director of Keen Point Europe in January 2008.

In the last three years, Mr. He did not hold any directorship in other listed companies.

Mr. JIANG Wei (蔣巍先生), aged 44, is an executive Director. He is primarily responsible for overseeing the operations and management of the Group. He was appointed as our executive Director on 6 April 2016. Mr. Jiang was awarded a Diploma in Administrative Management from Shanghai Business Vocational and Technical College (上海商業職業技術學院), the PRC, in July 2001.

Mr. Jiang joined our Group in March 2004 as the general manager of Wuxi Jinxin Surface Decoration Company Limited (the "**Wuxi Jinxin**") a subsidiary of the Company. He was then in charge of managing and supervising the daily operation, coordinating corporate resources in achieving business objectives and maintaining key customers of Wuxi Jinxin. In October 2011, Mr. Jiang was appointed as a director of XPC and has since been responsible for overseeing operation and management of our Group. Mr. Jiang has over 10 years of management experience in the manufacturing industry.

In the last three years, Mr. Jiang did not hold any directorship in other listed companies.

INDEPENDENT NON-EXECUTIVE DIRECTORS ("INED")

Mr. TANG Chi Wai (鄧智偉先生), aged 44, was appointed an INED of our Company on 5 June 2017. He is also the chairman of the audit committee and a member of the remuneration committee of the Company. Mr. Tang has over 20 years of experience in auditing, accounting and financing. Since June 2008, Mr. Tang has been serving as the financial controller, company secretary and authorised representative of Universal Technologies Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1026). Mr. Tang was appointed as an INED of CHerish Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2113), in September 2016, an INED of Noble Engineering Group Holdings Limited, a company listed on the GEM board of the Stock Exchange (stock code: 8445) in September 2017 and an INED of ISP Global Limited (stock code: 8487), a company listed on the GEM board of the Stock Exchange in December 2017.

Mr. Tang was awarded a Bachelor of Arts degree in Accountancy from the Hong Kong Polytechnic University, Hong Kong, in November 1996. He holds practising certificate issued by the HKICPA. He also holds various professional qualifications and memberships as set out below:

Date of grant	Qualification	Name of issuing organisation
September 2003	Member	The Chinese Institute of Certified Public Accountants
January 2005	Fellow	The Association of Chartered Certified Accountants
September 2009	Fellow	The HKICPA
July 2010	Certified tax adviser	The Taxation Institute of Hong Kong
July 2010	Fellow	The Taxation Institute of Hong Kong
September 2014	Fellow	The Society of Registered Financial Planners
April 2015	Fellow	The Hong Kong Institute of Directors
July 2015	Fellow	The Institute of Chartered Secretaries and Administrators
July 2015	Fellow	The Hong Kong Institute of Chartered Secretaries
September 2015	Member	Hong Kong Securities and Investment Institute
September 2015	Fellow	Institute of Financial Accountants
October 2015	Member	Chartered Institute for Securities & Investment
October 2015	Fellow	Association of International Accountants
November 2015	Certified internal auditor	The Institute of Internal Auditors
December 2015	Fellow	The Society of Chinese Accountants & Auditors

Save as disclosed above, in the last three years, Mr. Tang did not hold any directorship in other listed companies.

Prof. CAO Lixin (曹立新教授), aged 52 was appointed an INED of our Company on 5 June 2017. Prof. Cao is also the chairman of the remuneration committee, a member of the audit committee and a member of the nomination committee of the Company. Prof. Cao was awarded a Doctoral degree in Engineering in October 2009 from Harbin Institute of Technology (哈爾濱工業大學), the PRC, specialising in chemical engineering and technology (化學工程與技術 (專業)).

Prof. Cao has engaged in scientific researches and teaching focusing in the field of surface treatment and electrochemical cells in the School of Marine Science and Technology of Harbin Institute of Technology, Weihai (哈爾濱工業大學 (威海) 海洋科學與技術學院), the PRC, since October 1994.

In the last three years, Prof. Cao did not hold any directorship in any listed companies.

Mr. GAN Weimin (甘為民先生), aged 52, was appointed an INED of our Company on 5 June 2017. Mr. Gan is also a member of the audit committee and a member of the nomination committee of the Company. Mr. Gan was awarded a bachelor's degree in engineering in July 1986 from the Department of Optical Instruments and Engineering* (光學儀器工程學系) of Zhejiang University (浙江大學), the PRC, specialising in optical instruments (光學儀器). Mr. Gan was further awarded a Bachelor's degree in Law and a Master's degree in Law from Zhejiang University in June 1988 and April 1996, respectively. Mr. Gan passed the national qualification examination in the PRC held in 1990 which accredited him as a qualified lawyer in the PRC.

Mr. Gan has extensive experience in the PRC legal industry. Since January 2013, Mr. Gan has become a partner of Beijing Guantao Law Firm (北京觀韜律師事務所), a PRC law firm. Prior to that, Mr. Gan was a lawyer and partner of Zhe Jiang T&C Law Firm (浙江天冊律師事務所) for period from October 1997 to December 2001, a lawyer of Beijing Kaiyuan Law Firm* (北京市凱源律師事務所) from December 2001 to December 2012, and a partner of Zhejiang High Mark Law Firm (浙江凱麥律師事務所).

In the last three years, Mr. Gan held directorship in the following listed companies:

Period of time	Name of listed issuer	Place of listing	Office and principal functions
May 2009 to December 2014	Huazhi Holding (Zhejiang) Co., LTD (currently known as Zhejiang Huamei Holding CO., LTD.)	Main Board of the Shenzhen Stock Exchange (stock code: 000607)	Independent director
October 2009 to October 2015	Gem-Year Industrial Co., Ltd.	Shanghai Stock Exchange (stock code: 601002)	Independent director
August 2010 to July 2016	HangZhou Everfine Photo-E-Info Co., Ltd.	ChiNext of the Shenzhen Stock Exchange (stock code: 300306)	Independent director
August 2011 to February 2015	RoshowTechnology Co., Ltd.	Small and Medium Enterprise Board of the Shenzhen Stock Exchange (stock code: 002617)	Independent director
January 2015 to present	Shanghai Huace Navigation Technology Ltd	ChiNext of the Shenzhen Stock Exchange (stock code: 300627)	Independent director
May 2015 to present	Shimge Pump Industry Group Co., Ltd.	Small and Medium Enterprise Board of the Shenzhen Stock Exchange (stock code: 002532)	Independent director
January 2017 to present	Sunrise Technology Co., Ltd	ChiNext of the Shenzhen Stock Exchange (stock code: 300360)	Independent director
March 2017 to present	Zhejiang Aishida Electric Co., Ltd	Small and Medium Enterprise Board of the Shenzhen Stock Exchange (stock code: 002403)	Independent director

Note:

Mr. Gan served as an independent non-executive director of Aupu Group Holding Company since September 2014, a company which was then listed on the Main Board of the Stock Exchange (stock code: 477). The said company applied for a withdrawal of listing of its shares on the Stock Exchange in accordance with Rule 6.15 of the Listing Rules and the listing of its shares on the Stock Exchange was withdrawn on 30 September 2016.

Saved as disclosed above, in the last three years, Mr. Gan did not hold any directorship in other listed companies.

SENIOR MANAGEMENT

Dr. YANG Qianshun (**楊前順博士**), aged 52, is the technical director of XPC. Currently, he is primarily responsible for the product technology and quality management as well as development of technical system of our products. Dr. Yang was awarded a Bachelor's degree in Engineering in July 1988 from the Department of Applied Chemistry of Harbin Institute of Technology (哈爾濱工業大學應用化學系), the PRC, specialising in electrochemical production process. Dr. Yang was further awarded a Master degree in Engineering in April 1991 and a doctoral degree in applied chemistry in October 1994, respectively, both from the Department of Applied Chemistry of the Tianjin University (天津大學應用化學系), the PRC, specialising in applied chemistry. By a certificate issued by the Personnel Department of Guangdong Province (廣東省人事廳) in February 1999, Dr. Yang was qualified as a senior engineer in chemical engineering (化學工程高級工程師). Dr. Yang has over 20 years of experience in the chemical engineering industry.

Dr. Yang joined our Group in September 2012 as the technical director of XPC and has been in charge of product technology and quality management.

In the last three years, Dr. Yang did not hold any directorship in any listed companies.

Ms. LIU Shaoman (劉少曼女士), aged 34, is the associate technical director of XPC. Currently, she is primarily responsible for overseeing the daily management of the technical department of XPC. Ms. Liu was awarded a Bachelor's degree in Science from Huizhou University (惠州學院), the PRC in June 2006, specialising in applied chemistry.

Ms. Liu joined our Group in June 2006 as engineer (and was later promoted to deputy person-in-charge) and was responsible for technical research and development. From May 2008 to June 2011, Ms. Liu assumed the office as assistant to general manager of KP (Huizhou) Precision Plastic, and was subsequently promoted to deputy general manager and was responsible for assisting the general manager in the operation management and technical management of KP (Huizhou) Precision Plastic. From July 2011 to December 2013, Ms. Liu assumed the office as deputy general manager of XP (Huizhou) Surface Decoration and was responsible for operation management and technical management of the said company. Ms. Liu assumed the office as the technical director of XPC since January 2014.

In the last three years, Ms. Liu did not hold any directorship in any listed companies.

Mr. LI Chak Fu (李澤富先生), aged 49, is our finance director. He joined our Group in August 2016 and is principally responsible for the accounting and financial management of our Group as well as liaising with external parties in respect of Group's financial matters. Mr. Li's responsibilities also include acquisition evaluation, review of the Group's performance and managing investor relations. Mr. Li has more than 20 years of experience in financial management and accounting.

Mr. Li was awarded a bachelor's degree in economics from Jinan University, the PRC, specialising in commercial science in June 1990. He was further awarded a bachelor's degree in science (economics) from The University of Buckingham, the United Kingdom, specialising in accounting and financial management in February 1993. Mr. Li has been an associate of the HKICPA since April 1996. Mr. Li has also been a fellow of the Association of Chartered Certified Accountants since February 2001.

In the last three years, Mr. Li did not hold any directorship in any listed companies.

COMPANY SECRETARY

Mr. AU Wai Keung (**區偉強先生**), aged 46, was appointed as our company secretary on 6 April 2016 pursuant to the terms and conditions of a company secretarial service agreement entered into between our Company and Arion & Associates Limited (亞利安會計事務所有限公司), a company principally engaged in providing business consultancy services. Mr. Au is a director of Arion & Associates Limited. He has been serving as the company secretary for a number of Hong Kong listed companies.

Mr. Au was awarded the degree of Bachelor of Social Science from The Chinese University of Hong Kong, Hong Kong in December 1993 and the degree of Master of Business Administration from the City University of Hong Kong, Hong Kong, in November 1999. He is a fellow of the HKICPA and an associate member of The Institute of Chartered Accountants in England and Wales.

In the last three years, Mr. Au did not hold any directorship on any listed companies.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

In 2017, while maintaining a good track record towards the outstanding overall business performance by leveraging our distinctive vertically integrated business model, the Group has attained smooth and steady development and recorded a significant growth in revenue and net profit for FY2017. Despite the global automobile sales were mixed, the U.S. automobile market recorded a fall in overall sales while European and Asia Pacific markets, in particular, China market experienced a strong growth of new vehicles consumption, thanks to our strong brand effects, outstanding research and development ("**R&D**") capacity, high product quality as well as average production yield rate exceeded average level in the market, the Group achieved a robust development in all aspects. The total number of units of automotive interior decorative components sold for FY2017 increased by approximately 50.7 million or approximately 16.1% from the same period in 2016, while the average selling price for automobile decorative components increased to approximately RMB5.10 per unit or approximately 6.7% increase when compared to FY2016.

Following the promotion of new energy vehicles in major automobile markets around the world, it is definitely a new automobile transformation trend coming ahead, which will create ample room for long-term steady development of automotive plastic electroplated component industry in China. The adoption of light materials to reduce the weight of (new energy) automobile is the current trend in the industry, which is expected to bring about increasing demand for plastic materials, including the electroplated plastics. In addition, plastic components are generally cheaper than metal components, which encourages the use of plastic electroplated components for cost-saving purpose. Furthermore, due to the continued improvement of technology adopted by domestic market players under favourable industrial policies and quality of automotive electroplated plastics products manufactured in the PRC, the scale of automotive interior decorative component market, especially of automotive plastic electroplated component market in the PRC is expected to grow continuously.

BUSINSS OVERVIEW

In terms of export sales, the Group is one of the leading automotive plastic electroplated component suppliers in the PRC. In 2017, benefiting from the increased orders from our customers and continuous expansion in the Group overall capacities which led to the increase in production, the Group continued to record significant growth in its business. The total sales unit increased from approximately 327.4 million units in 2016 to approximately 371.4 million units in 2017, representing a steady growth of approximately 13.4%, while total revenue of the Group rose to approximately RMB1,877.2 million, representing an increase of approximately 21.8% when compared with the corresponding period of last year (FY2016: approximately RMB1,540.7 million). As a result, the Group's total gross profit also increased by approximately 23.0% from approximately RMB633.3 million in 2016 to approximately RMB779.3 million in 2017.

Electro-plating production capacity and utilization rate

As of 31 December 2017, the Group's actual capacity has already reached 3.18 million sq.m. through the successful establishment of two additional production lines in Huizhou area (620,000 sq.m and 360,000 sq.m) within 2017.

In addition to two new production lines established in Huizhou production base in 2017, the Group had two acquisitions in order to implement the capacity expansion plan. In September 2017, the Group acquired two factory buildings in Jiujiang for RMB36 million and planned to build one new production line with a capacity of 700,000 sq.m. It is expected to be put into operation by the end of 2018. In October 2017, the Group has also acquired the entire equity interests in an electro-plating company in Changzhou city, Jiangsu Province in the PRC and plans to rebuild the production facilities, which is expected to further boost electroplating capacity by 2020.

In overseas market, the Group also commenced the construction of a new production base in Mexico, and the Group plans to build its first production line in Mexico with an upgraded annual production capacity of approximately 700,000 sq.m, which is scheduled to complete within the first half of 2019, together with the first new 700,000 sq.m local production line located in Jiujiang, the PRC, this will drive the 2019's new capacity growth by approximately 33.6% as compared to 2017. The estimated annualized electro-plating production capacity in the PRC will reach approximately 4.25 million sq.m by the end of 2019.

The average utilization rate of our electro-plating production capacity for FY2017 was approximately 80.3%.

Production yield

During 2017, due to the new electro-plating lines commenced its operations and the launch of new products in FY2017, our production yield rate was approximately 89.4%, around one percentage point lower when compared with the average production yield rate of approximately 90.7% in 2016.

Outlook and Order book

Our order book remains healthy and we have secured orders from customers to drive the Company's expansion in the next few years. Continual efforts to penetrate into the global market and global models will remain our important business objective. As of 31 December 2017, the Group had total backlog orders of approximately RMB9.7 billion for the five years from 1 January 2018 to end of 2022.

