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
2018

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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

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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,

	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000
Revenue	**2,049,949**	1,877,155	1,540,666	1,203,717	1,006,249
Gross Profit	**750,310**	779,251	633,312	452,493	387,868
Gross Profit margin (%)	**36.6%**	41.5%	41.1%	37.6%	38.5%
Profit before tax	**471,635**	510,128	411,428	273,212	228,473
Profit attributable to the owners of the Company	**394,824**	391,270	298,341	228,446	174,586

As at December 31,

	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000
Total assets	**2,932,825**	2,540,056	1,517,684	1,267,472	965,880
Total liabilities	**681,455**	579,629	489,748	444,547	283,523
Equity attributable to the owners of the Company	**2,251,370**	1,960,427	1,027,936	822,925	682,357

Dear Shareholders,

On behalf of the board of directors (the "**Board**"), I am pleased to present the annual results of Xin Point Holdings Limited (the"**Company**" or "**Xin Point**") and its subsidiaries (together as the "**Group**") for the year ended 31 December 2018 (the "**Year**" or "**FY2018**").

MARKET AND BUSINESS REVIEW

World automobile industry faced a tough 2018. It started by end of March 2018 when President Donald Trump of the United States (the "**US**") first announced that the US would impose tariffs on goods imported from China. After that, during mid - 2018, the automotive industry was impacted by the US Government's establishment of tariffs on raw materials that significantly affected automobile sales. The latter part of 2018 marked a sharp slowdown in the world's most important light vehicle market – China. Retail sales of passenger cars in China fell 5.8 percent in 2018, signalling the first annual fall since 1990, according to the China Passenger Car Association.

After a tough 2018 when the world's auto market contracted for the first time in two decades, dwindling economic growth slowed down the demand for automobiles. Companies from local brand name Geely to Britain's biggest automaker Jaguar Land Rover have in recent days cautioned about China sales in 2019, as a result of China's trade war with the US.

As one of the leading global suppliers for automotive plastic electroplated components, our business and operating results were affected by the global automotive market. Although total revenue of the Group rose to approximately RMB2,049.9 million, representing an increase of approximately 9.2% as compared to the year ended 31 December 2017 ("**FY2017**"), our revenue growth was slower than the growth in the Group's cost of sales for 2018. Hence, the Group's total gross profit decreased by approximately 3.7% to approximately RMB750.3 million in 2018. The decrease in the gross profit level was partly attributable to the water treatment service disruptions and subsequent suspension of our Wuxi production bases ("**Wuxi Production Bases**") in the second half of FY2018 ("**2H 2018**"), details of which can be found on the announcement published by the Company on 21 December 2018.

Even though the global automotive industry is experiencing hard times at the moment, Xin Point sees long-term growth potential in the industry and, secondary to that, a cyclical one. We still saw strong demand for premium auto in 2018 and most premium brands reported sales growth in 2018. Our overall strategy remains unchanged and we are committed to become a leading solution provider in automotive interior decoration sector with global production capability. We have been devoting our efforts in enhancing both our service capabilities and production capacities, which will support Xin Point to capture the growth opportunities when the automotive market and general economy recover.

CAPACITY EXPANSION

Xin Point continues to expand its global operating capability in order to provide better services to its growing customer base. Xin Point's first overseas production base in Mexico is expected to commence its trial-run by mid of 2019. Construction of the factory will be completed very soon and the production facility installations are on progress; we have already received new orders for our Mexican production base and are currently receiving increased interests and quotations from our existing customers in the North America region. In the long run, we believe our Mexican production base will serve the purpose of mitigating the risk from the Sino-US trade disputes. In additional, we are evaluating and working on an upgrade plan by adding spray-painting capabilities to our Mexican production base in order to cater for those increasing market demands for multi-process decorative parts.

In China, in order to minimize further impacts from the suspension of our Wuxi Production Bases, Xin Point's management decided to speed up the building of the production facilities located at Changzhou, China. The construction is in progress and the first production line with an annual production capacity of approximately 700,000 square meters ("**sq.m**") will also be commencing trial operations by mid-2019. With this new Changzhou production facilities, we should be able to better serve our existing and potential customers in the Shanghai and the east region of China.

PROSPECTS

New surface treatment technologies will become increasingly critical to the success of Xin Point, which are all about how to respond to our customers' continuous pursual for diversified, exquisite and creative decorations for automotive interior. We will devote more resources to enhance our research and development ("**R&D**") and application capabilities in the new surface treatment and new material technologies, and train relevant talents to expand our product lines. On enhancing R&D capabilities, we have increased the percentage of R&D spending to approximately 2.7% of the total revenue in FY2018. In 2019, Xin Point has decided to invest in carbon fiber decorative materials to further expand our product lines and capabilities in addition to current plastic product lines.

Although the world auto sales growth is decelerating, auto demand is easing in the key markets and the economy is facing a lot of uncertainties in 2018, we still believe that the global automotive market will continue to grow. With a modest global economic outlook for 2019, along with robust demand in some emerging markets in Asia, we keep a conservative outlook for the industry.

Internally, Xin Point will continue to invest carefully in new facilities and automation systems and devote more efforts in improving our efficiency, in order to be well-prepared for the new opportunities within the automobile sector and to expand our existing market share by providing high-quality products and services.

As the chairman of the Board and a major shareholder, I am very pleased about the current developments in Xin Point and how Xin Point is positioned to realise its potential. When I look ahead, I am very confident that our production capacity expansion strategy, our solid financial foundation and strengthened market position will give us an advantage to maneuver in the changing winds of the global economy, and will generate growth and value for our shareholders in the coming years.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to express my sincere gratitude to our customers, shareholders and all of our employees, because we could not have had such achievements without your supports. Xin Point will aim for further growth by rolling out new products to pursue new business opportunities while leveraging the technologies and know-how we have cultivated. We ask for your continuous support and guidance in the days ahead.

MA Xiaoming
Chairman
25 March 2019

EXECUTIVE DIRECTORS

Mr. MA Xiaoming (馬曉明先生), aged 53, 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 53, 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 53, 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).

Mr. Zhang is currently the Vice President of the Group and is primarily responsible for overseeing the operations and management of the Group's within the Eastern 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 43, 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 (中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.

Mr. Liu Jun is currently the Vice President of the Group and 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 43, 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 45, 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 45, 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 of Hong Kong Limited (the "**Stock Exchange**") (stock code: 1026). Mr. Tang was appointed as an INED of Century Group International Holdings Limited (formerly known as 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 53 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 53, 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 53, 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 35, 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 50, 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 47, 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 a fellow of The Institute of Chartered Accountants in England and Wales.

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

MARKET OVERVIEW

The Year was a tough year for the global auto industry, and several major auto markets experienced declines in sales. Passenger vehicle ("**PV**") demand in China dropped for the first time since the 1990s. Changes in regulations impacted auto markets in Europe. Also, fractious trade negotiations between the US and its key trading partners and political uncertainties in key vehicle producing countries and markets, as well as fluctuating crude oil and fuel prices contributed to the uncertainty in business outlook. Auto demand was weakened by political and economic uncertainty. China PV sales contracted by 4.1% to 23.7 million units in 2018. Growth in first quarter 2018 was completely offset by the macroeconomic slowdown and the ongoing Sino-US trade tensions in the 2H 2018. In addition, the vehicle purchase tax cut in 2016-2017 had also frontloaded some of the auto demand in 2018. Some countries in Asia and Europe also posted weak auto sales due to economic slowdown. Trade tensions also weighed on consumer confidence and auto spending.