The Group is actively looking for different options and opportunities to further expand our production capacities, both locally within China and overseas, in order to cope with the continuing growth and new orders.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately RMB336.5 million or approximately 21.8% to approximately RMB1,877.2 million for FY2017 from approximately RMB1,540.7 million for 2016 as a result of increased sales of automotive decorative components. The total number of units of automotive decorative components sold in FY2017 increased by approximately 50.7 million or approximately 16.1% from the same period in FY2016, while the average selling price for automotive decorative components increased to approximately RMB5.10 per unit or approximately 6.7% when compared to FY2016.

The increase in the sales was mainly due to (i) the steady growth in the PRC's automobile production and sales, which led to the increased local demands for our products. The revenue within the PRC markets increased by approximately RMB215.3 million or approximately 32.0% to approximately RMB888.9 million for FY2017 from approximately RMB673.6 million for FY2016. The total number of units of automotive decorative components sold in the PRC for FY2017 also increased by approximately 43.5 million units or approximately 24.2% from the same period in FY2016; (ii) the increase in average unit selling price from RMB4.78 per unit for FY2016 to RMB5.10 per unit for FY2017; and (iii) the increase in quantity sold in the European market by 4.3 million units or 8.8% for FY2017.

Revenue by geographic segment:

	FY2017		FY2016	
	RMB'000	%	RMB'000	%
China	888,911	47.4%	673,579	43.7%
North America	486,369	25.9%	462,110	30.0%
Europe	442,493	23.6%	348,256	22.6%
Others	59,382	3.1%	56,721	3.7%
	1,877,155	100%	1,540,666	100.0%

Cost of sales

	FY2017		FY2016	
	RMB'000	%	RMB'000	%
Direct materials	345,848	31.5%	281,554	31.0%
Staff costs	282,906	25.8%	227,111	25.0%
Overheads	469,150	42.7%	398,689	44.0%
– Depreciation	47,461	4.3%	41,715	4.6%
– Processing fees	88,131	8.0%	69,267	7.6%
– Consumables	68,813	6.3%	60,292	6.7%
– Mold cost	67,532	6.2%	64,052	7.1%
– Utilities	81,907	7.5%	68,384	7.5%
– Shipping and delivery	44,141	4.0%	31,800	3.5%
– Others	71,165	6.4%	63,179	7.0%
	1,097,904	100.0%	907,354	100.0%

Cost of sales increased by approximately RMB190.6 million or approximately 21.0% to approximately RMB1,097.9 million for FY2017 from approximately RMB907.4 million for FY2016 roughly in proportion to increased revenue.

Such increase was mainly due to (i) the increase in cost of direct materials by approximately RMB64.3 million or 22.8% from RMB281.6 million for the whole 2016 to approximately RMB345.8 million for FY2017; (ii) the increase in staff costs of approximately RMB55.8 million or approximately 24.6% as a result of increase in number of front line staff and the compensation levels; and (iii) the increase in other variable overheads from approximately RMB398.7 million for the FY2016 to approximately RMB469.2 million for FY2017, which was directly related to more units of products manufactured.

Gross profit

Resulted from the factors discussed above, the gross profit increased to approximately RMB779.3 million for FY2017 (approximately RMB633.3 million for FY2016), representing an increase of approximately 23.1%. Our gross profit margin maintained at approximately 41.5% for FY2017, due to increased production capacities which resulted a scale effect, the gross profit margin improved 0.4 percentage point when compared against FY2016, despite the addition of two new production lines within FY2017.

Other income and gains

Other income and gains mainly represented bank interest income, income from sale of scraps, testing fee income and foreign exchange gain.

Selling and distribution expenses

Selling and distribution expenses increased by approximately RMB8.0 million or approximately 27.3% to approximately RMB37.5 million for FY2017 from approximately RMB29.4 million for FY2016. The increase was primarily due to the continuous increase in sales related staff costs as a result of the increase in number of sales related staff and their compensation level, as well as their relevant travelling expenses to cope with our business growth.

Administrative expenses

The table below summarises the components of administrative expenses:

	FY2017		FY2016	
	RMB'000	%	RMB'000	%
Staff costs	138,292	50.3%	115,390	52.8%
Research and development expenses	42,793	15.6%	36,024	16.5%
Listing expenses	17,794	6.5%	11,887	5.4%
Travel and transportation expenses	14,990	5.5%	10,896	5.0%
Depreciation and amortisation	12,539	4.6%	8,923	4.1%
Office supplies	10,172	3.7%	9,572	4.4%
Legal and professional fees	5,275	1.9%	2,637	1.2%
Rental expenses	4,161	1.5%	6,302	2.9%
Stamp duties and local government surcharges	3,984	1.4%	2,163	1.0%
Impairment of goodwill	3,242	1.2%	—	0.0%
Loss on disposal of property, plant and equipment	2,752	1.0%	1,462	0.7%
Insurance	2,285	0.8%	1,636	0.7%
Business development expenses	1,996	0.7%	2,093	1.0%
Others	14,607	5.3%	9,660	4.3%
	274,882	100.0%	218,645	100.0%

Administrative expenses increased by approximately RMB56.2 million or approximately 25.7% to approximately RMB274.9 million for FY2017 from approximately RMB218.6 million for FY2016. The increase was primarily due to (i) the non-recurring listing expenses of approximately RMB17.8 million was recorded in FY2017, whereas only approximately RMB11.9 million recorded in FY2016; (ii) the increase in staff costs of approximately RMB22.9 million due to both increase in the salary level of the PRC administrative staff in order to retain talents in respect of the highly competitive human resources market in the PRC and headcounts in order to cope with the increased back-office administrative works; (iii) the continuous increase in R&D expenses of approximately RMB6.8 million in relation to new models and new surface treatment technologies requests from our customers; and (iv) one-off goodwill impairment of RMB3.2 million in respect to the acquisition of an electro-plating company located in Changzhou City during October 2017.

Net profit attributable to owners of the Company

Net profit attributable to owners of the Company increased by approximately 31.2% from approximately RMB298.3 million in FY2016 to approximately RMB391.3 million in FY2017. This was primarily due to the effects of the followings:

(i) the revenue from the sales of automotive decorative components for all regions has been growing steadily from approximately RMB1,540.7 million for FY2016 to approximately RMB1,877.2 million or 21.8% growth for FY2017;

(ii) the gross profit also increased from approximately RMB633.3 million for FY2016 to approximately RMB779.3 million or approximately 23.1% increase for FY2017 as we were able to maintain a relatively stable gross profit margin at approximately 41.5% for FY2017 when compared to FY2016;

(iii) the increase of 27.3% in sales and distribution expenses during FY2017; and

(iv) the increase in administrative expenses, partly due to the increase in R&D expenditures to cope with increased demands for processing technology from our customers and the increase in salaries and benefits of our administrative and support staffs, directors and senior management, and provision for social insurance and housing provident funds. In addition, listing expenses of approximately RMB17.8 million was recorded in FY2017, which is non-recurring in nature. After adjusting such listing expenses, the Group would have recorded a net profit of approximately RMB409.1 million in FY2017 (FY2016: approximately RMB310.2 million, adjusted for listing expenses).

Basic earnings per share attributable to owners of the Company for 2017 was approximately RMB44 cents (2016: approximately RMB40 cents).

Liquidity and financial resources

For FY2017, the Group's net cash inflow from operating activities amounted to approximately RMB366.0 million, as compared to approximately RMB311.9 million in FY2016.

The Group had a finance lease payable of only approximately RMB0.8 million as at 31 December 2017 (31 December 2016: RMB5.1 million).

As at 31 December 2017, the gearing ratio, being total bank borrowings divided by total equity was 0.04% (31 December 2016: 0.49%).

The annual interest rate of the bank and other borrowings during FY2017 was 7.0% (FY2016: 7.0%).

Commitments

As at 31 December 2017, the Group had the following commitments:

	RMB'000
Capital commitments	112,249
Capital expenditure contracted but not provided for	
in the consolidated financial statements in respect of:	
Acquisition of property, plant and equipment	94,052

Interest Rate And Foreign Exchange Risks

As at 31 December 2017, the balance of bank borrowings of the Group was approximately RMB0.8 million, of which all the borrowing was bearing at fixed interest rates.

The Group's cash and cash equivalents are mainly denominated in RMB, EUR and USD. As at 31 December 2017, the Group's cash and cash equivalents denominated in currencies other than the functional currencies amounted to approximately RMB754.6 million of which approximately RMB582.1 million was denominated in USD, approximately RMB56.7 million was denominated in EUR, approximately RMB112.8 million was denominated in HKD.

As a result of the constant increase of overseas sales and the vigorous fluctuation in currency markets, the management of the Group expressed a more cautious attitude on the foreign exchange risk and closely monitored the foreign exchange exposure and adjusted the control strategy.

Contingent Liabilities

As at 31 December 2017, the Group had no contingent liabilities (31 December 2016: Nil).

Mortgaged Assets

The Group pledged freehold lands and buildings with a net book value of approximately RMB6.6 million (31 December 2016: approximately RMB8.5 million to secure general banking facilities granted to the Group).

Capital Expenditure

Capital expenditure includes the acquisition of property, plant and equipment, the increase in construction in progress and the addition of land use rights. During FY2017, the Group's capital expenditure amounted to approximately RMB246.0 million (FY2016: approximately RMB176.8 million). The capital expenditure for FY2017 accommodated the increase of investment in plastic injection and electroplating production capacity expansion according to the Group's plan.

Dividend

The Board recommends the payment of a final dividend of RMB7 cents per ordinary Share for the year ended 31 December 2017, together with the interim dividend of RMB5 cents per ordinary Share paid, the effective dividend payout ratio was 30.9%, when calculating against the net profit of RMB391 million for the year ended 31 December 2017.

Use Of Proceeds From The Listing

The net proceeds from the Listing amounted to approximately HK$855.0 million (equivalent to approximately RMB741.5 million). Such proceeds are intended to be applied in accordance with the proposed applications as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

As at 31 December 2017, the net proceeds were applied as follows:

	Percentage of total amount	Net proceeds from the Company's IPO RMB million	Amount Utilized RMB million	Amount un-utilized RMB million
Purpose				
Expanding and improving the production facilities in the PRC:				
i) Set up the Huizhou New Production Base	20.9%	155.0	39.2	115.8
ii) Construct the Wuxi New Production Base	10.3%	76.4	12.0	64.4
iii) Construct a new electroplating production line	3.1%	23.0	17.4	5.6
iv) Invest in plastic injection equipment	1.6%	11.9	11.9	—
Constructing the new production base in Mexico and investing in production facilities and equipment	40.2%	298.1	64.8	233.3
Reinforcing the market position and enhancing the sales, increasing the direct exposure in the mid-to-high end automobile manufacturing segment and market shares in North America and Europe	5.4%	40.0	0.6	39.4
Enhancing the product quality, product safety and R&D capabilities	5.7%	42.3	6.1	36.2
Enhancing the information technology and customer services systems	4.8%	35.6	2.5	33.1
Working capital and general corporate purposes	8.0%	59.2	29.6	29.6
Total	100.0%	741.5	184.1	557.4

EMPLOYEES

As at 31 December 2017, the Group had 4,638 employees (31 December 2016: 4,025 employees). There were 4,601, 3, 18, 16 staff members in China, Hong Kong, the United States and Germany, respectively as at 31 December 2017. The remuneration and staff cost for FY2017 were approximately RMB359.8 million (FY2016: RMB303.1 million).

The salaries of the Group's employees largely depend on their type and level of work as well as their length of service with the Company. They receive social welfare benefits and other benefits including social insurance. As required by the relevant laws and regulations of social insurance, the Company participates in the social insurance schemes operated by the relevant local government authorities which include retirement pension, medical insurance, unemployment insurance, industrial injuries insurance and maternity insurance in the countries the Company operates.

The Directors and senior management of the Company receive compensation in the form of salaries, benefits in kind and/or discretionary bonuses relating to the performance of the Group. The Company also reimburses them for expenses which are necessarily and reasonably incurred for providing services to the Company or executing their functions in relation to its operations. The Company regularly reviews and determines the remuneration and compensation packages of the Directors and senior management.

Further, the remuneration committee of the Company reviews and determines the remuneration and compensation packages of the Directors and senior management of the Company with reference to salaries paid by comparable companies, time commitment and responsibilities of the Directors and senior management of the Company and performance of the Group.

DEVELOPMENT & TRAINING

All new employees are required to attend orientation training to ensure the employees are aware and familiarize themselves with the Group's values and goals and to ensure the employees understand their role in the Group. Employees are encouraged to attend seminars relevant to their position to enhance their role within the Group.

CAPITAL STRUCTURE

As at 31 December 2017, the Company's issued share capital was approximately RMB87.8 million, equivalent to HK$100.6 million and divided into 1,006,487,000 Shares of HK$0.1 each (31 December 2016: RMB79,000, equivalent to HK$100,000 and divided into 1,000,000 Shares of HK$0.1 each).

SHARE OPTION SCHEME

A share option scheme (the "**2017 Share Option Scheme**") was adopted by written resolutions passed by the then Shareholders on 5 June 2017. Under the 2017 Share Option Scheme, the Directors may grant options to subscribe for the Shares to eligible participants, including without limitation employees of the Group, directors of the Company and its subsidiaries.

No share option was granted, exercised, cancelled or had lapsed under the 2017 Share Option Scheme during FY2017. No share option was outstanding under the 2017 Share Option Scheme as at 31 December 2017 and as of the date of this report.

CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining a high standard of corporate governance practices for enhancing accountability and transparency of the Company to its investors and Shareholders. The board (the "**Board**") of directors (the "**Directors**") and the management of the Company are committed to conducting the Group's businesses in a transparent and responsible manner, and we believe good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, sustainable business growth and enhancing Shareholders' value in the long term.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "**Governance Code**") as contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time) (the "**Listing Rules**") as its own code to govern its corporate governance practices.

The Company has complied with the code provisions set out in the Governance Code from 28 June 2017 (the "**Listing date**") up to the date of this annual report.

The Board will continue to review and monitor the practices of the Company with an aim to achieve and maintain a high standard of corporate governance practices.

DIRECTORS' AND SENIOR MANAGEMENT'S SECURITIES TRANSACTIONS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as its code of conduct regarding dealings in the securities of the Company by the Directors and the Group's senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Group or the Company's securities.

Upon specific enquiry, all the Directors confirmed that they have complied with the Model Code from the Listing Date to 31 December 2017. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group during the period from the Listing Date to 31 December 2017.

THE BOARD OF DIRECTORS

Board Responsibilities

The Board is responsible for the overall management of the Company, including establishing and overseeing the Company's strategic development, business plans, financial objectives, capital investment proposals and assumes the responsibilities of corporate governance of the Company.

The Board gave their input and considered the priorities and initiatives, aiming at developing a sustainable plan for the Company to generate and preserve its long-term corporate values and to achieve its business strategies and objectives.

The Board may from time to time delegate all or any of its powers that it may think fit to a Director or member of senior management of the Company. The Board has formulated clear and specific rules and policies on such delegation of power to facilitate efficient operation of the Company and is supported by three board committees (together the "**Board Committees**"), which are audit committee (the "**Audit Committee**"), remuneration committee (the "**Remuneration Committee**") and nomination committee (the "**Nomination Committee**").

Directors must dedicate sufficient time and attention to the Group's affairs. Besides, the Company also requested all Directors to disclose to the Company annually the number and the nature of offices held in public companies or organizations and other significant commitments with an indication of the time involved.

The Company has arranged appropriate insurance for all Directors in respect of legal actions against the Directors arising out of corporate activities.

Functions and Duties of the Board

The Board supervises the management of business and affairs of the Company. The primary duties of the Board include:

(a) overall management of the business and strategic development;

(b) deciding business plans and investment plans;

(c) monitoring the ongoing operation of the Company and to ensure that it is managed in the best interests of the shareholders of the Company (the "**Shareholders**") as a whole while taking into account the interests of other stakeholders;

(d) convening general meetings and reporting to the Shareholders; and

(e) exercising other powers, functions and duties conferred by Shareholders in general meetings.

The Board delegates the authority and responsibility of daily operations, business strategies and day to day management of the Company to the senior management.

The senior management is delegated by the Board the authority and responsibility for the daily operations and management of the Group. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions to be entered by the Company.

Composition

The Composition of the Board from the Listing Date to the date of the annual report is set out as follows:

Executive Directors

Mr. MA Xiaoming (Chairman)
Mr. MENG Jun
Mr. ZHANG Yumin
Mr. LIU Jun
Mr. HE Xiaolu
Mr. JIANG Wei

Independent Non-executive Directors

Mr. TANG Chi Wai
Mr. GAN Weimin
Prof. CAO Lixin

There is no financial, business, family or other material or relevant relationships among the Directors of the Company.

An updated list of the roles and functions of Directors is maintained on the websites of the Company and the Stock Exchange, and the Company shall keep updating whenever necessary. The details of the Directors' biographical information are contained in the section headed "Profile of Directors and Senior Management" of this annual report.

Independent Non-executive Directors

The Company complied with the requirement of Rule 3.10A of the Listing Rules, which requires an issuer's board of directors to have at least one-third of its members being independent non-executive directors, for the period from the Listing Date to 31 December 2017. In addition, during the period from the Listing Date to 31 December 2017, the Company has duly complied with Rule 3.10(1) and Rule 3.10(2) of the Listing Rules, which requires the issuer's board must include at least three independent non-executive directors and at least one of the independent non-executive directors to have appropriate professional qualifications or accounting or related financial management expertise.

The independent non-executive Directors have wide exposure and experience in the finance, legal and technical field, provide the Group with diversified expertise and experience.

Their views and participation in Board and Board committee meetings bring independent judgment and advice on issues relating to the Group's strategies, performance, conflicts of interest, management process and to ensure that the interests of all Shareholders are taken into account.

The terms of the independent non-executive Directors shall last for three years from 5 June 2017, their appointment date.

The Company has received an annual confirmation from each of the independent non-executive Directors on their respective independence pursuant to Rule 3.13 of the Listing Rules and the Board considers that each of them be independent. The Board believes that the present structure of the Board can ensure the independence and objectivity of the Board and provide an effective system of checks and balance to safeguard the interests of the Shareholders and the Company.

The Board considers that the balance between executive and independent non-executive Directors is reasonable and adequate to provide sufficient checks and balances that safeguard the interests of Shareholders and the Group as a whole. The composition of the Board reflects the necessary balance of skills and experience appropriate for the requirements of the business development of the Group and for effective leadership. The Board has separate and independent access to the senior management and the company secretary at all times.

Appointment, Re-election and Removal of Directors

Each of the Directors has entered into a service contract or a letter of appointment with the Company for a specific term. The initial term of office for each Director is a term of three years from their respective appointment date and is subject to retirement by rotation at an annual general meeting (the "**AGM**") at least once every three years. According to the articles of association of the Company (the "**Articles**"), one-third of the Directors for the time being shall retire from office by rotation at each AGM provided that every Director shall be subject to retirement by rotation at least once every three years. The retiring Directors shall be eligible for re-election at the relevant AGM. In addition, the Articles provide that any Director appointed by the Board to fill a casual vacancy or as an additional Director shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at the meeting.

The Company may by ordinary resolution remove any Director before the expiration of his period of office notwithstanding anything in the Articles or in any agreement between the Company and such Director and may elect another person in his stead.

In accordance with the Company's Articles, Mr. Ma Xiaoming, Mr. Meng Jun and Mr. Zhang Yumin will retire from office as Director by rotation at the forthcoming 2018 AGM and, being eligible, offer themselves for re-election.

Directors' Continuing Professional Development

The Directors are aware of the requirement under the code provision A.6.5 of the Code regarding continuous professional development. The Company encourages and support all the Directors (i.e. Mr. Ma Xiaoming, Mr. Meng Jun, Mr. Zhang Yumin, Mr. Liu Jun, Mr. He Xiaolu, Mr. Jiang Wei, Mr. Tang Chi Wai, Mr. Gan Weimin and Prof. Cao Lixin) to receive training and encourages their continuous professional development, so as to develop and keep abreast of their knowledge and skills better and serve the Company more efficiently. The Company offers training opportunities for all the Directors from time to time.

In compliance with the code provision A.6.5 of the Code, all Directors had participated in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. The Directors had provided the relevant record to the Company during the period from the Listing Date to 31 December 2017.

Internally, the Company's senior management, including the executive Directors, will implement a training plan and conduct training sessions for its key staff members on a continuing basis.

Board and Board Committees meetings

The Board has met regularly for the year ended 31 December 2017. For the period from the Listing Date to 31 December 2017, at least 14 days' notice for all regular Board meetings has been given to all Directors and all Directors has been given the opportunity to include items or businesses for discussion in the agenda. For all other Board meetings, reasonable notice has been given. Relevant agenda and accompanying Board papers has been sent to all Directors at least three days in advance of every regular Board meeting.

All matters and decisions reached, including any concerns raised by Directors or dissenting views expressed, will be recorded in minutes of Board meeting or other Board committees meetings in sufficient detail. Draft and final versions of minutes of Board/Board committee meetings will be sent to all Directors/committee members for comment and records respectively, within reasonable time after the respective meetings are held. The final versions of these minutes are kept by the Company secretary of the Company and are available for inspection at any reasonable time on reasonable notice by any Director and auditor of the Company.

During the year ended 31 December 2017, the Board convened a total of four Board meetings, one Remuneration Committee meeting, one Nomination Committee meeting and two Audit Committee meetings.

During the period from the Listing Date to 31 December 2017, the Company has compiled with code provision A.2.7 of the Governance Code, the chairman of the board had held a meeting with the independent non-executive Directors without the executive Directors present.

The Board intends to meet at least four times per year in the future, and the chairman of the Board intends to hold at least one meeting per year with the non-executive Directors (including the independent non-executive Directors) without the executive Directors present.

During the year ended 31 December 2017, the Board considers that all meetings have been legally and properly convened in compliance with the relevant laws and regulations (including the Listing Rules and the Articles). With the assistance of the company secretary, the chairman of the Board takes the lead to ensure that Board meetings and Board committee meetings are convened in accordance with the requirements set out in the Articles, the terms of reference of the respective Board committees and the Listing Rules. The Director's attendance at the Board meetings is set out in the section headed "Attendance at Board and Board Committee Meetings" below.

Upon making reasonable request to the Company, Board members have the right to seek independent professional advice or services at the Company's expense to assist them to perform their duties to the Company.

Should a potential conflict of interest involving substantial Shareholder(s) or Director(s) arise and the Board considers the matter to be material, the Company will hold a physical Board meeting to discuss and consider the matter, instead of passing a written resolution. Independent non-executive Directors who, and whose associates, have no material interest in the transaction should be required to be present at that Board meeting.

Attendance at Board and Board Committee Meetings

	Meetings attended/meetings held since respective appointment date			
Members	Board	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors				
Mr. Ma Xiaoming	4/4		1/1	1/1
Mr. Meng Jun	4/4			
Mr. Zhang Yumin	4/4			
Mr. Liu Jun	4/4			
Mr. He Xiaolu	4/4			
Mr. Jiang Wei	4/4			
Independent non-executive Directors				
Mr. Tang Chi Wai	4/4	2/2	1/1	
Mr. Gan Weimin	4/4	2/2		1/1
Prof. Cao Lixin	4/4	2/2	1/1	1/1

Corporate Governance Responsibilities

The Board is responsible for fulfilling the following corporate governance responsibilities for the period from the Listing Date to 31 December 2017:

- develop and review the Company's corporate governance policies and practices and put forward recommendations to the Board;
- review and monitor the training and continuing professional development of Directors and senior management;
- review and monitor the Company's policies and practices regarding compliance with laws and regulatory provisions;
- develop, review and monitor code of conduct and compliance manual for staff and Directors (if any);
- review the Company's compliance with the Code and disclosure in the corporate governance report; and
- develop shareholder communications policy and regularly review the policy to ensure its effectiveness.

CHAIRMAN AND CHIEF EXECUTIVE

Mr. Ma Xiaoming is the chairman of our Company. The Company has not appointed the role of Chief Executive, and the management of the Company are collectively responsible by all the Executive Directors.

Mr. Ma, as the chairman of the Board, is responsible for ensuring that the Directors receive in a timely manner, adequate information which is accurate, clear, complete and reliable. He ensures that all Directors are properly briefed on issues arising at the Board meetings. Mr. Ma is also responsible for ensuring good corporate governance practices and procedures are maintained, all Directors make full and active contribution to the Board's affairs, and the Board acts in the best interests of the Company and its Shareholders.

Under the leadership of Mr. Ma, the Board works effectively and performs its responsibilities with all key and appropriate issues discussed in a timely manner. Appropriate steps are taken to provide effective communication between the Shareholders and the Board. Mr. Ma will ensure appropriate steps are taken and the Shareholders' views are communicated to the Board as a whole.

A culture of openness and constructive relations among Directors are promoted within the Board, facilitating effective contribution of independent non-executive Directors and ensuring constructive relations between executive and independent non-executive Directors.

BOARD COMMITTEES

Delegation by the Board

The Board is supported by the Board Committees, and the Board has delegated various responsibilities to the Board Committees, namely the Audit Committee, Remuneration Committee and the Nomination Committee. All Board Committees perform their distinct roles in accordance with their respective terms of reference which are available to public on the websites of the Company and the Stock Exchange.

The Company has provided the Board Committees with sufficient resources and the Board Committees may seek independent professional advice as and when required at the Company's expense.

Audit Committee

The Company established the Audit Committee on 5 June 2017 with written terms of reference in compliance with the Listing Rules of the Stock Exchange and the Governance Code. The Audit Committee currently has three members, namely Mr. Tang Chi Wai, Mr. Gan Weimin and Prof. Cao Lixin. Mr. Tang Chi Wai, the Company's independent non-executive Director, has been appointed as the chairman of the Audit Committee, and possess the appropriate professional qualifications required under the Listing Rules. The Audit Committee has access to professional advice, if required, and is provided with sufficient resources to perform its duties.

The primary responsibilities of the Audit Committee are to review and supervise the financial reporting process, financial control, internal control and risk management systems of the Company, nominate and monitor external auditor, oversee the audit process and perform other duties and responsibilities as assigned by the Board on an annual basis.

During the year ended 31 December 2017, the Audit Committee has convened two meetings, with all members present in person or through telephonic conferencing, during which the following works were performed:

- Assessed the independence of the Company's auditors;
- Discussed with external auditors about the audit planning and fees in respect of their audit work for the year ended 31 December 2017;
- Met with the Company's external auditor to discuss the audit procedures and accounting issues;
- Reviewed and discussed the unaudited interim results for the six months ended 30 June 2017 with the senior management of the Company and external auditor;
- Reviewed the financial controls, internal control, risk management systems and effectiveness of internal audit function of the Group;
- Reviewed the accounting policies adopted by the Group and other issues related to the Company's accounting practice; and
- Appointment of external auditors (subject to approval in annual general meeting) and arrangements for the employees to raise concerns about possible improprieties.

The terms of reference of the Audit Committee is available on the websites of the Company and the Stock Exchange.

The attendance of the Audit Committee members at the above meeting is set out in the above section headed "Attendance at Board and Board Committee Meetings"

Remuneration Committee

The Company established the Remuneration Committee on 5 June 2017 with written terms of reference in compliance with the Listing Rules and the Governance Code. The Remuneration Committee has three members, namely Prof. Cao Lixin, Mr. Ma Xiaoming and Mr. Tang Chi Wai. Prof. Cao Lixin, the Company's independent non-executive Director, has been appointed as the chairman of the Remuneration Committee. The Remuneration Committee has access to professional advice, if required, and is provided with sufficient resources to perform its duties.

The primary duties of the Remuneration Committee are to review, determine and make recommendations to the Board on the policy and structure of the remuneration (including bonuses and other compensation) payable to the Directors and senior management and make recommendations on employee benefit arrangements.

The Remuneration Committee is also responsible to establish a formal and transparent procedure for development of remuneration policy, and ensuring no Director or his/her associate is involved in deciding his/her own remuneration. The Remuneration Committee make recommendations to the Board on remuneration package of individual executive Directors and senior management.

The Remuneration Committee of the Company held one meeting in 2017 to review and make recommendations on the existing remuneration packages of all Directors and senior management. The attendance of the Remuneration Committee members at the above meeting is set out in the section headed "Attendance at Board and Board Committee Meetings" above.

The terms of reference of the Remuneration Committee is available on websites of the Company's website and the Stock Exchange

Nomination Committee

The Company established the Nomination Committee on 5 June 2017 with written terms of reference in compliance with the Listing Rules and the Governance Code. The Nomination Committee consists of three members, namely Mr. Ma Xiaoming, Mr. Gan Weimin and Prof. Cao Lixin. Mr. Ma Xiaoming, the chairman of the Board, has been appointed as the chairman of the Nomination Committee. The Nomination Committee has access to professional advice, if required, and is provided with sufficient resources to perform its duties.

The primary duties of the Nomination Committee are to review the structure, size and composition of the Board annually, to determine the policy for the nomination of directors, and make recommendations on any proposed changes to the Board compositions to complement the Company's corporate strategy. The Nomination Committee is also responsible for identifying suitably qualified individuals and making recommendations to the Board on the appointment or re-appointment of Directors and succession planning of Directors. Furthermore, it also assesses the independence of the independent non-executive Directors.

The Nomination Committee has held one meeting in 2017, during which the diversity, structure, size and composition of the Board, the independence of the independent non-executive Directors were reviewed. The attendance of the Nomination Committee members at the above meeting is set out in the section headed "Attendance at Board and Board Committee Meetings" above.

In selecting candidates for directorship of the Company, the Nomination Committee makes reference to certain criteria such as the Company's needs, the integrity, experience, skills and expertise of the candidate, board diversity aspects and the amount of time and effort that the candidate will devote to discharge his/her duties and responsibilities. External recruitment professionals might be engaged to carry out selection process when necessary.

The Company has adopted a Board diversity policy (the "**Board Diversity Policy**"). The Company recognizes and embraces the benefits of having a diverse Board to the quality of its performance. The Board Diversity Policy aims to set out the approach to achieve diversity on the Board. The Nomination Committee will evaluate the balance and blend of skills, experience and diversity of perspectives of the Board. Selection of candidates will be based on a range of diversity experiences, including but not limited to age, gender, cultural and educational background, and merit and contribution that the selected candidates will bring to the Board.