However, we still saw strong demand for premium auto in 2018, with most premium brands reporting sales growth in 2018, substantially outpacing the overall auto market. The strong performance is attributable to the ongoing upgrades made by customers, the greater local manufacturing rate of premium brands, and the strong model cycles of leading brands with more affordable entry level models. Considering the sustained demand for premium cars and the low penetration of premium cars in China compared to developed markets, we believe the premium brands will maintain strong momentum in 2019.

BUSINESS OVERVIEW

In 2018, there were many uncertainties in global economy. Downward pressure was high and this was reflected in the automotive consumption sector, which caused the growth in revenue of our business for FY2018 to be lower than expected. The total number of sales units increased from approximately 371.4 million in the year ended 31 December 2017 ("**FY2017**") to 378.5 million in FY2018, representing a growth of approximately 1.9%, while total revenue of the Group rose to approximately RMB2,049.9 million, representing an increase of approximately 9.2% as compared with the corresponding period of last year (FY2017: approximately RMB1,877.2 million). As our revenue increased less than that of our cost of sales increased for FY2018, the Group's total gross profit decreased by approximately 3.7% from approximately RMB779.3 million in FY2017 to approximately RMB750.3 million in FY2018.

Electro-plating production capacity and utilisation rate

As at 31 December 2018, the Group's production capacity reached 3.54 million sq.m., with a new production line commencing operation in mid-2018 at the Wuxi Production Bases, representing an increase of approximately 11.3% as compared with the last year's production capacity (FY2017: approximately 3.18 million sq.m.).

Notwithstanding that the Group's production capacity increased during FY2018, as per the Company's announcement dated 21 December 2018, the Wuxi Production Bases have been experiencing production disruptions since 2H 2018 as a result of Yangshi industrial park suspending its water treatment services to all existing tenants. Such disruptions and subsequent suspension resulted in negative impacts to our operations within the Wuxi area. The Group has decided to speed up the processes of deploying the first production line in Changzhou city, Jiangsu Province in the PRC and we expect the new production line, with an annual capacity of approximately 700,000 sq.m., will commence operations in the second half of 2019 ("**2H 2019**"), which should ease the current operational difficulties faced by our Wuxi Production Bases.

In the overseas market, our new production base in Mexico is under construction. The construction of the main building is close to completion and the first production facilities, with an annual production capacity of approximately 700,000 sq.m., are being installed. The Group expects that our new production base in Mexico will also commence its trial operation in 2H 2019. Together with our new 700,000 sq.m. production line located in Changzhou, we expect that by the end of 2019, the total estimated annualised electro-plating production capacity for the Group will reach approximately 3.76 million sq.m. (excluding the production capacity located in Wuxi Production Bases of approximately one million sq.m.).

As affected by the production disruptions of the Wuxi Production Bases during 2H 2018, the average utilisation rate of our electro-plating production capacity for FY2018 was approximately 70.4% (FY2017: 80.3%).

Production yield

Due to our Wuxi Production Bases experiencing production disruptions during 2H 2018, our overall production yield rate was affected and was approximately 87.6% for FY2018, approximately two percentage points lower than the average production yield rate of approximately 89.4% for FY2017.

Outlook and Order book

As discussed in the market overview section, those uncertainties from 2018 will inevitably spill over into the year of 2019 and the Group will remain cautious on our strategy of penetrating into the global market and global vehicle. As at 31 December 2018, the Group had total backlog orders of approximately RMB8.6 billion for the five years from 1 January 2019 to the end of 2023.

FINANCIAL REVIEW

Revenue

Although the global major auto markets experienced declines in sales, the Group's revenue still recorded an increase of approximately RMB172.7 million or approximately 9.2% from approximately RMB1,877.2 million for FY2017 to approximately RMB2,049.9 million for FY2018, as a result of increased sales of automotive decorative components for all regions. The total number of units of automotive decorative components sold in FY2018 increased by approximately 7.1 million units or only approximately 1.9% from the same period in FY2017, while the average selling price for automotive decorative components increased to approximately RMB5.41 per unit or approximately 6.1% increase when compared to FY2017.

The increase in the sales was mainly due to (i) a recorded growth of sales of the Group within the North America region. The revenue from the North American region increased by approximately RMB63.0 million or approximately 13.0% to approximately RMB549.4 million for FY2018 from approximately RMB486.4 million for FY2017; (ii) a modest growth in the revenue from the PRC market. The revenue within the PRC markets increased by approximately RMB75.7 million or approximately 8.5% to approximately RMB964.6 million for FY2018 from approximately RMB888.9 million for FY2017; (iii) the average unit selling price for the automotive decorative components sold in the PRC for FY2018 also increased by approximately RMB0.24 per unit or approximately 6.0% from the same period in FY2017; and (iv) the increase in quantity sold in the European market by 3.7 million units or 7.1% for FY2017.

Revenue by geographic segment:

	FY2018		FY2017	
	RMB'000	*%*	*RMB'000*	*%*
China	**964,596**	**47.1%**	888,911	47.4%
North America	**549,399**	**26.8%**	486,369	25.9%
Europe	**469,235**	**22.9%**	442,493	23.6%
Others	**66,719**	**3.2%**	59,382	3.1%
	2,049,949	**100%**	1,877,155	100%

Cost of sales

	FY2018		FY2017	
	RMB'000	*%*	*RMB'000*	*%*
Direct materials	397,431	30.6%	345,848	31.5%
Staff costs	359,575	27.7%	282,906	25.8%
Overheads	542,633	41.7%	469,150	42.7%
– Depreciation	55,893	4.3%	47,461	4.3%
– Processing fees	77,375	6.0%	88,131	8.0%
– Consumables	85,480	6.6%	68,813	6.3%
– Mold cost	86,928	6.7%	67,532	6.2%
– Utilities	97,879	7.5%	81,907	7.5%
– Shipping and delivery	57,487	4.4%	44,141	4.0%
– Others	81,591	6.2%	71,165	6.4%
	1,299,639	100.0%	1,097,904	100.0%

Cost of sales increased by approximately RMB201.7 million or approximately 18.4% to approximately RMB1,299.6 million for FY2018 from approximately RMB1,097.9 million for FY2017. The growth in the Group's cost of sales was higher than the growth in the Group's revenue in FY2018.

This was mainly due to (i) production disruptions experienced by Wuxi Production Bases since 2H 2018 which resulted in a drop in our overall product yield rates, lowering our operating efficiencies and increasing our direct material costs; (ii) despite two new factory facilities and one electroplating production line coming into operation in FY2018 with new machineries and additional staff, as previously discussed, the revenue and orders were lower than expected due to the overall market conditions, resulting in higher growth in cost of sales when compared with the growth in revenue; and (iii) the increase in staff costs of approximately RMB76.7 million or approximately 27.1% as a result of increase in number of front-line staff and their compensation levels.

Gross profit

Although the Group reported a rise in revenue, a deterioration in overall gross profit was noted in FY2018, with revenue climbing to RMB2,049.9 million (+9.2% year-on-year) and gross profit declining to RMB750.3 million (-3.7% year-on-year). The decline in gross profit margin was mainly due to an increase in cost of sales resulting from lowered yield rates and lower utilisation of our facilities caused by the production disruptions faced by the Wuxi Production Bases in 2H 2018, together with the additional labour and operating costs for our new operating facilities during their ramp-up period which led to a decline in gross profit.