The terms of reference of the Nomination Committee is available on the websites of the Company and the Stock Exchange.

AUDITORS' REMUNERATION

The remuneration paid or payable to the Company's external auditor, Ernst & Young, during the year ended 31 December 2017 is set out below:

	Amount (RMB'000)
Audit services	1,561
Non-audit services	
Reporting accountants for the Company's initial public offering	2,689
Interim financial statements review	572
Internal control review	503
Environmental, Social and Governance Report	260
Tax review and consultancy	1,125
Employee option scheme advisory	507
Total:	7,217

The Audit Committee has expressed its views to the Board that the level of fees paid/payable to the Company's external auditors for annual audit and non-audit services is reasonable. There has been no major disagreement between the auditors and the management of the Company during the year ended 31 December 2017.

The Audit Committee is responsible to make recommendation to the Board as to the appointment, reappointment and removal of the external auditors. There is no disagreement between the Board and the Audit Committee regarding the re-appointment of Ernst & Young as the Company's external auditors for the financial year ending 31 December 2018 which is subject to the approval by the Shareholders at the forthcoming AGM of the Company to be held on 21 May 2018.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge that it is their responsibility to prepare accounts of the Group and other financial disclosures required under the Listing Rules and the Company's management will provide information and explanation to the Board to enable it to make informed assessments of the financial and other decisions.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the auditors of the Company in respect of their reporting responsibilities on the Company's financial statements for the year ended 31 December 2017 is set out in the "Independent Auditors' Report" contained in this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for maintaining effective risk management and internal control systems and conducting regular review on the effectiveness of the risk management and internal control system of the Company. The risk management and internal control systems of the Group are characterised by distinct division between power and authority, clear procedures, high transparency and efficiency. The Company has worked out a procedure for identifying, evaluating and managing significant risks of the Company. Business departments including the production and sales departments are responsible for identifying, supervising and evaluating the risks related to themselves, and report to the Company's senior management on a regular basis. The senior management shall evaluate and set priorities for the identified risks according to the procedure set by the Board's Audit Committee, and then submit risk alleviation plans to the Audit Committee which shall appoint officers responsible for risk management.

The Company has formulated the insider information policies according to the Securities & Futures Ordinance and the Listing Rules. The Company's Directors, senior management and all others relevant employees are provided with the guidelines to ensure that the Company promptly disclose the insider information under reasonable and practicable circumstances. The guideline contains a series of procedure to ensure that the information are kept confidential before they are disclosed to the general public, and shall publicly disclose such information immediately if the Company considers that it is impossible to keep it confidential as required.

The risk management and internal control systems adopted by the Company are designed to manage rather than eliminate the risks of failing to achieve the business objectives and can only make reasonable but not absolute assurance against material misstatement or loss. Procedures have been designed for safeguarding assets against unauthorized use or disposition, maintaining of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensuring compliance of applicable laws, rules and regulations.

The Board is responsible for presenting a balanced and clear assessment of the Group's performance and prospects. Management of the Company provides all relevant information to the Board, giving its members sufficient information and explanation that it needs to discharge their responsibilities.

During the year ended 31 December 2017, the Audit Committee and the Board conducted a review of the effectiveness of the risk management and internal control system of the Company, respectively including the adequacy of resources, staff qualifications and experiences, training programs and budget of the Company's accounting and financial reporting function. The Board considers that there are no significant defects in the Company's risk management and internal control system in terms of completeness, reasonableness and effectiveness.

The Articles set out matters which are specifically reserved to the Board for its decision. The management team of the Company holds meetings regularly to review and discuss with executive Directors on daily operational issues, financial and operating performance as well as to monitor and ensure the management properly implement the directions and strategies set by the Board.

The senior management of the Company has provided the Board with sufficient explanation and information to enable the Board to make an informed assessment of financial and other information put before it for approval.

Currently, the Group has not established an internal audit function. The Board has reviewed the need for setting up an internal audit function within the Group, and is of the opinion that in view of the current scale and nature of the operations of the Group, it is more cost effective to appoint external independent professionals to carry out internal audit services for the Group.

The Board will continue, with the assistance of the Audit Committee and external independent professionals if necessary, to review and improve the Group's internal controls system, taking into account the prevailing regulatory requirements, the Group's business development and the interests of shareholders.

COMPANY SECRETARY

Mr. Au Wai Keung ("**Mr. Au**") served as the company secretary of the Company during the year ended 31 December 2017. Mr. Au is a director of Arion & Associates Limited, a corporate secretarial and accounting services provider in Hong Kong. Mr. Au possesses the professional qualifications that the Stock Exchange has considered acceptable and has taken no less than 15 hours of professional training during the year ended 31 December 2017.

Mr. Au's primary contact person at the Company is Ms. Wei Zhenqi, the secretary of the board of the Group.

Mr. Au is responsible for providing advice to the Board on corporate governance matters.

COMPLIANCE ADVISER

The Company has appointed TC Capital International Limited as its compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance advisor will advise the Company under the following circumstances:

- The publication of any regulatory announcement, circular or financial report;
- Where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- Where the Company proposes to use the net proceeds of the IPO in a manner different from the detailed in the Prospectus or where the Company's business activities, developments or results deviate from any forecast, estimate, or other information as set out in the Prospectus; and
- Where the Stock Exchange makes an inquiry of the Company under Rule 13.10 of the Listing Rules

The term of the appointment will end on the date on which the Company distributes the annual report in respect of the financial results for the first full financial year commencing after the Listing Date in accordance with Rule 13.46 of the Listing Rules and such appointment may be subject to extension by mutual agreement.

SHAREHOLDERS' RIGHT

To safeguard Shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at Shareholders' meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company (**www.xinpoint.com**) and Stock Exchange after each Shareholders' meeting. The Articles allow a Shareholder to attend and vote at a general meeting or to appoint a proxy, who needs not be a Shareholder, to attend the meeting and vote thereat on his/her/its behalf.

Pursuant to the Articles, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition (including but not limited to the shareholders' right in proposing persons for election as Directors) and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

Shareholders and potential investor are welcome to communicate with the Company by email: xinpoint.hk@pordahavas.com. Shareholders may put forward their written enquiries or requisitions to the Board at Unit 1503, 15/F, Midas Plaza, 1 Tai Yau Street, San Po Kong, Kowloon, Hong Kong (Attention: the Board of Directors).

INVESTOR RELATIONS

The Company believes that effective and proper investor relations play a vital role in creating Shareholders' value, enhancing the corporate transparency as well as establishing market confidence. The Company discloses information in compliance with the Listing Rules, and publishes periodic reports and announcements to the public in accordance with the relevant laws and regulations. The primary focus of the Company is to ensure information disclosure is timely, fair, accurate and complete, thereby enabling Shareholders, investors as well as the public to make rational and informed decisions. Updated key information and business development of the Group are also available on the Company's website to enable Shareholders and investors to have timely access to information about the Group.

The Company also endeavours to maintain an on-going dialogue with Shareholders and in particular, through general meetings which provides a forum for Shareholders to raise comments and exchange views with the Board. Directors (or their delegates as appropriate) will be available at the annual general meetings of the Company to address Shareholders' queries.

The Company will continue to take measures to ensure effective Shareholders' communication and transparency.

On 5 June 2017, the Company adopted the amended and restated memorandum and articles of association which became effective on the Listing Date. Save as disclosed above, there had been no changes in the constitutional documents of the Company during the year ended 31 December 2017. An up to date version of the Articles is available on the websites of the Stock Exchange and the Company.

The Company will strive to strengthen investor relationships and maintain transparency of the operating strategies, financial performance and development prospects of the Company.

REPORT OF DIRECTORS

The Board is pleased to present the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The Company is a limited liability company incorporated in the Cayman Islands and its registered office address is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company, and the Company's subsidiaries are principally engaged in the manufacture and sale of automotive and electronic components.

RESULTS AND DIVIDEND

The consolidated results of the Group for the year ended 31 December 2017 are set out on pages 50 to 104 of this annual report.

The Board is pleased to recommend the payment of a final dividend of RMB7 cents per ordinary Share (the "**Proposed Final Dividend**") for the year ended 31 December 2017. Subject to the approval of the Proposed Final Dividend by the Shareholders at the Company's forthcoming annual general meeting to be held on 21 May 2018 (the "**2018 AGM**"), the Proposed Final Dividend is expected to be paid on or about 25 June 2018.

There is no arrangement under which a shareholder has waived or agreed to waive any dividends.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2017 is set out in the section headed "Management Discussion and Analysis" from pages 14 to 22 of this annual report.

POSSIBLE RISKS AND UNCERTAINTIES FACING THE COMPANY

Description of possible risks and uncertainties facing the Company is set out in Note 37 to the financial statements in this annual report.

FUTURE BUSINESS DEVELOPMENT

A discussion of the Group's future business development is set out in the "Chairman's Statement" on page 5 and "Management Discussion and Analysis" on page 14 of this annual report.

FINANCIAL KEY PERFORMANCE INDICATORS

An analysis of the Group's performance during the year ended 31 December 2017 using financial key performance indicators is set out in the "Financial Summary" on page 4 of this annual report.

ENVIRONMENTAL PROTECTION AND COMPLIANCE WITH LAWS AND REGULATIONS

The Group is committed to supporting the environmental sustainability. The Group is subject to various environmental laws and regulations set by the PRC national, provincial and municipal governments, Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations. During the year ended 31 December 2017, the Group has complied with relevant laws and regulations that have significant impact on the operations of the Group. Further, any changes in applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

CLOSURE OF THE REGISTER OF MEMBERS

(A) For Determining the Entitlement to Attend and Vote at the 2018 AGM

The register of members of the Company will be closed from 16 May 2018 to 21 May 2018 (both days inclusive), during which period no transfer of Shares will be effected. In order to determine the identity of members who are entitled to attend and vote at the 2018 AGM, all Share transfer documents accompanied by the relevant Share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on 15 May 2017.

(B) For Determining the Entitlement to the Proposed Final Dividend

The register of members of the Company will be closed from 30 May 2018 to 4 June 2018, (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify for the Proposed Final Dividend (subject to approval of the shareholders at the 2018 AGM), all completed Share transfer forms accompanied by the relevant Share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 29 May 2018.

FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last four financial years is set out on page 4 of this annual report.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Details of the material acquisitions or disposals of subsidiaries, associates and joint ventures are set out in Note 29 to the financial statements in this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in Note 13 to the financial statements in this annual report.

SHARE CAPITAL AND SHARES ISSUED

Details of the movements and issued in the Company's share capital during the year ended 31 December 2017 are set out in Note 27 to the financial statements in this annual report.

PRE-EMPTIVE RIGHTS

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

DISTRIBUTABLE RESERVES

As at 31 December 2017, the Company's reserves available for distribution amounted to RMB1,241.8 million of which RMB70.5 million has been proposed as a final dividend for the year ended 31 December 2017.

RESERVES

Details of the movement in the reserves of the Group and of the Company during the year ended 31 December 2017 are set out in Note 28 to the financial statements in this annual report.

BANKING FACILITIES AND OTHER BORROWINGS

Details of the borrowings are set out in the section headed "Management Discussion and Analysis" in this annual report and Note 25 to the financial statements in this annual report.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during 2017.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the period from Listing Date to 31 December 2017. The Company has maintained directors and officers liability insurance which provides appropriate cover for, among others, Directors and officers of the Company.

EQUITY-LINKED AGREEMENTS

There were no equity-linked agreements entered into by the Group, or existed during the year ended 31 December 2017.

CHARITABLE DONATIONS

During the year ended 31 December 2017, the Group did not made any charitable donations.

DIRECTORS

The Directors who held office during the year ended 31 December 2017 and up to the date of this annual report are:

Executive Directors

Mr. Ma Xiaoming (Chairman)
Mr. Meng Jun
Mr. Zhang Yumin
Mr. Liu Jun
Mr. He Xiaolu
Mr. Jiang Wei

Independent Non-executive Directors

Mr. Tang Chi Wai (appointed on 5 June 2017)
Mr. Gan Weimin (appointed on 5 June 2017)
Prof. Cao Lixin (appointed on 5 June 2017)

There is no financial, business, family or other material or relevant relationship among the Directors of the Company.

Pursuant to the provisions in the Articles, Mr. Ma Xiaoming, Mr. Meng Jun and Mr. Zhang Yumin will retire from office as Director by rotation at the forthcoming 2018 AGM and, being eligible, offer themselves for re-election. The Company's circular to be dispatched to Shareholders will contain detailed information of the Directors standing for re-election.

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board has received from each of the independent non-executive Directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules, and considers that all the independent non-executive Directors are independent.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND THE SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group as at the date of this annual report are set out in the section headed "Profile of Directors and Senior Management" on pages 8 to 13 of this annual report.

DIRECTORS' SERVICE CONTRACTS

As at 31 December 2017, none of the Directors (including those Directors proposed for re-election at the forthcoming 2018 AGM) has a service contract with the Company or any of its subsidiaries which is not determinable by the Company or its subsidiaries, as applicable, within one year without payment of compensation (other than statutory compensation).

CONTRACTS WITH DIRECTORS AND CONTROLLING SHAREHOLDERS

No contract of significance (as defined under Notes 16.1 and 16.2 of Appendix 16 to the Listing Rules) has been entered into between the Company or any of its subsidiaries and a controlling Shareholder or any of its subsidiaries during the year ended 31 December 2017.

No contract of significance (as defined under Notes 15.2 and 15.3 of Appendix 16 to the Listing Rules) which the Company or any of its subsidiaries was a party, and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2017.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The emoluments of the Directors and senior management members of the Group are decided by the Board with reference to the recommendation given by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

The remuneration (including fees, salaries and other benefits, retirement benefit scheme contribution) paid to the Company's Directors in aggregate for the years ended 31 December 2017 and 2016 were approximately RMB11,092,000 and RMB9,240,000, respectively.

The remuneration (including salaries and other benefits, retirement benefit scheme contribution) paid to our Group's five highest paid individuals in aggregate for the years ended 31 December 2017 and 2016 were approximately RMB10,459,000 and RMB8,807,000, respectively.

For the year ended 31 December 2017, no emoluments were paid by our Group to any director of the Company or any of the five highest paid individuals as an inducement to join or upon joining our Group or as compensation for loss of office. None of the directors has waived any emoluments for the year ended 31 December 2017.

Details of the Directors' emoluments and the emoluments of the five highest paid individuals in the Group are set out in Note 8 and Note 9 of the financial statements in this annual report.

Except as disclosed above, no other payments have been made or are payable, for the year ended 31 December 2017 by our Group to or on behalf of any of the Directors.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year, none of the Directors nor the controlling Shareholders of the Company or their respective associates (as defined in the Listing Rules) had any interest in a business that competed or was likely compete with, either directly or indirectly, the business of the Group.

On 5 June 2017, the Controlling Shareholders of our Company have executed the deed of non-competition (the "**Non-competition Deed**") in favour of the Company, pursuant to which each of our Controlling Shareholders has, among other matters, unconditionally and irrevocably given certain non-competition undertakings to the Company. Details of which are set out in the section headed "Relationship with Our Controlling Shareholders – Undertakings given by Our Controlling Shareholders" in the Prospectus.