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 RMB17.7 million or approximately 47.1% to approximately RMB55.1 million for FY2018 from approximately RMB37.5 million for FY2017. 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:

	FY2018		FY2017	
	RMB'000	*%*	*RMB'000*	*%*
Staff costs	135,737	48.2%	138,292	50.3%
Research and development expenses	56,298	20.0%	42,793	15.6%
Listing expenses	—	0.0%	17,794	6.5%
Travel and transportation expenses	8,220	2.9%	14,990	5.5%
Depreciation and amortisation	15,206	5.4%	12,539	4.6%
Office supplies	14,917	5.3%	10,172	3.7%
Legal and Professional fees	13,328	4.7%	5,275	1.9%
Rental expenses	7,496	2.7%	4,161	1.5%
Stamp duties and local government surcharges	5,232	1.9%	3,984	1.4%
Equity-settled share option expense	2,704	1.0%	—	0.0%
Goodwill Impairment	—	0.0%	3,242	1.2%
Loss on disposal of property, plant and equipment	453	0.2%	2,752	1.0%
Insurance	2,231	0.8%	2,285	0.8%
Business development expenses	1,902	0.7%	1,996	0.7%
Others	17,574	6.2%	14,607	5.3%
	281,298	100.0%	274,882	100.0%

Administrative expenses increased by approximately RMB6.4 million or approximately 2.3% to approximately RMB281.3 million for FY 2018 from approximately RMB274.9 million for FY 2017.

The increase in administrative expenses is a result of (i) the continuous increase in R&D expenses of approximately RMB13.5 million in relation to new models and new surface treatment technologies in order to cope with the market advancements; (ii) the increase in legal and professional fees of approximately RMB8.1 million due to the engagements of various professional advisors and consultants to meet with the local and overseas compliance requirements and the additional professional fees incurred for the construction of our new production base in Mexico; (iii) the share-based payments of approximately RMB2.7 million (FY2017: Nil) due to the recognition of the fair values of those share options granted to the employees of the Group under the share option scheme during the Year; and (iv) no further listing expenses recorded for FY2018 (FY2017: RMB17.8 million).

Net profit attributable to owners of the Company

Net profit attributable to owners of the Company increased by approximately 0.9% from approximately RMB391.3 million in FY2017 to approximately RMB394.8 million in FY2018. This was primarily due to the followings:

(i) lower-than-expected growth in revenue recorded for FY2018, an approximate growth rate of 9.1% in our sales of automotive decorative components as compared to FY 2017 or a revenue growth of approximately RMB1,877.2 million for FY2017 to approximately RMB2,049.9 million for FY 2018;

(ii) a decrease in gross profit from approximately RMB779.3 million for FY2017 to approximately RMB750.3 million or approximately 3.7% decrease for FY2018 due to production disruptions and ramp-ups for the new operating facilities;

(iii) the increase of sales and distribution expenses during FY2018;

(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 of legal and professional fees for compliance purposes; and

(v) the decrease in the effective tax rate to 16.3% (FY2017: 23.3%) for FY2018 was due to the overprovisions written-back from pervious financial years.

Basic earnings per share attributable to owners of the Company for FY2018 was approximately RMB39 cents (FY2017: approximately RMB44 cents). The Group had a higher EPS figures for FY2017 as the weighted average outstanding share number was lower when compared to the figures for FY2018, as most of shares were issued upon the initial public offering by end of June 2017.

Liquidity and financial resources

For FY2018, the Group's net cash inflow from operating activities amounted to approximately RMB357.1 million, as compared to approximately RMB366.0 million in FY2017.

The bank borrowings of RMB6.1 million as at 31 December 2018 relates to the German tool company consolidated into the Group's financial statements during FY2018. The Group had a finance lease payable of approximately RMB0.2 million as at 31 December 2018 (31 December 2017: RMB0.8 million).

As at 31 December 2018, the gearing ratio, being total bank borrowings divided by total equity was 0.28% (31 December 2017: 0.04%).

The annual interest rate of bank and other borrowings during FY2018 was 1.2% to 6.5% (FY2017: 7.0%).

Commitments

As at 31 December 2018, the Group had the following commitments:

	RMB'000
Capital commitments	105,872
Capital expenditure contracted but not provided for in the consolidated financial statements in respect of:	
Acquisition of property, plant and equipment	105,872

Interest Rate and Foreign Exchange Risks

As at 31 December 2018, the balance of bank borrowings of the Group was approximately RMB6.3 million, of which RMB4.7 million 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 2018, the Group's cash and cash equivalents denominated in currencies other than the functional currencies amounted to approximately RMB483.3 million of which approximately RMB459.1 million was denominated in USD, approximately RMB9.9 million was denominated in EUR and approximately RMB8.2 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 foreign exchange risk and closely monitored the foreign exchange exposure and adjusted the control strategy.

Contingent Liabilities

As at 31 December 2018, the Group had no contingent liabilities (31 December 2017: Nil).

Mortgaged Assets

One of the Group's subsidiary in Germany pledged its machinery with a net book value of approximately RMB7.0 million to secure general banking facilities (31 December 2017: the Group's freehold lands and buildings with a net book value of approximately RMB8.5 million and RMB6.6 million were pledged to secure general banking facilities granted to the Group and such pledge was released in FY2018).

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 FY2018, the Group's capital expenditure amounted to approximately RMB488.5 million (FY2017: approximately RMB246.0 million). The capital expenditure for FY2018 included the increase of investments in our new factory located in Mexico, plastic injection and electroplating production capacity expansion according to the Group's plan.

Use of proceeds from the listing of the Company on the Main Board of the Stock Exchange of Hong Kong Limited on 28 June 2017

The net proceeds from the listing of the Company on the Main Board of the Stock Exchange of Hong Kong Limited on 28 June 2017 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 of the Company dated 16 June 2017.

As at 31 December 2018, the net proceeds were applied as follows:

	Percentage of total amount	Net proceeds from the Company's IPO *RMB million*	Amount Utilised *RMB million*	Amount un-utilised *RMB million*
Purpose				
Expanding and improving the production bases in the PRC:				
i) Set up the Huizhou New Production base	20.9%	155.0	155	—
ii) Construct the Wuxi New Production base	10.3%	76.4	51.9	24.5
iii) Construct a new electroplating production line	3.1%	23.0	23.0	—
iv) Invest in plastic injection equipment	1.6%	11.9	11.9	—
Constructing the new production base in Mexico and investing in production bases and equipment	40.2%	298.1	172.2	125.9
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	1.3	38.7
Enhancing the product quality, product safety and R&D capabilities	5.7%	42.3	16.6	25.7
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	59.2	—
Total	100.0%	741.5	493.6	247.9

Dividend

The Board recommends the payment of a final dividend of RMB0.1 per ordinary Share for FY2018, together with the interim dividend of RMB6 cents per ordinary Share paid, the effective dividend payout ratio was 40.8%, when calculating against the net profit of RMB394.8 million for FY2018.

EMPLOYEES

As at 31 December 2018, the Group had 5,554 employees (31 December 2017: 4,683 employees). There were 5,473, 3, 16, 40, 22 staff members in China, Hong Kong, the United States, Germany and Mexico, respectively as at 31 December 2018. The remuneration and staff cost for FY2018 were approximately RMB445.4 million (FY2017: RMB359.8 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.