The Controlling Shareholders declared that they have complied with the Non-competition Deed. The independent non-executive Directors have conducted such review for the year ended 31 December 2017 and also reviewed the relevant undertakings and are satisfied that the Non-competition Deed has been fully complied.

MANAGEMENT CONTRACTS

Other than the Directors' service contracts and appointment letters, no contract concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence as at the end of the year or at any time during 2017.

LOAN OR GUARANTEE FOR LOAN GRANTED TO THE DIRECTORS

During 2017, the Group had not made any loan or provided any guarantee for any loan, directly or indirectly, to the Directors, senior management, its ultimate controlling Shareholders or their respective connected persons.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SECURITIES

As at 31 December 2017, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of the associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**"), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code are as follows:

Long positions in the Shares and underlying shares of the Company and associated corporation:

Name of directors	Capacity and nature of interest	Total number of shares	Approximate percentage of the total issued share capital of the Company (%)
Mr. Ma Xiaoming ("**Mr. Ma**") (Note 1)	Interest of controlled corporation	718,596,750	71.40

Name of associated corporation	Capacity and nature of interest	Total number of shares	Approximate percentage of the total issued share capital of the associated corporation (%)
Green Pinnacle Holdings Limited ("**Green Pinnacle**") (Note 1)	Interest of controlled corporation	1,000	100

Notes:

1. 718,596,750 Shares are beneficially held by Green Pinnacle which is wholly owned by Mealth (PTC) Limited ("**Mealth PTC**"). Both Green Pinnacle and the Shares owned by it form part of the trust assets of the Mealth Discretionary Trust, which was established by Mr. Ma as settlor and whose trustee is Mealth PTC. The Mealth Discretionary Trust is a discretionary trust and its discretionary objects include Mr. Ma, Mr. Ma's family members, the Company's directors, namely, Mr. He Xiaolu, Mr. Meng Jun, Mr. Liu Jun and Mr. Zhang Yumin and the other beneficiaries. By virtue of the SFO, Mr. Ma is deemed to be interested in the 718,596,750 Shares and the shares in Green Pinnacle held by Mealth PTC in his capacity of settlor of the Mealth Discretionary Trust.

Save as disclosed above and to the best knowledge of the Directors, as at 31 December 2017, none of the Directors or the chief executive of the Company has any interests and/or short positions in the Shares, underlying Shares or debentures of the Company and or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which each of them has taken or deemed to have taken under the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year ended 31 December 2017 or the period following 31 December 2017 up to the date of this annual report, was the Company or any of its subsidiaries or holding company or any of the subsidiaries of the Company's holding company a party to any arrangement to enable the Directors or the chief executive of the Company or their respective associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the Directors and chief executive, or their spouse and children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during such period.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2017, so far as are known to the Board, the following parties (other than any Directors or chief executives of the Company) were recorded in the register, kept by the Company pursuant to Section 336 of the SFO, as being directly or indirectly interested or deemed to be interested in 5% or more of the issued share capital of the Company:

Long positions in the Shares and underlying shares of the Company:

Name of shareholders	Capacity and nature of Interest	Total number of shares	Approximate percentage of the total issued share capital of the Company (%)
Green Pinnacle (Note 1)	Beneficial owner	718,596,750	71.40
Mealth PTC (Note 1)	Interest in a controlled corporation and trustee	718,596,750	71.40
Zhu Junhua (Note 2)	Interest of spouse	718,596,750	71.40
Bull Capital China Growth Fund II, L.P. (Note 3)	Interest in a controlled corporation	63,500,000	6.31
Bull Capital GP II Limited (Note 3)	Interest in a controlled corporation	63,500,000	6.31
Bull Capital Partners Ltd. (Note 3)	Interest in a controlled corporation	63,500,000	6.31
Greater Talent Investments Limited ("**Greater Talent**") (Note 3)	Beneficial owner	63,500,000	6.31
Peace World Investments Limited (Note 3)	Interest in a controlled corporation	63,500,000	6.31
Wong Kun Kau (Note 3)	Interest in a controlled corporation	63,500,000	6.31

Notes:

1. 718,596,750 Shares are beneficially held by Green Pinnacle, which is wholly owned by Mealth PTC. Both Green Pinnacle and the Shares owned by it form part of the trust assets of the Mealth Discretionary Trust, which was established by Mr. Ma as settlor and whose trustee is Mealth PTC. By virtue of the SFO, Mealth PTC is deemed to be interested in the 718,596,750 Shares held by Green Pinnacle.

2. Ms. Zhu Junhua is the spouse of Mr. Ma and accordingly she is deemed to be interested in the aggregate of 718,596,750 Shares by virtue of the SFO.

3. Greater Talent is wholly owned by Bull Capital China Growth Fund II, L.P. ("**Bull Capital LP**"). The general partners of Bull Capital LP are Bull Capital Partners Ltd. ("**Bull Capital Partners**") and Bull Capital GP II Limited ("**Bull Capital GP**"). Bull Capital Partners and Bull Capital GP are held as to 43.99% and 47% respectively by Peace World Investment Limited ("**Peace World**"), which is wholly owned by Mr. Wong Kun Kau ("**Mr. Wong**"). Accordingly, by virtue of the SFO, Bull Capital, Bull Capital Partners, Bull GP, Peace World and Mr. Wong are deemed to be interested in the Shares held by Greater Talent.

Save as disclosed above, as at 31 December 2017, our Directors are not aware that any other persons/entities (other than any Directors or chief executives of the Company) had an interest or short position in the Shares or underlying Shares of the Company, its members of the Group or associated corporations which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which had entered in the register required to be kept by the Company pursuant to section 336 of the SFO.

MAJOR SUPPLIERS AND CUSTOMERS

In the year ended 31 December 2017, the Group's largest customer accounted for 8.9% of the Group's total revenue. The Group's five largest customers accounted for 35.3% of the Group's total revenue.

In the year ended 31 December 2017, the Group's largest supplier accounted for 11.7% of the Group's total purchases. The Group's five largest suppliers accounted for 41.6% of the Group's total purchases.

None of the Directors or any of their associates (as defined under the Listing Rules) or any Shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) has any beneficial interest in the Group's five largest suppliers or the Group's five largest customers.

EMPLOYEES

As at 31 December 2017, the Group had approximately 4,638 full-time employees, as compared to 4,025 employees as at 31 December 2016. The Group enters into employment contracts with its employees to cover matters such as position, term of employment, wage, employee benefits, liabilities for breaches and grounds for termination. Remuneration of the Group's employees includes basic salaries, allowances, bonus and other employee benefits and are determined with reference to their experiences, qualifications, competence and general market conditions.

The emoluments payable to the Directors will depend on their respective contractual terms under their employment contracts or service agreements as approved by the Remuneration Committee and Nomination Committee, having regard to the Company's operating results, individual performance and comparable market statistics. No Director should determine his or her own remuneration.

Details of the Directors' emoluments and emoluments of the five highest paid individual in the Group are set out in Notes 8 and 9 to the financial statements in this annual report.

RETIREMENT BENEFITS SCHEME

The Hong Kong subsidiary of the Company participates in the Mandatory Provident Fund Schemes ("**MPF Schemes**") registered under the Mandatory Provident Scheme Fund Ordinance. The contributions represent contributions payable to the MPF Schemes by the Hong Kong subsidiary in accordance with government regulations.

The employees employed in the PRC subsidiaries of the Company are members of the state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiaries are required to contribute to the retirement benefits schemes based on a certain percentage of their payroll to fund the benefits. The only obligation of the Group with respect to these retirement benefits schemes is to make the required contributions under the schemes.

Contributions paid or payable for these retirement benefits schemes for the year of 2017 are RMB71,443,000 million (2016: RMB51,703,000 million). No forfeited contributions are available to reduce the contribution payable by the Group in future years.

CONTINUING CONNECTED TRANSACTION

During the year ended 31 December 2017, our Group has not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of chapter 14A of the Listing Rules.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the year ended 31 December 2017, which did not constitute connected transactions under chapter 14A of the Listing Rules are set out in Note 34 of the financial statements in this annual report.

CORPORATE GOVERNANCE

The Company places high value on its corporate governance practices and the Board firmly believes that a good corporate governance practices can improve accountability and transparency for the benefit of the Shareholders of the Company.

The Company has adopted the Governance Code as its own code to govern its corporate governance procedures. The Board also reviews and monitors the practices of the Company from time to time to maintain and improve a high standard of corporate practice practices.

Save as disclosed in the Corporate Governance Report on pages 23 to 34 of this annual report, the Company has complied with the Governance Code in the year ended 31 December 2017. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 23 to 34 of this annual report.

INDEPENDENCE OF EXTERNAL AUDITOR

The Audit Committee is mandated to monitor the independence of the external auditor to ensure true objectivity in the financial statements. All services provided by the external auditor are required to be approved by the Audit Committee. To ensure that the policy of restricting the non-audit work done by the external auditor is strictly adopted by all entities within the Group, appropriate policies and procedures have been established for approval of engagement of the Group's independent external auditor, Ernst Young, to provide services to the Group.

RELATIONSHIPS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

The Group endeavours to maintain sustainable development in the long term, continuously create value for its employees and customers, and foster good relationships with its suppliers. The Group understands that employees are its valuable assets, and the realization and enhancement of employees' values will facilitate the achievement of the Group's overall goals. For the year ended 31 December 2017, the Group provided generous social security benefits to its employees to motivate them while heightening their sense of belonging. The Group also understands the importance of maintaining good relationships with its suppliers and customers to the overall development of the Group. The Group places emphasis on supplier selection and encourages fair and open competition to foster long-term relationships with quality suppliers on the basis of mutual trust. To maintain the competitiveness of its brand and products, the Group abides by the principles of honesty and trustworthiness and commits itself to consistently provide quality products to establish a reliable service environment for its customers. For the year ended 31 December 2017, there was no significant and material dispute between the Group and its suppliers and/or customers.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Board, as at the date of this annual report, the Company has maintained the public float as required by the Listing Rules.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year, so far as known to the Directors, there was no non-compliance with any relevant laws and regulations which would have a material impact on the Group.

EVENTS AFTER THE REPORTING PERIOD

There are no material subsequent events undertaken by the Company or by the Group after 31 December 2017.

SHARE OPTION SCHEME

A share option scheme (the "**Scheme**") was adopted by the then Shareholders on 5 June 2017. Under the Scheme, the Directors may grant options to subscribe for the Shares to eligible participants, including without limitation employees of the Group, the directors of the Company and its subsidiaries.

No share options was granted, exercised, cancelled or had lapsed under the Scheme during the year ended 31 December 2017. No share options was outstanding under the Scheme as at 31 December 2017 and as of the date of this annual report.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The net proceeds from the initial public offering of the Company were approximately RMB741.5 million. The relevant net proceeds are intended to be or have been used in accordance with the proposed usages as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus of the Company dated 16 June 2017. The unused proceeds were deposited in licensed banks in Hong Kong.

As at 31 December 2017, the plan for material investments or capital assets and the net proceeds were applied as follows:

Purpose	Percentage of total amount	Net proceeds from the Company's IPO	Amount utilized	Amount un-utilized
		RMB million	*RMB million*	*RMB million*
Expanding and improving the production facilities in the PRC:				
i) Set up the Huizhou New Production Base	20.9%	155.0	39.2	115.8
ii) Construct the Wuxi New Production Base	10.3%	76.4	12.0	64.4
iii) Construct a new electroplating production line	3.1%	23.0	17.4	5.6
iv) Invest in plastic injection equipment	1.6%	11.9	11.9	—
Constructing the new production base in Mexico and investing in production facilities and equipment	40.2%	298.1	64.8	233.3
Reinforcing the market position and enhancing the sales, increasing he direct exposure in the mid-to-high end automobile manufacturing segment and market shares in North America and Europe	5.4%	40.0	0.6	39.4
Enhancing the product quality, product safety and R&D capabilities	5.7%	42.3	6.1	36.2
Enhancing the information technology and customer services systems	4.8%	35.6	2.5	33.1
Working capital and general corporate purposes	8.0%	59.2	29.6	29.6
Total	100.0%	741.5	184.1	557.4

Saved as disclosed, there is no future plan for material investments or capital assets.

AUDITORS

The consolidated financial statements of the Group for the year ended 31 December 2017 have been audited by Ernst & Young.

There is no change in the auditor of the Company for the preceding three years.

MEMORANDUM AND ARTICLES OF ASSOCIATION

On 5 June 2017, the Company adopted the amended and restated memorandum and articles of association which became effective on the Listing Date. Save as disclosed above, there had been no changes in the constitutional documents of the Company during the year ended 31 December 2017.

On behalf of the Board

MA Xiaoming
Chairman

Hong Kong, 12 March 2018

INDEPENDENT AUDITOR'S REPORT

EY 安永

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

安永會計師事務所
香港中環添美道 1 號
中信大廈 22 樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
www.ey.com

To the shareholders of Xin Point Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Xin Point Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 50 to 104, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the shareholders of Xin Point Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Recoverability of trade and bills receivables	
As at 31 December 2017, trade and bills receivables amounted to RMB538.3 million, representing 21% of total assets. The determination as to whether a trade receivable is collectable involves significant management judgement. Specific factors management considers include the ageing of the balance, existence of disputes, recent historical payment patterns and any other available information concerning the creditworthiness of customers. Management uses this information to determine whether a provision for impairment is required either for a specific transaction or for a customer's balance overall. The significant accounting judgements and estimates and the disclosure of the balance of trade and bills receivables are included in notes 3 and 21 to the consolidated financial statements.	We tested, on a sample basis, the ageing analysis of the Group's trade and bills receivables balances for any indicators of impairment. For those aged balances where no provision was recognised, we test checked the subsequent settlements and reviewed the historical payment patterns and any correspondence with customers on the expected settlement dates. For other trade and bills receivables balances, we checked the post year–end cash receipts for a sample of year-end other trade and bills receivables balances.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the shareholders of Xin Point Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the shareholders of Xin Point Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Lam, Wai Ming, Ada.