SIGNIFICANT INVESTMENTS HELD

The Group had not held any significant investments during FY2018.

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 that the employees are aware and familiarise themselves with the Group's values and goals and to ensure the employees understand their roles in the Group. Employees are encouraged to attend seminars relevant to their position to enhance their performance within the Group.

CAPITAL STRUCTURE

As at 31 December 2018, the Company's issued share capital was approximately RMB87.5 million, equivalent to HK$100.0 million and divided into 1,002,905,000 shares of HK$0.1 each (31 December 2017: RMB87.8 million, equivalent to HK$100.6 million and divided into 1,006,487,000 Shares of HK$0.1 each).

To provide incentive or rewards to staff, the Company adopted a share option scheme, particulars of which are set out in note 29 to the consolidated financial statements.

SHARE OPTION SCHEME

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

On 14 August 2018, the Board has offered to grant share options to a group of eligible grantees (the "**Grantees**"), subject to acceptance of Grantees, to subscribe for up to 22,946,000 shares of the Company, allowing the Grantees to exercise such share options starting from 30 April 2022 to 13 August 2028 (both days inclusive). The price per share paid by the Grantees upon exercising the share options was determined pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time) (the "**Listing Rules**") and with reference to the average closing prices as stated in the daily quotation sheet of the Stock Exchange for the five trading days immediately preceding 14 August 2018 (i.e. the date of grant). The Directors considered that the grant of such share options would not lead to any material adverse impact on the financial conditions of the Group. Further details of the grant of share options mentioned above were set out in the Company's announcement dated 14 August 2018.

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 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 of 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 during FY2018.

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 during FY2018. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group during FY2018.

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 during FY2018 and as at 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 the list 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 year ended to 31 December 2018. In addition, during FY2018, 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, providing the Group with diversified expertise and experience.

Their views and participation in Board and Board Committees meetings bring independent judgment and advice on issues relating to the Group's strategies, performance, conflicts of interest, management process and 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/her period of office notwithstanding anything in the Articles or in any agreement between the Company and such Director and may elect another person for replacement.

In accordance with the Company's Articles, Mr. Liu Jun, Mr. He Xiaolu and Mr. Jiang Wei will retire from office as Director by rotation at the forthcoming annual general meeting to be held on 4 June 2019 ("**2019 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 Governance 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 Governance 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 FY2018.

Board and Board Committees Meetings

The Board has met regularly for FY2018. For FY2018, 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 Committees 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 upon reasonable notice by any Director and auditor of the Company.

During FY2018, the Board convened a total of five Board meetings, one Remuneration Committee meeting, one Nomination Committee meeting and two Audit Committee meetings.

During FY2018, 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 FY2018, 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 Committees 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 Directors' attendance record 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 meeting, Board Committee Meetings and annual general meeting

	Meetings attended/meetings held since respective appointment date				
Members	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**2018 annual general meeting**
Executive Directors					
Mr. Ma Xiaoming	5/5		1/1	1/1	1/1
Mr. Meng Jun	5/5				1/1
Mr. Zhang Yumin	5/5				1/1
Mr. Liu Jun	5/5				1/1
Mr. He Xiaolu	5/5				1/1
Mr. Jiang Wei	5/5				1/1
Independent non-executive Directors					
Mr. Tang Chi Wai	5/5	2/2	1/1		1/1
Mr. Gan Weimin	5/5	2/2		1/1	1/1
Prof. Cao Lixin	4/5	1/2	1/1	1/1	1/1

Corporate Governance Responsibilities

The Board is responsible for fulfilling the following corporate governance responsibilities for FY2018:

- 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 Governance 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 relationships 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, an independent non-executive Director of the Company, 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 FY2018, the Audit Committee has convened two meetings, with all members present in person or through telephonic conferencing, during which the following works were performed:

- Reviewed and discussed the audit annual results for the year ended 31 December 2017 with the senior management of the Company and external auditor;
- Reviewed and discussed the unaudited interim results for the six months ended 30 June 2018 with the senior management of the Company and external auditor;
- 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 FY2018;
- Met with the Company's external auditor to discuss the audit procedures and accounting issues;
- 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"

The Board has not taken any view that is different from that of the Audit Committee nor rejected any recommendation presented by the Audit Committee in 2018.

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, an independent non-executive Director of the Company, 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 formulating a 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 2018 to review and make recommendations to the Board on the existing remuneration packages of all Directors and senior management, and assess the performance of executive Directors. The attendance of the Remuneration Committee members at the said meeting is set out in the section headed "Attendance at Board and Board Committee Meetings" above.

Details of the Group's remuneration policies for directors and employees are set out in the sections headed "Compensation of Directors and Senior Management" and "Employees and Remuneration Policy" in the Report of Directors.

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 held one meeting in 2018, during which the diversity, structure, size and composition of the Board, the independence of the independent non-executive and the qualifications of the retiring Directors standing for re-election at the 2018 AGM Directors were reviewed and considered, and relevant recommendation was made to the Board. The attendance of the Nomination Committee members at the said 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 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 FY2018 is set out below:

	Amount (RMB'000)
Audit services	1,897
Non-audit services	
Interim financial statements agreed-upon procedure	253
Internal control review	354
Environmental, Social and Governance Report	236
Tax review and consultancy	349
Employee option scheme advisory	493
Total:	3,582

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 FY2018.

The Audit Committee is responsible for making recommendations 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 2019 which is subject to the approval by the Shareholders at the forthcoming AGM of the Company to be held on 4 June 2019.

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 FY2018 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 inside information policies according to the Securities & Futures Ordinance (Chapter 571) (as amended from time to time) (the "SFO") 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 inside 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 disclose such information to the public 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 unauthorised 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. The Board is primarily responsible for overseeing and managing the Company's affairs, including the responsibilities for the adoption of long-term strategies and appointing and supervising senior management to ensure that the operation of the Group is conducted in accordance with the objective of the Group. It delegates day-to-day operations of the Company to the management within the control and authority framework set by the Board. The management is also responsible for formulating and implementing policies for the business activities and administration of the Group. 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 FY2018, 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 Board considers the risk management and internal control systems of the Company effective and adequate.

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.

DIVIDEND POLICY

The Company may declare and pay dividends to the shareholders of the Company by way of cash or by other means that the Board considers appropriate. It is the policy of the Board, in recommending dividends, to allow the Shareholders to participate in the Company's profits, and at the same time, to ensure the Company to retain adequate reserves for future growth.

The Company plans to distribute not less than 30% of the distributable profits of each financial year. Any proposed distribution of final dividends shall be formulated by the Board and will be subject to the Shareholders' approval. A decision to declare or to pay any dividends in the future, and the amount of any dividends, will depend on a number of factors, including the results of operations, cash flows, financial conditions, operating and capital expenditure requirements, distributable profits as determined under the HKFRSs and other applicable laws and regulations and other factors that the Board may consider important.

BOARD DIVERSITY POLICY

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 Board has considered measurable objectives based on the following focus areas: (i) professional skills, experience, knowledge and expertise; (ii) gender; (iii) age; and (iv) culture and ethnicity. Such objectives will be reviewed from time to time to ensure their appropriateness and the progress made towards achieving those objectives will be ascertained. The Nomination Committee will review the Policy, as appropriate, to ensure its continued effectiveness from time to time. As at the date of this Annual Report, the Board comprises nine Directors. Three of them are Independent Non-executive Directors, thereby promoting critical review and control of the management process. The Board is also characterised by significant diversity, in particular, in terms of professional expertise and experience, age, and culture.

POLICY FOR NOMINATION OF DIRECTORS

The factors listed below would be used as reference (but not meant to be exhaustive and decisive) by the Nomination Committee in assessing the suitability of a proposed candidate to be a new Director.

1) Reputation for integrity

2) Accomplishment and experience in the auto industry, in particular, in the electroplating plastic decorative parts markets

3) Commitment in respect of available time and relevant interest

4) Diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service

The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

Proposed candidates will be asked to submit the necessary personal information in a prescribed form, together with their written consent to be appointed as Directors. The Nomination Committee may request candidates to provide additional information and documents, if considered necessary. The Nomination Committee may take such measures that it considers appropriate in connection with its evaluation of a candidate, including candidate interviews, inquiry of the person or persons making the recommendation or nomination, and reliance on knowledge of the Nomination Committee or the Board. Nomination Committee, the Board or management. External recruitment professionals may be engaged to carry out the search process if necessary.

COMPANY SECRETARY

Mr. Au Wai Keung ("**Mr. Au**") served as the company secretary of the Company during FY2018. 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 FY2018.

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.

To put forward proposals at a general meeting of the Company, a shareholder should lodge a written notice of his/her/its proposal (the "**Proposal**") with his/her/its detailed contact information at Unit 1503, 15/F, Midas Plaza, 1 Tai Yau Street, San Po Kong, Kowloon, Hong Kong, with a copy of the Proposal served to the Company's share registrar in Hong Kong at their respective address and contact details set out on page 3 of this annual report.

The request will be verified with the Company's share registrar in Hong Kong and upon their confirmation that the request is proper and in order, the Board will be asked to include the Proposal in the agenda for the general meeting.

The notice period to be given to all the shareholders for consideration of the Proposal raised by the shareholder concerned at the general meeting varies according to the nature of the Proposal as follows:

(1) Notice of not less than twenty-one clear days and not less than twenty clear business days in writing if the Proposal requires approval in an annual general meeting of the Company; and

(2) Notice of not less than fourteen clear days and not less than ten clear business days in writing if the Proposal requires approval in an extraordinary general meeting of the Company.

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.

There had been no changes in the constitutional documents of the Company during FY2018. 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.

The Board is pleased to present the annual report together with the audited consolidated financial statements of the Group for FY2018.

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 FY2018 are set out on pages 54 to 126 of this annual report.

The Board is pleased to recommend the payment of a final dividend of RMB0.1 per ordinary Share (the "**Proposed Final Dividend**") for FY2018. Subject to the approval of the Proposed Final Dividend by the Shareholders at the Company's 2019 AGM, the Proposed Final Dividend is expected to be paid on or about 8 July 2019.

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 FY2018 is set out in the section headed "Management Discussion and Analysis" from pages 13 to 21 of this annual report.

POSSIBLE RISKS AND UNCERTAINTIES FACING THE COMPANY

Description of possible financial risks and uncertainties facing the Company is set out in Note 39 to the financial statements in this annual report. A discussion of operational risks and uncertainties facing the Company is set out in the section headed "Management Discussion and Analysis" from pages 13 to 21 of 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 13 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 FY2018, 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.

The Group is not subject to any major environmental claims, lawsuits, penalties, administrative or disciplinary actions. For more information on our environmental policies, please refer to the 2018 Environmental, Social and Governance Report of our Company.

SIGNIFICANT INVESTMENTS HELD

The Group had not held any significant investments during FY2018.

CLOSURE OF THE REGISTER OF MEMBERS

(A) For Determining the Entitlement to Attend and Vote at the 2019 AGM

The register of members of the Company will be closed from 30 May 2019 to 4 June 2019 (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 2019 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 29 May 2019.

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

The register of members of the Company will be closed from 12 June 2019 to 17 June 2019, (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 2019 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 11 June 2019.

FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five 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 31 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 FY2018 are set out in Note 28 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 2018, the Company's reserves available for distribution amounted to RMB638.5 million of which RMB100.3 million has been proposed as a final dividend for FY2018.

RESERVES

Details of the movement in the reserves of the Group and of the Company during FY2018 are set out in Note 30 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 26 to the financial statements in this annual report.

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

During FY2018, the Company repurchased a total of 3,582,000 ordinary shares of the Company on the Stock Exchange, all of which were cancelled on 27 December 2018. The details of the repurchases were disclosed as follows:

Date of Repurchase	Number of Shares Repurchased	Repurchased Price Highest HK$	Repurchased Price Lowest HK$	Total Consideration Paid HK$
12 November 2018	26,000	2.72	2.72	70,720
13 November 2018	29,000	2.80	2.75	80,180
14 November 2018	300,000	2.90	2.88	868,890
15 November 2018	135,000	2.90	2.88	390,980
16 November 2018	41,000	2.95	2.94	120,940
19 November 2018	205,000	2.95	2.90	601,980
20 November 2018	300,000	2.99	2.95	891,280
21 November 2018	46,000	2.90	2.90	133,400
22 November 2018	300,000	2.95	2.91	882,450
23 November 2018	300,000	2.95	2.90	881,860
26 November 2018	300,000	3.00	2.93	896,780
27 November 2018	300,000	3.00	2.91	893,470
28 November 2018	100,000	2.98	2.91	296,220
29 November 2018	100,000	3.00	3.00	300,000
30 November 2018	300,000	2.92	2.80	867,890
3 December 2018	500,000	3.07	2.95	1,523,940
4 December 2018	300,000	3.10	3.05	923,480
Total	3,582,000			10,624,460

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for FY2018.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout FY2018. 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 FY2018.

CHARITABLE DONATIONS

During FY2018, the Group did not make any charitable donations.

DIRECTORS

The Directors who held office during FY2018 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
Mr. Gan Weimin
Prof. Cao Lixin

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. Liu Jun, Mr. He Xiaolu and Mr. Jiang Wei will retire from office as Director by rotation at the forthcoming 2019 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 7-12 of this annual report.

DIRECTORS' SERVICE CONTRACTS

As at 31 December 2018, none of the Directors (including those Directors proposed for re-election at the forthcoming 2019 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).

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

There were no other transactions, arrangements and contracts of significance, to which the Company's holding company, fellow subsidiaries or subsidiaries was a party and in which a Director or a connected entity of a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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 FY2018.

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 FY2018.

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 Group's remuneration packages are in line with the current legislation in the relevant jurisdictions. Bonuses are linked to the Group's financial results as well as to individual performances. The Group ensures that adequate training and professional development opportunities are provided to all employees so as to satisfy their career development needs.

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 2018 and 2017 were approximately RMB13,293,000 and RMB11,092,000, 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 2018 and 2017 were approximately RMB12,510,000 and RMB10,459,000, respectively.

For FY2018, 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 FY2018.

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 FY2018 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 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 FY2018 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 2018.