Ernst & Young
Certified Public Accountants
Hong Kong
12 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
REVENUE	5	**1,877,155**	1,540,666
Cost of sales		**(1,097,904)**	(907,354)
Gross profit		**779,251**	633,312
Other income and gains	5	**42,083**	26,466
Selling and distribution expenses		**(37,456)**	(29,425)
Administrative expenses		**(274,882)**	(218,645)
Finance costs	7	**(260)**	(628)
Share of profits of an associate		**1,392**	348
PROFIT BEFORE TAX	6	**510,128**	411,428
Income tax expense	10	**(118,858)**	(113,087)
PROFIT FOR THE YEAR		**391,270**	298,341
OTHER COMPREHENSIVE INCOME/(LOSS):			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(43,772)**	16,670
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**(43,772)**	16,670
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**347,498**	315,011
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic and diluted	12	**RMB44 cents**	RMB40 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**612,965**	428,706
Prepaid land lease payments	14	**40,204**	33,814
Goodwill	15	**—**	—
Investment in an associate	16	**1,510**	718
Prepayments, deposits and other receivables	17	**72,077**	52,966
Deferred tax assets	18	**10,890**	10,267
Total non-current assets		**737,646**	526,471
CURRENT ASSETS			
Inventories	19	**327,303**	218,788
Trade and bills receivables	21	**538,256**	445,060
Prepayments, deposits and other receivables	17	**120,042**	93,667
Derivative financial instruments	20	**3,750**	3,256
Prepaid land lease payments	14	**951**	794
Cash and cash equivalents	22	**812,108**	229,648
Total current assets		**1,802,410**	991,213
CURRENT LIABILITIES			
Trade payables	23	**193,506**	184,343
Other payables and accruals	24	**202,498**	169,870
Interest-bearing bank and other borrowings	25	**844**	4,015
Tax payable		**182,640**	130,470
Total current liabilities		**579,488**	488,698
NET CURRENT ASSETS		**1,222,922**	502,515
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,960,568**	1,028,986
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	25	**—**	1,050
Deferred tax liabilities	18	**141**	—
Total non-current liabilities		**141**	1,050
Net assets		**1,960,427**	1,027,936
EQUITY			
Equity attributable to owners of the parent			
Issued capital	27	**87,800**	79
Reserves	28	**1,872,627**	1,027,857
Total equity		**1,960,427**	1,027,936

MA Xiaoming
Director

MENG Jun
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

	Share capital RMB'000	Capital reserve RMB'000	Merger reserve RMB'000	Exchange fluctuation reserve RMB'000	Surplus reserve RMB'000	Retained profits RMB'000	Total equity RMB'000
At 1 January 2016	79	—	828*	10,182*	49,051*	762,785*	822,925
Profit for the year	—	—	—	—	—	298,341	298,341
Other comprehensive income for the year:							
Exchange differences on translation of foreign operations	—	—	—	16,670	—	—	16,670
Total comprehensive income for the year	—	—	—	16,670	—	298,341	315,011
Transfer of surplus reserve	—	—	—	—	16,833	(16,833)	—
Final 2015 dividend	—	—	—	—	—	(110,000)	(110,000)
At 31 December 2016 and 1 January 2017	79	—	828*	26,852*	65,884*	934,293*	1,027,936
Profit for the year	—	—	—	—	—	391,270	391,270
Other comprehensive loss for the year:							
Exchange differences on translation of foreign operations	—	—	—	(43,772)	—	—	(43,772)
Total comprehensive income for the year	—	—	—	(43,772)	—	391,270	347,498
Issuance of shares for initial public offering ("IPO")	87,721	680,747	—	—	—	—	768,468
Share issue expenses	—	(32,976)	—	—	—	—	(32,976)
Transfer of surplus reserve	—	—	—	—	18,824	(18,824)	—
Final 2016 dividend	—	—	—	—	—	(100,000)	(100,000)
Interim 2017 dividend	—	—	—	—	—	(50,499)	(50,499)
At 31 December 2017	87,800	647,771*	828*	(16,920)*	84,708*	1,156,240*	1,960,427

* These reserve accounts comprise the consolidated reserves of RMB1,872,627,000 (2016: RMB1,027,857,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**510,128**	411,428
Adjustments for:			
Finance costs	7	**260**	628
Depreciation	6	**64,858**	59,168
Recognition of prepaid land lease payments	6	**806**	773
Loss on disposal of items of property, plant and equipment	6	**2,752**	1,462
Share of profits of an associate		**(1,392)**	(348)
Gain on disposal of a subsidiary	6	**—**	(233)
Changes in fair value of derivative financial instruments		**(494)**	(519)
Interest income	5	**(4,311)**	(2,519)
Impairment of goodwill	6	**3,242**	—
		575,849	469,840
Increase in inventories		**(104,001)**	(40,037)
Increase in trade and bills receivables		**(93,870)**	(80,790)
Increase in prepayments, deposits and other receivables		**(19,467)**	(33,947)
Increase in trade payables		**6,448**	77,630
Increase/(decrease) in other payables and accruals		**53,415**	(18,592)
Cash generated from operations		**418,374**	374,104
Interest received		**4,311**	2,519
Taxes paid		**(56,677)**	(64,702)
Net cash flows from operating activities		**366,008**	311,921
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		**(245,997)**	(176,847)
Additions to deposits paid for property, plant and equipment		**(19,111)**	(21,101)
Proceeds from disposal of items of property, plant and equipment		**22,253**	1,053
Disposal of a subsidiary		**—**	7,262
Acquisition of a subsidiary		**(38,153)**	—
Dividend received from an associate		**600**	600
Net cash flows used in investing activities		**(280,408)**	(189,033)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of bank loans		**—**	(22,093)
Capital element of finance lease rental payments		**(4,221)**	(3,856)
Interest paid		**(260)**	(628)
Dividends paid		**(172,568)**	(176,762)
Proceeds for issue of shares		**723,243**	—
Payment of listing expenses		**(17,794)**	—
Net cash flows (used in)/from financing activities		**528,400**	(203,339)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**614,000**	(80,451)
Cash and cash equivalents at the beginning of year		**229,648**	302,230
Effect of foreign exchange rate changes, net		**(31,540)**	7,869
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	22	**812,108**	229,648
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statement of financial position		**812,108**	229,648
Cash and cash equivalents as stated in the statement of cash flows		**812,108**	229,648

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2017

1. CORPORATE AND GROUP INFORMATION

Xin Point Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-111, Cayman Islands.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") was involved in the manufacture and sale of automotive and electronic components:

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Xin Point Corporation	British Virgin Islands ("BVI")	US$100,000	100	—	Investment holding
Keen Point Limited	BVI	US$10,000	—	100	Trading of automotive and electronic components
Xin Point North America Inc.*	United States ("US")	US$30,000	—	100	Trading of automotive and electronic components
Jingxing Industry Ltd.	BVI	US$50,000	—	100	Investment holding
Keen Point (Europe) Inc.	BVI	US$10,000	—	100	Investment holding
Maksun Limited	Hong Kong	HK$1	—	100	Trading of raw materials
Keen Point (Europe) GmbH.	Germany	EUR25,000	—	100	Trading of automotive products
Huizhou Keen Point Precision Plastic Co., Ltd.**	China	HK$110,000,000	—	100	Manufacture and sale of automotive and electronic products
Keen Point (M) Sdn. Bhd.*	Malaysia	RM1,000	—	100	Inactive

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Huizhou Keen Point Electronics Co., Ltd.**	China	HK$10,000,000	—	100	Manufacture and sale of automotive and electronic components
Tianjin Jinxin Precision Plastic Components Co., Ltd.**	China	US$4,600,000	—	100	Manufacture and sale of automotive and electronic components
Wuxi Jinxin Surface Decoration Co., Ltd. **	China	US$3,000,000	—	100	Manufacture and sale of automotive and electronic components
Huizhou Xin Point Surface Decoration Co., Ltd.**	China	RMB30,000,000	—	100	Manufacture and sale of automotive and electronic components
Huizhou Haoyu Technology Co., Ltd.**	China	RMB1,000,000	—	100	Trading of automotive and electronic products
Wuxi Keen Point Electronics Co., Ltd.**	China	RMB59,677,639	—	100	Manufacture and sale of automotive and electronic components
Shanghai Xinyu Import & Export Trading Co., Ltd.**	China	RMB1,000,000	—	100	Trading of automotive and electronic components
Wuxi Keen Point Automobile Precision Molding Co., Ltd.**	China	US$20,000,000	—	100	Trading of automotive and electronic components

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Huizhou Xin Point Precision Components Co., Ltd.**	China	RMB10,000,000	—	100	Trading of automotive and electronic components
Huizhou Keen Point Surface Decoration Co., Ltd.**	China	RMB10,000,000	—	100	Manufacture and sale of automotive and electronic products
Huizhou Xinsheng Technology Co., Ltd**	China	RMB 5,000,000	—	100	Manufacture and sale of automotive and electronic products
Key Apps Limited	Hong Kong	HK$100	—	100	Inactive
Xin Point Europe AG	Switzerland	CFH100,000	—	100	Inactive
Xin Point Mexico S.DE R.L. DE C.V.	Mexico	MXN500,000	—	100	Inactive
Tianjin Xin Point Plastic Surface Decoration Co., Ltd.**	China	RMB5,000,000	—	100	Inactive
Time Glory Trading Limited	Hong Kong	HK$100	—	100	Inactive
Shiragane Plating Technology (Changzhou) Co., Ltd.**	China	US$19,500,000	—	100	Manufacture and sale of automotive and electronic products
Jiujiang Xin Point Surface Decoration Co., Ltd.**	China	RMB10,000,000	—	100	Inactive
Jiujiang Xin Point Automobile Components Co., Ltd.**	China	US$10,000,000	—	100	Inactive

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network

** Registered as a wholly-foreign-owned enterprise under the law of China

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

During the year, the Group acquired Shiragane Plating Technology (Changzhou) Co., Ltd. Further details of this acquisition are included in note 29 to the financial statements.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

Other than as explained below regarding the impact of HKAS 7, the adoption of the above revised standards has had no significant financial effect on these financial statements.

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Disclosure of the changes in liabilities arising from financing activities is provided in note 30 to the financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
HKFRS 9	*Financial Instruments*[1]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[2]
HKFRS 16	*Leases*[2]
Amendments to HKAS 40	*Transfers of Investment Property*[1]

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[2]
Annual Improvements 2014-2016 Cycle	*Amendments to HKFRS 1 and HKAS 28*[1]
Annual Improvements 2015-2017 Cycle	*Amendments to various HKFRSs*[2]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
HKFRS 17	*Insurance Contracts*[3]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below:

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if they elect to adopt for all three amendments and other criteria are met. The Group will adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group will adopt HKFRS 9 from 1 January 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018. During 2017, the Group has performed a detailed assessment of the impact of the adoption of HKFRS 9. The expected impacts relate to the classification and measurement and the impairment requirements and are summarised as follows:

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

(a) Classification and measurement

The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

(b) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

HKFRS 15, issued in July 2014, establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group has assessed the impact of this standard and expects that the standard will not have any significant impact, when applied, on the consolidated financial statements of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

HKFRS 16, issued in May 2016, replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases - Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt HKFRS 16 from 1 January 2019. The Group is currently assessing the impact of HKFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted.

As disclosed in note 32 to the financial statements, at 31 December 2017, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately RMB86,681,000. Upon adoption of HKFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

Amendments to HKAS 40, issued in April 2017, clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to the changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at the date that it first applies the amendments and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application is only permitted if it is possible without the use of hindsight. The Group expects to adopt the amendments prospectively from 1 January 2018. The Group has assessed the impact of the amendments and expected that the amendments will not have any significant impact, when applied, on the financial statements of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

HK(IFRIC)-Int 22, issued in June 2017, provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. Entities may apply the interpretation on a full retrospective basis or on a prospective basis, either from the beginning of the reporting period in which the entity first applies the interpretation or the beginning of the prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Group expects to adopt the interpretation prospectively from 1 January 2018. The Group has assessed the impact of the interpretation and expects that the interpretation will not have any significant impact, when applied, on the financial statements of the Group.

HK(IFRIC)-Int 23, issued in July 2017, addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information.

The Group expects to adopt the interpretation from 1 January 2019. The Group has assessed the impact of the interpretation and expects that the interpretation will not have any significant impact, when applied, on the financial statements of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement

The Group measures its derivative financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	–	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets (continued)

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Freehold land	Not depreciated
Buildings	4.5% - 8% or over the lease terms, whichever rate is higher
Leasehold improvements	20% or over the lease terms, whichever rate is higher
Plant and machinery	5% to 33.3%
Furniture, fixtures and equipment	5% to 33.3%
Motor vehicles	10% to 18%
Computer equipment	10% to 33.3%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five to seven years, commencing from the date when the products are put into commercial production.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms. Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, and loans and receivables, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as other income and gains and negative net changes on fair value presented as finance cost in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria under in HKAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss.

These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and on other expenses for receivables.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the statement of profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing bank borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments

Initial recognition and subsequent measurement

The Group has derivative financial instruments, such as foreign commodity contracts, to hedge its commodity price risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and an associate, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and an associate, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and

(b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss and other comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute 10% to 20% of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Payments to state-managed retirement benefit schemes in jurisdictions other than China are charged as expenses when employees have rendered the service entitling them to the contributions.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed first dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Write-down of inventories to net realisable value

Management reviews the condition of inventories of the Group and writes down the carrying amounts of obsolete and slow-moving inventories items which are identified as no longer suitable for sale or use to their respective net realisable values. The Group estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions at the end of each of the reporting periods.

The identification of obsolete and slow-moving inventory items requires the use of judgements and estimates. Where the expectation is different from the original estimate, such difference will impact on the carrying values of inventories and the write-down of inventories recognised in the periods in which such estimates have been made. The carrying amount of inventories at 31 December 2017 was RMB327,303,000 (2016: RMB218,788,000).

Impairment of trade receivables

The Group assesses at the end of each of the reporting periods whether there is any objective evidence that a financial asset is impaired. To determine whether there is an objective evidence of impairment, the Group considers factors such as the ageing of the balance, existence of disputes, recent historical payment patterns and any other available information concerning the creditworthiness of customers. Where there is an objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience of assets with similar credit risk characteristics.

The identification of impairment requires the use of judgements and estimates. Where the expectation is different from the original estimate, such difference will impact on the carrying values of trade receivables and the impairment of trade receivables recognised in the periods in which such estimates have been made. The carrying amount of trade and bills receivables at 31 December 2017 was RMB538,256,000 (2016: RMB445,060,000).

4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the manufacture and sale of automotive and electronic components. For the purpose of resources allocation and performance assessment, the Group's management focuses on the operating results of the Group. As such, the Group's resources are integrated and no discrete operating segment information is available. Accordingly, no operating segment information is presented.

Geographical information

(a) Revenue from external customers

	2017 RMB'000	2016 RMB'000
China	**888,911**	673,579
North America	**486,369**	462,110
Europe	**442,493**	348,256
Other countries	**59,382**	56,721
	1,877,155	1,540,666

The revenue information of operations above is based on the locations of the customers.

(b) Non-current assets

	2017 RMB'000	2016 RMB'000
China	**656,658**	493,948
Other countries	**70,098**	22,256
	726,756	516,204

The non-current asset information of operations above is based on the locations of the assets and excludes deferred tax assets.

Information about a major customer

During the year ended 31 December 2017, no revenue from any single customer accounted for 10% or more of the total revenue of the Group.

During the year ended 31 December 2016, revenue generated from one single customer amounting to approximately RMB206,811,000 individually accounted for over 10% of the Group's revenue.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of revenue, other income and gains is as follows:

	2017 RMB'000	2016 RMB'000
Revenue		
Sale of non-automotive components	17,549	37,581
Sale of automotive decorative components	1,859,606	1,503,085
	1,877,155	1,540,666
Other income		
Bank interest income	4,311	2,519
Government subsidies*	3,633	1,532
Sale of scraps	8,219	5,551
Sale of raw materials	3,151	1,899
Sale of samples	1,095	—
Testing fee income	2,375	1,556
Compensation from insurance companies	292	920
Others	5,640	4,963
	28,716	18,940
Gains		
Fair value gain on derivative financial instruments, net	694	262
Gain on disposal of prepaid land lease payments	3,169	—
Foreign exchange gain, net	9,504	7,031
Gain on disposal of a subsidiary	—	233
	42,083	26,466

* There are no unfulfilled conditions or contingencies relating to these grants.