LOAN OR GUARANTEE FOR LOAN GRANTED TO THE DIRECTORS

During the year ended 2018, the Group had not made any loan or provided any guarantee for any loan, directly or indirectly, to the Directors, senior management, its controlling Shareholders or their respective connected persons.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SECURITIES

As at 31 December 2018, 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 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 and underlying shares	Approximate percentage of the total issued share capital of the Company (%)
Mr. Ma Xiaoming ("**Mr. Ma**") (Note 1)	Interest of controlled corporation	721,633,750 (Note 1)	
	Beneficial owner	128,000 (Note 1)	
	Total	721,761,750	71.97
Mr. Meng Jun	Beneficial owner	102,000 (Note 2)	0.01
Mr. Zhang Yumin	Beneficial owner	207,000 (Note 3)	0.02
Mr. Liu Jun	Beneficial owner	107,000 (Note 2)	0.01
Mr. He Xiaolu	Beneficial owner	96,000 (Note 2)	0.01
Mr. Jiang Wei	Beneficial owner	38,000 (Note 2)	0.00

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	721,633,750	71.95

Notes:

1. Among the 721,761,750 Shares, 721,633,750 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 721,633,750 Shares and the shares in Green Pinnacle held by Mealth PTC in his capacity of settlor of the Mealth Discretionary Trust. The remaining 128,000 underlying shares represent the maximum number of Shares which may be allotted and issued to Mr. Ma upon the exercise of the share options granted to him under the Share Option Scheme.

2. These represent the maximum number of Shares which may be allotted and issued to such Directors upon the exercise of the share options granted to each of them under the Share Option Scheme.

3. Among the 207,000 Shares, 100,000 Shares are beneficially held by Mr. Zhang Yumin. The remaining 107,000 underlying shares represent the maximum number of Shares which may be allotted and issued to Mr. Zhang upon the exercise of the share options granted to him under the Share Option Scheme.

Save as disclosed above and to the best knowledge of the Directors, as at 31 December 2018, 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 FY2018 or the period following 31 December 2018 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 2018, 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	721,633,750	71.95
Mealth PTC (Note 1)	Interest in a controlled corporation and trustee	721,633,750	71.95
Zhu Junhua (Note 2)	Interest of spouse	721,761,750	71.97
Bull Capital China Growth Fund II, L.P. (Note 3)	Interest in a controlled corporation	63,500,000	6.33
Bull Capital GP II Limited (Note 3)	Interest in a controlled corporation	63,500,000	6.33
Bull Capital Partners Ltd. (Note 3)	Interest in a controlled corporation	63,500,000	6.33
Greater Talent Investments Limited ("**Greater Talent**") (Note 3)	Beneficial owner	63,500,000	6.33
Peace World Investments Limited (Note 3)	Interest in a controlled corporation	63,500,000	6.33
Wong Kun Kau (Note 3)	Interest in a controlled corporation	63,500,000	6.33

Notes:

1. 721,633,750 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 721,633,750 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 721,633,750 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 partner of Bull Capital LP is Bull Capital GP II Limited ("**Bull Capital GP**"). Bull Capital Partners Ltd. ("**Bull Capital Partners**") is the investment manager of Bull Capital LP. Bull Capital Partners and Bull Capital GP are held as to 46.69% and 80% 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 LP, Bull Capital Partners, Bull Capital 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 2018, 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 FY2018, the Group's largest customer accounted for 9.3% of the Group's total revenue. The Group's five largest customers accounted for 32.9% of the Group's total revenue.

In FY2018, the Group's largest supplier accounted for 3.9% of the Group's total cost of sales. The Group's five largest suppliers accounted for 13.3% of the Group's total cost of sales.

None of the Directors or any of their close 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 AND REMUNERATION POLICY

As at 31 December 2018, the Group had approximately 5,554 full-time employees, as compared to 4,683 employees as at 31 December 2017. 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 (Chapter 485). The contributions represent contributions payable to the MPF Schemes by the Hong Kong subsidiary in accordance with relevant loans and 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 2018 are RMB67.4 million (2017: RMB71.4 million). No forfeited contributions are available to reduce the contribution payable by the Group in future years.

CONTINUING CONNECTED TRANSACTION

During FY2018, 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 FY2018, which did not constitute connected transactions under chapter 14A of the Listing Rules are set out in Note 36 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 22-34 of this annual report, the Company has complied with the Governance Code in FY2018. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 22-34 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 realisation and enhancement of employees' values will facilitate the achievement of the Group's overall goals. For FY2018, 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 FY2018, 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 minimum public float of 25% 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.

TAX RELIEF

The Company is not aware of any relief from taxation available to Shareholders by reason of their holding of the shares of the Company.

EVENTS AFTER THE REPORTING PERIOD

There are no material subsequent events undertaken by the Company or by the Group after 31 December 2018.

SHARE OPTION SCHEME

The share option 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.

On 14 August 2018, the Company has granted an aggregate of 22,946,000 share options ("**Share Options**") to eligible grantees (the "**Grantees**"), including certain Directors, senior management and employees of the Group under the Scheme. The exercise price is HK$3.45 per Share Option, which is not lower than the highest of (i) the closing price of HK$3.34 per Share as stated in the Stock Exchange's daily quotation sheets on the date of grant; (ii) the average closing price of HK$3.44 per Share as stated in the Stock Exchange's daily quotation sheets for the five (5) trading days immediately preceding the date of grant; and (iii) the nominal value of HK$0.1 per Share. Subject to the terms of the Scheme, the Share Options granted to each Grantee are valid for a period of ten years commencing from the date of grant.

Movements of the share options granted under the Share Option Scheme during FY2018 were as follows:

	Outstanding at beginning of the year	Exercised during the year	Lapsed or cancelled during the year	Granted during the year	Outstanding at end of the year
Directors					
Mr. Ma Xiaoming	—	—	—	128,000	128,000
Mr. Meng Jun	—	—	—	102,000	102,000
Mr. Zhang Yumin	—	—	—	107,000	107,000
Mr. Liu Jun	—	—	—	107,000	107,000
Mr. He Xiaolu	—	—	—	96,000	96,000
Mr. Jiang Wei	—	—	—	38,000	38,000
Employees	—	—	(1,175,000)	22,368,000	21,193,000
Total	—	—	(1,175,000)	22,946,000	21,771,000

Save as disclosed above, none of the Grantees of the Shares Options is a Director, chief executive or substantial shareholder of the Company, or any of their respective associates.

The grant of Share Options to each of the above Directors has been approved by all the independent non-executive Directors.

The fair value of equity-settled share options granted during the year 2018 was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2018
Dividend yield (%)	4.43
Expected volatility (%)	60.46
Historical volatility (%)	60.46
Risk-free interest rate (%)	2.09
Expected life of options (year)	10
Weighted average share price (HK$ per share)	3.34

Except for the options which have been granted under the Share Option Scheme, no share options have been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption and up to 31 December 2018. Subject to the following vesting dates, any options granted under the Share Option Scheme may be exercisable at any time commencing on the first date of the exercisable period and prior to the expiry of 10 years from that grant date:

	Grant date	Exercisable period
Directors		
Mr. Ma Xiaoming	14 August 2018	128,000 share options: from 30 April 2022 to 13 August 2028
Mr. Meng Jun	14 August 2018	102,000 share options: from 30 April 2022 to 13 August 2028
Mr. Zhang Yumin	14 August 2018	107,000 share options: from 30 April 2022 to 13 August 2028
Mr. Liu Jun	14 August 2018	107,000 share options: from 30 April 2022 to 13 August 2028
Mr. He Xiaolu	14 August 2018	96,000 share options: from 30 April 2022 to 13 August 2028
Mr. Jiang Wei	14 August 2018	38,000 share options: from 30 April 2022 to 13 August 2028
Employees	14 August 2018	22,368,000 share options: from 30 April 2022 to 13 August 2028

During FY2018, no share options were exercised, and 1,175,000 options lapsed. The number of outstanding Options as at 31 December 2018 was 21,771,000, representing approximately 2.17% of the total issued share capital of the Company as at 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 2018, 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 *RMB million*	Amount Utilised *RMB million*	Amount un-utilised *RMB million*
Expanding and improving the production facilities in the PRC:				
i) Set up the Huizhou New Production Base	20.9%	155.0	155.0	—
ii) Construct the Wuxi New Production Base	10.3%	76.4	51.9	24.5
iii) Construct a new electroplating production line	3.1%	23.0	23.0	—
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	172.2	125.9
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	1.3	38.7
Enhancing the product quality, product safety and R&D capabilities	5.7%	42.3	16.6	25.7
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	59.2	—
Total	100.0%	741.5	493.6	247.9

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

AUDITORS

The consolidated financial statements of the Group for FY2018 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

There had been no changes in the constitutional documents of the Company during FY2018.

On behalf of the Board

MA Xiaoming
Chairman

Hong Kong, 25 March 2019

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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 54 to 126, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, 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.

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 2018, trade and bills receivables amounted to RMB565.7 million, representing 19% of total assets. Significant management judgement and estimation were required in assessing the expected credit losses ("ECLs") for the trade and bills receivables using a provision matrix, with reference to the ageing of the balance, existence of disputes, recent historical payment patterns, forecast economic conditions and any other available information concerning the creditworthiness of customers. The significant accounting judgements and estimates and disclosure of the balance of trade and bills receivables are included in notes 3 and 22 to the consolidated financial statements, respectively.	We tested, on a sample basis, the ageing analysis of the Group's trade and bills receivable balances of impairment and obtained confirmations for selected trade receivables. We evaluated management's assumptions used to determine the ECLs by testing the historical default rates and assessing the repayment history of the debtors as well as the forward-looking factors with reference to the related publicly available information such as industrial data available online.

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.

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.

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 Chung Chi Ming.

Ernst & Young
Certified Public Accountants
Hong Kong
25 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
REVENUE	5	2,049,949	1,877,155
Cost of sales		(1,299,639)	(1,097,904)
Gross profit		750,310	779,251
Other income and gains	5	56,472	42,083
Selling and distribution expenses		(55,116)	(37,456)
Administrative expenses		(281,298)	(274,882)
Finance costs	7	(62)	(260)
Share of profit of an associate		1,329	1,392
PROFIT BEFORE TAX	6	471,635	510,128
Income tax expense	10	(76,811)	(118,858)
PROFIT FOR THE YEAR		394,824	391,270
OTHER COMPREHENSIVE INCOME/(LOSS):			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		28,612	(43,772)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		28,612	(43,772)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		423,436	347,498
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic and diluted	12	RMB39 cents	RMB44 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**964,237**	612,965
Prepaid land lease payments	14	**47,064**	40,204
Goodwill	15	**18,890**	—
Other intangible asset	16	**2,682**	—
Investment in an associate	17	**2,239**	1,510
Prepayments, deposits and other receivables	18	**137,979**	72,077
Deferred tax assets	19	**4,318**	10,890
Total non-current assets		**1,177,409**	737,646
CURRENT ASSETS			
Inventories	20	**499,203**	327,303
Trade and bills receivables	22	**565,742**	538,256
Prepayments, deposits and other receivables	18	**164,361**	120,042
Derivative financial instruments	21	**3,248**	3,750
Prepaid land lease payments	14	**1,082**	951
Cash and cash equivalents	23	**521,780**	812,108
Total current assets		**1,755,416**	1,802,410
CURRENT LIABILITIES			
Trade payables	24	**221,413**	193,506
Other payables and accruals	25	**247,528**	202,498
Interest-bearing bank and other borrowings	26	**3,066**	844
Tax payable		**204,998**	182,640
Total current liabilities		**677,005**	579,488
NET CURRENT ASSETS		**1,078,411**	1,222,922
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,255,820**	1,960,568
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	26	**3,279**	—
Deferred tax liabilities	19	**1,171**	141
Total non-current liabilities		**4,450**	141
Net assets		**2,251,370**	1,960,427
EQUITY			
Equity attributable to owners of the parent			
Issued capital	28	**87,485**	87,800
Reserves	30	**2,163,885**	1,872,627
Total equity		**2,251,370**	1,960,427

MA Xiaoming
Director

MENG Jun
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

		Attributable to owners of the parent							
	Notes	Share capital RMB'000	Share option reserve 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 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	11	—	—	—	—	—	—	(100,000)	(100,000)
Interim 2017 dividend	11	—	—	—	—	—	—	(50,499)	(50,499)
At 31 December 2017		87,800	—	647,771	828	(16,920)	84,708	1,156,240	1,960,427
Effect of adoption of HKFRS 9	2.2	—	—	—	—	—	—	(769)	(769)
At 1 January 2018 (restated)		87,800	—	647,771	828	(16,920)	84,708	1,155,471	1,959,658
Profit for the year		—	—	—	—	—	—	394,824	394,824
Other comprehensive income for the year:									
Exchange differences on translation of foreign operations		—	—	—	—	28,612	—	—	28,612
Total comprehensive income for the year		—	—	—	—	28,612	—	394,824	423,436
Equity-settled share option arrangements	29	—	2,704	—	—	—	—	—	2,704
Repurchases and cancellation of shares	28	(315)	—	(9,021)	—	—	—	—	(9,336)
Transfer of reserves		—	—	—	—	9,021	12,532	(12,532)	9,021
Final 2017 dividend	11	—	—	—	—	—	—	(73,255)	(73,255)
Interim 2018 dividend	11	—	—	(60,858)	—	—	—	—	(60,858)
At 31 December 2018		87,485	2,704*	577,892*	828*	20,713*	97,240*	1,464,508*	2,251,370

* These reserve accounts comprise the consolidated reserves of RMB2,163,885,000 (2017: RMB1,872,627,000) in the consolidated statement of financial position.

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		471,635	510,128
Adjustments for:			
Finance costs	7	62	260
Depreciation	6	101,440	64,858
Amortisation of prepaid land lease payments	6	1,061	806
Amortisation of other intangible asset	6	670	—
Loss on disposal of items of property, plant and equipment, net	6	453	2,752
Share of profit of an associate		(1,329)	(1,392)
Changes in fair value of derivative financial instruments		502	(494)
Interest income	5	(8,991)	(4,311)
Impairment of goodwill	6	—	3,242
		565,503	575,849
Increase in inventories		(166,804)	(104,001)
Increase in trade and bills receivables		(10,849)	(93,870)
Increase in prepayments, deposits and other receivables		(33,746)	(19,467)
Increase in trade payables		27,165	6,448
Increase in other payables and accruals		10,756	53,415
Cash generated from operations		392,025	418,374
Interest received		8,991	4,311
Taxes paid		(43,872)	(56,677)
Net cash flows from operating activities		357,144	366,008
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		(488,534)	(245,997)
Additions to deposits paid for property, plant and equipment		(65,902)	(19,111)
Proceeds from disposal of items of property, plant and equipment		55,363	22,253
Additions of prepaid land lease payments		(8,052)	—
Acquisition of a subsidiary	31	(39,913)	(38,153)
Dividend received from an associate		600	600
Net cash flows used in investing activities		(546,438)	(280,408)