6. PROFIT BEFORE TAX

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

	Notes	2017 RMB'000	2016 RMB'000
Cost of inventories sold		1,097,904	907,354
Depreciation	13	64,858	59,168
Amortisation of land lease payments	14	806	773
Minimum lease payments under operating leases		19,939	23,727
Research and development costs		42,793	36,024
Fair value gain on derivative financial instruments, net		(694)	(262)
Auditors' remuneration		3,354	3,247
Employee benefit expense (including directors' and chief executive's remuneration (note 8))			
Wages and salaries		359,770	303,114
Pension scheme contributions		71,443	51,703
		431,213	354,817
Loss on disposal of items of property, plant and equipment, net		2,752	1,462
Foreign exchange differences, net		(9,504)	(7,031)
Impairment of goodwill	15	3,242	—
Gain on disposal of a subsidiary		—	(233)

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2017 RMB'000	2016 RMB'000
Interest on bank loans	260	628

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2017 RMB'000	2016 RMB'000
Fees	**1,020**	1,783
Other emoluments:		
Salaries, allowances and benefits in kind	**5,175**	3,172
Performance related bonuses	**4,626**	4,220
Pension scheme contributions	**79**	65
	9,880	7,457

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2017 RMB'000	2016 RMB'000
Cao Lixin	**60**	—
Gan Weiming	**60**	—
Tang Chi Wai	**72**	—
	192	—

There were no other emoluments payable to the independent non-executive directors during the year (2016: Nil).

8. DIRECTORS AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(b) Executive directors and chief executive

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2017					
Executive directors:					
Ma Xiaoming	**210**	**1,500**	**2,175**	**—**	**3,885**
He Xiaolu	**120**	**829**	**658**	**10**	**1,617**
Meng Jun	**120**	**916**	**420**	**10**	**1,466**
Zhang Yumin	**240**	**666**	**660**	**17**	**1,583**
Liu Jun	**210**	**1,024**	**660**	**14**	**1,908**
Jiang Wei	**120**	**240**	**53**	**28**	**441**
	1,020	**5,175**	**4,626**	**79**	**10,900**
2016					
Executive directors:					
Ma Xiaoming	1,063	—	1,890	—	2,953
He Xiaolu	120	656	439	7	1,222
Meng Jun	120	837	441	7	1,405
Zhang Yumin	240	665	693	7	1,605
Liu Jun	120	792	693	16	1,621
Jiang Wei	120	221	65	28	433
	1,783	3,171	4,221	65	9,240

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees for the year included five directors in each of the reporting periods, details of whose remuneration are set out in note 8 above.

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. For the Group's subsidiary established in the US, income tax is calculated at the rate of 34.0% (2016: 34.0%). For the Group's subsidiary established in Germany, income tax is calculated at the rate of 28.0% (2016: 28.0%). Tax on profits assessable in China has been calculated at the applicable China corporate income tax ("CIT") rate of 25%. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2017 RMB'000	2016 RMB'000
Current – China		
Charge for the year	101,796	109,935
Overprovision in prior years	18,473	(19,145)
Current – Hong Kong	12,063	10,595
Current – Germany	12,540	2,698
Current – US	11,555	10,119
Deferred tax (note 17)	(623)	(1,115)
Total tax charge for the year	118,858	113,087

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	2017		2016	
	RMB'000	%	RMB'000	%
Profit before tax	510,128		411,428	
Tax at the statutory tax rate	127,532	25.0	102,857	25.0
Lower tax rate(s) enacted by local authority	(15,387)	(3.0)	(4,584)	(1.1)
Higher tax rate(s) enacted by local authority	7,942	1.6	8,823	2.1
Adjustments in respect of current tax of previous periods	(18,473)	(3.7)	(19,145)	(4.7)
Profits attributable to an associate	(348)	(0.1)	(87)	(0.0)
Income not subject to tax	(13,414)	(2.6)	(4,393)	(1.1)
Expenses not deductible for tax	31,005	6.1	29,616	7.3
Tax charge at the Group's effective rate	118,858	23.3	113,087	27.5

11. DIVIDENDS

	2017 RMB'000	2016 RMB'000
Interim – RMB0.05 (2016: Nil) per ordinary share	50,499	—
Final – RMB100 per share for 2016 (RMB110 per share for 2015)	100,000	110,000
	150,499	110,000

Final dividend of RMB0.067 per share amounting to approximately RMB67,435,000 in respect of the year ended 31 December 2017 (2016: RMB100 per share amounting to approximately RMB100,000,000) has been proposed by the directors and is subject to approval by the shareholders at the forthcoming annual general meeting.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Basic earnings per share is calculated by dividing the profit attributable to the ordinary equity holders of the parent by the weighted average number of shares in issue, during the years ended 31 December 2017 and 2016.

	2017 RMB'000	2016 RMB'000
Profit for the year and earnings for the purpose of basic and diluted earnings per share	391,270	298,341

	2017 Number of shares	2016 Number of shares
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation	880,205,332	750,000,000

The Group had no potentially diluted ordinary shares in issue during the years ended 31 December 2017 and 2016.

	Year ended 31 December	
	2017	2016
Earnings per share Basic and diluted	RMB44 cents	RMB40 cents

The weighted average number of ordinary shares used to calculate the basic earnings per share for the year ended 31 December 2016 included 1,000,000 ordinary shares, and 749,000,000 shares in connection with the capitalisation issue, which were deemed to have been issued as of the beginning of the year.

The weighted average number of ordinary shares used to calculate the basic earnings per share for the year ended 31 December 2017 included the weighted average of 250,000,000 and 6,487,000 ordinary shares issued in connection with the Company's initial public offering and over-allotment, respectively and the aforesaid 750,000,000 ordinary shares.

No adjustment has been made to the basic earnings per share amount for the years ended 31 December 2017 and 2016 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

13. PROPERTY, PLANT AND EQUIPMENT

	Note	Freehold land RMB'000	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Computer equipment RMB'000	Total RMB'000
At 1 January 2016, net of accumulated depreciation		15,729	28,044	17,836	199,076	11,717	6,085	29,859	4,347	312,693
Additions		—	23,106	14,195	65,643	2,409	535	70,492	467	176,847
Transfers		—	—	—	12,999	—	—	(12,999)	—	—
Depreciation provided during the year		—	(2,842)	(12,298)	(38,006)	(3,132)	(2,122)	—	(768)	(59,168)
Disposals/write-off		—	—	(21)	(2,178)	(86)	(129)	—	—	(2,414)
Exchange realignment		380	95	118	(56)	(385)	696	—	(100)	748
At 31 December 2016 and 1 January 2017, net of accumulated depreciation		16,109	48,403	19,830	237,478	10,523	5,065	87,352	3,946	428,706
Additions		5,272	8,246	16,281	20,789	880	802	190,627	3,100	245,997
Transfers		—	4,079	—	87,494	3,727	759	(98,246)	2,187	—
Depreciation provided during the year		—	(3,383)	(12,261)	(42,952)	(3,361)	(1,986)	—	(915)	(64,858)
Disposals/write-off		—	(2,481)	(28)	(16,074)	(88)	(57)	—	(223)	(18,951)
Acquisition of a new subsidiary	29	—	2,620	—	18,868	185	14	—	—	21,687
Exchange realignment		609	(191)	(17)	—	24	(53)	—	12	384
At 31 December 2017		21,990	57,293	23,805	305,603	11,890	4,544	179,733	8,107	612,965

	Freehold land RMB'000	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Computer equipment RMB'000	Total RMB'000
At 31 December 2016 and 1 January 2017:									
Cost	16,109	65,056	71,859	376,508	21,320	13,754	87,352	6,202	658,160
Accumulated depreciation	—	(16,653)	(52,029)	(139,030)	(10,797)	(8,689)	—	(2,256)	(229,454)
Net carrying amount	16,109	48,403	19,830	237,478	10,523	5,065	87,352	3,946	428,706
At 31 December 2017:									
Cost	21,990	85,019	88,093	499,562	27,895	15,498	179,733	11,348	929,138
Accumulated depreciation	—	(27,726)	(64,288)	(193,959)	(16,005)	(10,954)	—	(3,241)	(316,173)
Net carrying amount	21,990	57,293	23,805	305,603	11,890	4,544	179,733	8,107	612,965

At 31 December 2017, the Group had not yet obtained the building ownership certificates of the Group's buildings with a net carrying amount of RMB3,734,000 (2016: RMB4,027,000) from the relevant government authorities.

As at 31 December 2016 and 2017, the Group's property, plant and equipment with net carrying amounts of approximately RMB8,500,000 and nil respectively, were pledged to secure general bank loans of RMB5,100,000 and nil granted to the Group (note 25).

The net carrying amounts of the Group's fixed assets held under finance leases included in the total amounts of plant and machinery at 31 December 2016 and 2017 were approximately RMB8,548,000 and RMB6,636,000 respectively (note 26).

14. PREPAID LAND LEASE PAYMENTS

	Note	2017 RMB'000	2016 RMB'000
Carrying amount at beginning of the year		**34,608**	35,381
Acquisition of a subsidiary	29	**8,462**	—
Disposal		**(1,109)**	—
Recognised during the year		**(806)**	(773)
Carrying amount at end of the year		**41,155**	34,608
Current portion		**(951)**	(794)
Non-current portion		**40,204**	33,814

15. GOODWILL

	RMB'000
Cost and carrying amount at 1 January 2016, 31 December 2016 and 1 January 2017	**—**
Acquisition of a subsidiary (note 29)	3,242
Impairment during the year	(3,242)
Cost and net carrying amount at 31 December 2017	—
At 31 December 2017:	
Cost	3,242
Accumulated impairment	(3,242)
Net carrying amount	—

During the year, management of the Group determined that there was a full impairment of the Group's goodwill with an indefinite useful life.

Impairment testing of goodwill

Goodwill acquired business combinations is allocated to the following cash-generating units for impairment testing:

- Industrial products cash-generating unit.

  The recoverable amount of this cash-generating unit was based on fair value less costs of disposal, estimated using cost approach. The fair value measurement was categorized as a Level 3 fair value based on the inputs in the valuation technique used.

  The key assumption used in the estimation of the recoverable amount is the expected future cash flows including proceeds on subsequent disposal. The value assigned to the key assumption represented management's assessment of future trends in the relevant industry and have been based on historical data from both external and internal sources.

16. INVESTMENT IN AN ASSOCIATE

	2017 RMB'000	2016 RMB'000
Share of net assets	**1,510**	718

Particulars of the material associate are as follows:

Name	Particulars of registered capital	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activities
Suzhou City Keen Point Precision Molding Co., Ltd. #	RMB2,000,000	China	30	Manufacture and sale of automotive and electronic products

\# Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network

Suzhou City Keen Point Precision Molding Co., Ltd., which is considered a material associate of the Group, is a strategic partner of the Group engaged in the manufacture and sale of automotive and electronic products and is accounted for using the equity method.

The following table illustrates the summarised financial information in respect of Suzhou City Keen Point Precision Molding Co., Ltd. adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2017 RMB'000	2016 RMB'000
Current assets	**8,764**	5,487
Non-current assets	**11,579**	11,306
Current liabilities	**(15,310)**	(14,400)
Net assets	**5,033**	2,393
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**30%**	
Group's share of net assets of the associate and carrying amount of the investment	**1,510**	718
Revenue	**34,545**	23,956
Profit for the year	**4,640**	1,162
Total comprehensive income for the year	**4,640**	1,162

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017 RMB'000	2016 RMB'000
Prepayments	116,003	76,156
Deposits and other receivables	76,116	70,477
	192,119	146,633
Non-current portion	(72,077)	(52,966)
Current portion	120,042	93,667

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

18. DEFERRED TAX ASSETS/LIABILITIES

	Provision for accrued staff welfare RMB'000	Provision for inventories RMB'000	Other deductible temporary differences RMB'000	Total RMB'000
At 1 January 2016	6,718	2,143	291	9,152
Deferred tax credited/(charged) to profit or loss during the year (note 10)	2,173	(793)	(265)	1,115
At 31 December 2016 and at 1 January 2017	8,891	1,350	26	10,267
Deferred tax credited to profit or loss during the year (note 10)	79	533	11	623
At 31 December 2017	8,970	1,883	37	10,890

18. DEFERRED TAX ASSETS/LIABILITIES (CONTINUED)

Deferred tax assets and liabilities have not been offset for the purpose of presentation in the consolidated statement of financial position as they relate to different tax authorities. The following is the analysis of the deferred taxation balances for financial reporting purposes:

	2017 RMB'000	2016 RMB'000
Deferred tax assets	10,890	10,267
Deferred tax liabilities	(141)	—
	10,749	10,267

Deferred tax assets have not been recognised in respect of the following items:

	2017 RMB'000	2016 RMB'000
Tax losses	811	707

The Group has tax losses arising in Malaysia of RMB811,000 (2016: RMB707,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in a subsidiary that has been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in China in respect of earnings generated from 1 January 2008.

As 31 December 2017, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings of RMB718.1 million (31 December 2016: RMB541.8 million) that are subject to withholding taxes of a subsidiaries of the Group established in China. In the opinion of directors, the Group's fund will be retained in China for the expansion of the Group's operation, so it is not probable that its subsidiaries will distribute such earnings in the foreseeable future.

There are no income tax consequences attaching to the payment of dividend by the subsidiaries to its shareholders.

19. INVENTORIES

	2017 RMB'000	2016 RMB'000
Raw materials	**73,677**	52,577
Work in progress	**66,146**	44,979
Finished goods	**187,480**	121,232
	327,303	218,788

20. DERIVATIVE FINANCIAL INSTRUMENTS

	2017 RMB'000	2016 RMB'000
Forward metal contracts	**3,750**	3,256

The Group has entered into various forward metal contracts to manage its commodity price exposures. These forward metal contracts are not designated for hedge purposes and are measured at fair value through profit or loss. Gain arising from changes in the fair value of non-hedging derivatives amounting to RMB694,000 was charged to profit or loss during the year ended 31 December 2017 (2016: gain of RMB262,000).

21. TRADE AND BILLS RECEIVABLES

	2017 RMB'000	2016 RMB'000
Trade and bills receivables	**538,256**	445,060

The Group's trading terms with its customers are mainly on credit. The credit period is generally three months. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a large number of customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade and bills receivables are non-interest-bearing.

21. TRADE AND BILLS RECEIVABLES (CONTINUED)

An aging analysis of the trade and bills receivables as at the end of each reporting period, based on the invoice date and net of provision, is as follows:

	2017 RMB'000	2016 RMB'000
Within 1 month	387,492	290,886
1 to 2 months	98,773	110,639
2 to 3 months	31,463	36,324
Over 3 months	20,528	7,211
	538,256	445,060

The aging analysis of the trade and bills receivables that are not individually nor collectively considered to be impaired is as follows:

	2017 RMB'000	2016 RMB'000
Neither past due nor impaired	527,858	436,658
Less than 1 month past due	6,657	4,343
1 to 3 months past due	826	2,741
Over 3 months past due	2,915	1,318
	538,256	445,060

Receivables that were neither past due nor impaired related to customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

22. CASH AND CASH EQUIVALENTS

At 31 December 2016 and 2017, the Group's cash and bank balances denominated in RMB amounted to RMB79,383,000 and RMB57,510,000 respectively. The RMB is not freely convertible into other currencies, however, under China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

23. TRADE PAYABLES

An aging analysis of the trade payables as at the end of each of the reporting period, based on the invoice date, is as follows:

	2017 RMB'000	2016 RMB'000
Within 1 month	144,378	149,583
1 to 2 months	25,423	21,216
2 to 3 months	10,605	6,252
Over 2 months	13,100	7,292
	193,506	184,343

Trade payables are non-interest-bearing and are normally settled with terms of 30 - 60 days.

24. OTHER PAYABLES AND ACCRUALS

	2017 RMB'000	2016 RMB'000
Other payables	29,337	31,107
Accruals	165,960	134,569
Receipts in advance	7,201	4,194
	202,498	169,870

Other payables are non-interest-bearing and have an average term of three months.

25. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2017			2016		
	Contractual interest rate (%)	Maturity	RMB'000	Contractual interest rate (%)	Maturity	RMB'000
Current						
Finance lease payables (Note 26)	7	2018	844	7	2017	4,015
Non-current						
Finance lease payables (Note 26)	—	—	—	7	2018	1,050
			844			5,065

25. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

	2017 RMB'000	2016 RMB'000
Analysed into:		
Other borrowings repayable:		
Within one year or on demand	844	4,015
In the second year	—	1,050
In the third to fifth years, inclusive	—	—
	844	5,065

Notes:

(a) Certain of the Group's bank loans are secured by property, plant and equipment situated in China, which had net carrying amounts of approximately RMB8,500,000 and RMB6,636,000 at 31 December 2016 and 2017 respectively (note 13).

(b) Borrowings of the Group are denominated in HK$.

26. FINANCE LEASE PAYABLES

The Group leases certain of its plant and machinery for its automotive decorative components business. These leases are classified as finance leases and have remaining lease terms ranging from one to three years.

At 31 December 2016 and 2017, the total future minimum lease payments under finance leases and their present values were as follows:

Group	Minimum lease payments		Present value of minimum lease payments	
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
Amounts payable:				
Within one year	854	4,250	844	4,015
In the second year	—	1,062	—	1,050
In the third year	—	—	—	—
Total minimum finance lease payments	854	5,312	844	5,065
Future finance charges	(10)	(247)		
Total net finance lease payables	844	5,065		
Portion classified as current liabilities (note 25)	(844)	(4,015)		
Non-current portion (note 25)	—	1,050		

27. SHARE CAPITAL

	2017 RMB'000	2016 RMB'000
Issued and fully paid:		
1,006,487,000 (2016: 1,000,000) ordinary shares of HK$0.1 each	87,800	79

A summary of movements in the Company's share capital is as follows:

	Notes	Number of shares in issue	Share capital RMB'000
Issued and fully paid:			
On incorporation and at 1 January 2017	(a)	1,000,000	79
Capitalisation issue of shares	(b)	749,000,000	65,352
Issuance of shares on 28 June 2017	(c)	250,000,000	21,813
Over-allotment on 21 July 2017	(d)	6,487,000	556
At 31 December 2017		1,006,487,000	87,800

During the years ended 31 December 2016 and 2017, the movements in share capital were as follows:

(a) Pursuant to an ordinary resolution passed on 28 August 2014, 1,000,000 ordinary shares of HK$0.1 each were allotted, issued and credited as fully paid to the Company's initial subscribers.

(b) Pursuant to a resolution passed on 28 June 2017, 749,000,000 ordinary shares of HK$0.1 each were allotted and issued, credited as fully paid at par, by way of capitalisation from the capital reserve account to the holders of shares whose names appear on the register of members of the Company at the close of business on 28 June 2017 in proportion to their respective shareholdings.

(c) In connection with the Company's initial public offering, 250,000,000 ordinary shares of HK$3.42 each were issued at HK$0.1 per share for a total cash consideration, before expenses, of approximately HK$855,000,000.

(d) In connection with the Company's over-allotment, 6,487,000 additional shares (the "Over-allotment Shares") have been issued and allotted at HK$3.42 each were issued at HK$0.1 per share for a total cash consideration, before expenses, of approximately HK$22,186,000.

28. RESERVES

The amounts of the Group's reserves and the movements therein for the reporting period are presented in the consolidated statement of changes in equity on page 9 of the financial statements.

29. BUSINESS COMBINATION

On 19 October 2017, the Group acquired a 100% interest in Shiragane Plating Technology (Changzhou) Co., Ltd. ("Shiragane Plating"). Shiragane Plating is principally engaged in the manufacturing and sale of automotive and electronic components. The acquisition was made as part of the Group's strategy to expand its electro-plating production capacity within the Eastern China region. The purchase consideration for the acquisition was in the form of cash, with RMB41,451,000 paid at the acquisition date and the remaining RMB1,799,000 paid on 22 February 2017.

The fair values of the identifiable assets and liabilities of Shiragane Plating as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition RMB'000
Property, plant and equipment	13	21,687
Prepaid land lease payments	14	8,462
Inventories		4,514
Cash and bank balances		3,298
Trade receivables		6,544
Other receivables and prepayments		345
Tax receivable		7,932
Trade payables		(3,345)
Other payables and accruals		(797)
Interest-bearing bank borrowing		(8,632)
Total identifiable net assets at fair value		40,008
Goodwill on acquisition	15	3,242
Satisfied by cash		43,250

No transaction cost was incurred for this acquisition.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	(43,250)
Cash and bank balances acquired	3,298
Net outflow of cash and cash equivalents included in cash flows from investing activities	(39,952)

Since the acquisition, Shiragane Plating contributed RMB3,506,000 to the Group's revenue and a loss of RMB3,066,000 to the consolidated profit for the year ended 31 December 2017.

Had the combination taken place at the beginning of the year, the revenue and the profit of the Group for the year would have been RMB1,895,411,000 and RMB350,712,000, respectively.

30. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising in financing activities

lease	Bank loan RMB'000	Finance payables RMB'000
As at 1 January 2016	22,093	8,921
Changes from financing cash flows	(22,093)	(3,856)
As at 31 December 2016 and 1 January 2017	—	5,065
Changes from financing cash flows	—	(4,221)
As at 31 December 2017	—	844

31. PLEDGE OF ASSETS

Details of the Group's bank loan, which are secured by the assets of the Group, are included in note 25 of the financial statements.

32. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from three to six years.

As lessee

At 31 December 2016 and 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2017 RMB'000	2016 RMB'000
Within one year	**23,551**	26,215
In the second to fifth years, inclusive	**48,089**	51,746
Over five years	**15,041**	5,210
	86,681	83,171

33. COMMITMENTS

In addition to the operating lease commitments detailed in note 32 above, the Group had the following capital commitments at the end of the reporting period:

	2017 RMB'000	2016 RMB'000
Contracted but not provided for:		
Plant and equipment	112,249	63,106

34. RELATED PARTY TRANSACTIONS

(a) The Group had the following transactions with related parties during the year:

	Notes	2017 RMB'000	2016 RMB'000
Purchase of tooling:			
Suzhou City Keen Point Precision Molding Co., Ltd.	(i) (ii)	32,673	10,220
Sales of goods:			
Suzhou City Keen Point Precision Molding Co., Ltd.	(i) (ii)	1,645	23

Notes:

(i) The transactions were conducted in accordance with the terms and conditions mutually agreed by both parties.

(ii) Suzhou City Keen Point Precision Molding Co., Ltd. is an associate of the Group.

(b) Compensation of key management personnel of the Group:

	2017 RMB'000	2016 RMB'000
Short term employee benefits	17,007	12,726
Post-employment benefits	—	—
Total compensation paid to key management personnel	17,007	12,726

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

35. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2017

Financial assets

	Financial asset at fair value through profit or loss RMB'000	Loans and receivables RMB'000	Total RMB'000
Trade and bills receivables	—	538,256	538,256
Financial assets included in prepayments, deposits and other receivables	—	70,183	70,183
Derivative financial instruments	3,750	—	3,750
Cash and cash equivalents	—	812,108	812,108
	3,750	1,420,547	1,424,297

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	193,506
Financial liabilities included in other payables and accruals	78,936
Interest-bearing bank and other borrowings	844
	273,286

35. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

2016

Financial assets

	Financial asset at fair value through profit or loss RMB'000	Loans and receivables RMB'000	Total RMB'000
Trade and bills receivables	—	445,060	445,060
Financial assets included in prepayments, deposits and other receivables	—	70,477	70,477
Derivative financial instruments	3,256	—	3,256
Cash and cash equivalents	—	229,648	229,648
	3,256	745,185	748,441

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	184,343
Financial liabilities included in other payables and accruals	78,390
Interest-bearing bank and other borrowings	5,065
	267,798

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts	
	2017	2016
	RMB'000	RMB'000
Financial liabilities		
Interest-bearing bank and other borrowings	**844**	5,065

	Fair values	
	2017	2016
	RMB'000	RMB'000
Financial liabilities		
Interest-bearing bank and other borrowings	**854**	5,312

Management has assessed that the fair values of cash and cash equivalents, trade and bills receivables, trade payables, financial assets included in prepayments, deposits and other receivables and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the executive directors and the Audit Committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the Audit Committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the derivative financial instruments are based on quoted market prices.

The fair values of the non-current portion of finance lease payables and interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

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

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

	2017 RMB'000	2016 RMB'000
Derivative financial instruments Fair value measurement using quoted prices in active markets (Level 1)	3,750	3,256

The Group did not have any financial liabilities measured at fair value as at 31 December 2016 and 2017.

During the year, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities. (2016: Nil)

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments other than derivatives comprise cash and cash equivalents, finance leases and interest-bearing bank borrowings. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables, other receivables, trade payables and other payables.

The Group also enters into derivative transactions, including forward metal contracts, to manage the commodity price exposures arising from the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and other price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash and bank balances and bank loans with a floating interest rate. The Group has not used any interest rate swaps to hedge its interest rate risk, and will consider hedging significant interest rate risk should the need arise.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings and cash and cash equivalents).

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

	Increase/ (decrease) in basis points	Increase/(decrease) in profit before tax 2017 RMB'000	2016 RMB'000
RMB	100	**575**	794
HK$	100	**1,119**	24
US$	100	**5,787**	1,098
RMB	(100)	**(575)**	(794)
HK$	(100)	**(1,119)**	(24)
US$	(100)	**(5,787)**	(1,098)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales by operating units in currencies other than the units' functional currencies. Approximately 53% (2016: 56%) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sale.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the foreign currency exchange rate, with all other variables held constant, of the Group's profit before tax.

	Change in foreign currency rate %	Increase/ (decrease) in profit before tax RMB'000
2017		
If RMB weakens against US$	**1**	**5,372**
If RMB strengthens against US$	**(1)**	**(5,372)**
If RMB weakens against EUR	**1**	**4,499**
If RMB strengthens against EUR	**(1)**	**(4,499)**
If RMB weakens against JPY	**1**	**49**
If RMB strengthens against JPY	**(1)**	**(49)**
If RMB weakens against HK$	**1**	**9**
If RMB strengthens against HK$	**(1)**	**(9)**
2016		
If RMB weakens against US$	1	5,143
If RMB strengthens against US$	(1)	(5,143)
If RMB weakens against EUR	1	3,491
If RMB strengthens against EUR	(1)	(3,491)
If RMB weakens against JPY	1	44
If RMB strengthens against JPY	(1)	(44)
If RMB weakens against HK$	1	13
If RMB strengthens against HK$	(1)	(13)

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

Credit risk of the Group's other financial assets, which comprise cash and cash equivalents and other receivables, arise from default of the counterparty with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

At the end of the reporting period, the Group had certain concentrations of credit risk as 6% and 4% of the Group's trade and bills receivables were due from the Group's largest customer for the years ended 31 December 2016 and 2017 respectively. Concentrations of credit risk are managed by establishing credit verification procedures. Management determines that there are minimal concentrations of credit risk within the Group as the customers of the Group's trade and bills receivables are recognised and creditworthy.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables are disclosed in note 21 to the financial statements.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of long term bank loans and projected cash flows from operations.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	On demand or no later than 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
2017				
Trade payables	**193,506**	—	—	**193,506**
Other payables and accruals	**78,936**	—	—	**78,936**
Interest-bearing bank and other borrowings	**854**	—	—	**854**
	273,296	—	—	**273,296**
2016				
Trade payables	184,343	—	—	184,343
Other payables and accruals	78,390	—	—	78,390
Interest-bearing bank and other borrowings	4,250	1,062	—	5,312
	266,983	1,062	—	268,045

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustment to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made to the objectives, policies or processes for managing capital during the years ended 31 December 2016 and 2017.

The Group monitors capital using a gearing ratio, which is total debt divided by total equity. Total debt represents interest-bearing bank and other borrowings. The gearing ratios as at the end of the reporting periods were as follows:

	2017 **RMB'000**	2016 RMB'000
Total debt	**844**	5,065
Total equity	**1,960,427**	1,027,936
Gearing ratio	**0.0%**	0.5%

38. EVENTS AFTER THE REPORTING PERIOD

There are no material subsequent events undertaken by the Company or by the Group after 31 December 2017.

39. STATEMENT OF THE FINANCIAL POSITION OF THE COMPANY

	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSET		
Investment in a subsidiary	828	828
CURRENT ASSETS		
Deposits and other receivables	14	—
Due from subsidiaries	65,049	—
Dividend receivable	58,958	—
Cash and cash equivalents	577,500	289
Total current assets	701,521	289
CURRENT LIABILITIES		
Other payables and accruals	131	2,939
Due to subsidiaries	2,229	—
Total current liabilities	2,360	2,939
NET CURRENT ASSETS/(LIABILITIES)	699,161	(2,650)
TOTAL ASSETS LESS CURRENT LIABILITIES	699,989	(1,822)
EQUITY		
Issued capital	87,800	79
Reserves (Note)	612,189	(1,901)
Total equity	699,989	(1,822)

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

A summary of the Company's reserves is as follows:

	Capital reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2016	—	711	711
Total comprehensive income for the year	—	107,388	107,388
Final 2015 dividend declared	—	(110,000)	(110,000)
At 31 December 2016 and 1 January 2017	—	(1,901)	(1,901)
Total comprehensive income for the year	—	116,818	116,818
Issuance of shares for IPO	677,530	—	677,530
Share issue expenses	(29,759)	—	(29,759)
Final 2016 dividend	—	(100,000)	(100,000)
Interim 2017 dividend	—	(50,499)	(50,499)
At 31 December 2017	647,771	(35,582)	612,189

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 12 March 2018.