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**1,442**	—
Repayment of bank loans		**(818)**	—
Capital element of finance lease rental payments		**(844)**	(4,221)
Interest paid		**(62)**	(260)
Dividends paid		**(134,113)**	(172,568)
Repurchases of shares		**(9,336)**	—
Proceeds for issue of shares		**—**	723,243
Payment of listing expenses		**—**	(17,794)
Net cash flows (used in)/from financing activities		**(143,731)**	528,400
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(333,025)**	614,000
Cash and cash equivalents at the beginning of year		**812,108**	229,648
Effect of foreign exchange rate changes, net		**42,697**	(31,540)
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	23	**521,780**	812,108
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statement of financial position and the statement of cash flows		**521,780**	812,108

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. Dox 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 Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Xin Point Corporation	British Virgin Islands ("BVI")/ Hong Kong	US$100,000	100	—	Investment holding
Keen Point Limited	BVI/Hong Kong	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/Hong Kong	US$50,000	—	100	Investment holding
Keen Point (Europe) Inc.	BVI/Hong Kong	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

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
Wuxi Keen Point Automobile Precision Molding Co., Ltd.**	China	US$20,000,000	—	100	Trading of automotive and electronic components
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 components
Huizhou Xinsheng Technology Co., Ltd**	China	RMB 5,000,000	—	100	Manufacture and sale of automotive and electronic components
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
Changzhou Xinsheng Automobile Components Co., Ltd.**	China	US$19,500,000	—	100	Manufacture and sale 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	Percentage of equity attributable to the Company Indirect	Principal activities
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
Huizhou Xinlong Technology Co., Ltd**	China	RMB5,000,000	—	100	Inactive
Bernd Lindecke Werkzeugbau GmbH	Germany	EUR25,000	—	100	Manufacture and sale of moulds

* 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 Bernd Lindecke Werkzeugbau GmbH. Further details of this acquisition are included in note 31 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.

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2018. 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.

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 new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Except for the amendments to HKFRS 4 and *Annual Improvements 2014-2016 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) Amendments to HKFRS 2 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. The amendments have had no impact on the financial position or performance of the Group as the Group does not have any cash-settled share-based payment transactions and has no share-based payment transactions with net settlement features for withholding tax.

(b) HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

With the exception of hedge accounting, which the Group has applied prospectively, the Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

Classification and measurement

The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("ECLs").

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 January 2018 is as follows:

	HKAS 39 measurement					HKFRS 9 measurement	
	Category RMB'000	Amount RMB'000	Re-classification RMB'000	ECL RMB'000	Other RMB'000	Amount	Category
Financial assets							
Trade and bills receivables	L&R[1]	538,256	—	(769)	—	537,487	AC[2]
Financial assets included in prepayments, deposits and other receivables	L&R[1]	70,183	—	—	—	70,183	AC[2]
Cash and cash equivalents	L&R[1]	812,108	—	—	—	812,108	AC[2]
		1,420,547	—	(769)	—	1,419,778	
Financial liabilities							
Trade payables	AC[2]	193,506	-	-	-	193,506	AC[2]
Financial liabilities included in other payables and accruals	AC[2]	78,936	-	-	-	78,936	AC[2]
Interest-bearing bank and other borrowings	AC[2]	844	-	-	-	844	AC[2]
		273,286	-	-	-	273,286	

1 L&R: Loans and receivables

2 AC: Financial assets or financial liabilities at amortised cost

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

Impairment

The following table reconciles the aggregate opening impairment allowances under HKAS 39 to the ECL allowances under HKFRS 9. Further details are disclosed in note 22 to the financial statements.

	Impairment allowances under HKAS 39 at 31 December 2017 RMB'000	Re-measurement RMB'000	**ECL allowances under HKFRS 9 at 1 January 2018 RMB'000**
Trade and bills receivables	—	769	**769**

Impact on reserves and retained profits

The impact of transition to HKFRS 9 on retained profits is as follows:

	Retained profits RMB'000
Retained profits	
Balance as at 31 December 2017 under HKAS 39	1,156,240
Recognition of expected credit losses for trade and bills receivables under HKFRS 9	(769)
Balance as at 1 January 2018 under HKFRS 9	1,155,471

(c) HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 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 disclosures are included in note 5 to the financial statements. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition in note 2.4 to the financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

Impact on reserves and retained profits (continued)

(c) (continued)
The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

For the year ended 31 December 2018, the Group has concluded that the adoption of HKFRS 15 has not had a material impact on the timing of revenue recognition. There was no financial impact of the transition to HKFRS 15 on the Group's retained profits at 1 January 2018. However, upon adoption of HKFRS 15, the Group has recognised revenue-related contract liabilities for the unsatisfied performance obligation which were previously recognised as "Advances from customers" under "Other payables and accruals (current)". Accordingly, upon adoption of HKFRS 15, "Contract liabilities" increased by RMB7,201,000 and "Advances from customers" included in "Other payables and accruals (current)" decreased by RMB7,201,000 at the date of initial application of HKFRS 15 (1 January 2018).

(d) HK(IFRIC)-Int 22 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. The interpretation has had no impact on the Group's financial statements as the Group's accounting policy for the determination of the exchange rate applied for initial recognition of non-monetary assets or non-monetary liabilities is consistent with the guidance provided in the interpretation.

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 3	*Definition of a Business*[2]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 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:

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020.

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.

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

HKFRS 16 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 elective 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 will adopt HKFRS 16 from 1 January 2019. The Group plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. During 2018, the Group has performed a high-level assessment on the impact of adoption of HKFRS 16. As disclosed in note 34 to the financial statements, at 31 December 2018, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately RMB87,082,000. The Group currently is still assessing whether, upon adoption of HKFRS 16, certain amounts included therein will need to be recognised as new right-of-use assets and lease liabilities. Further detailed analysis, however, will be needed to determine the amount of new right-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.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

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

Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group expects to adopt the amendments on 1 January 2019 and will assess its business model for such long-term interests based on the facts and circumstances that exist on 1 January 2019 using the transitional requirements in the amendments. The Group also intends to apply the relief from restating comparative information for prior periods upon adoption of the amendments.

HK(IFRIC)-Int 23 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 interpretation is not expected to have any significant impact on the Group's financial statements.

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 are 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 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 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 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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Research and development costs

All research costs are charged to 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.

Customer relationship

Customer relationship is stated at cost less any impairment losses and is amortised on the straight-line basis over the estimated useful lives of 5 years.

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 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 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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition (applicable from 1 January 2018)" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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.

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018) (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

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 recognised in profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss and other comprehensive income when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Investments and other financial assets (policies under HKAS 39 applicable before 1 January 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss or 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 (policies under HKAS 39 applicable before 1 January 2018) (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 costs in the statement of profit or loss and other comprehensive income. 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 (applicable before 1 January 2018)" 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.

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 and other comprehensive income. The loss arising from impairment is recognised in the statement of profit or loss and other comprehensive income in finance costs for loans and in other expenses for receivables.

Derecognition of financial assets (policies under HKFRS 9 applicable from 1 January 2018 and policies under HKAS 39 applicable before 1 January 2018)

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets (policies under HKFRS 9 applicable from 1 January 2018 and policies under HKAS 39 applicable before 1 January 2018) (continued)

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 (policies under HKFRS 9 applicable from 1 January 2018)

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018) (continued)

General approach (continued)

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade and bills receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade and bills receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Impairment of financial assets (policies under HKAS 39 applicable before 1 January 2018)

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (policies under HKAS 39 applicable before 1 January 2018) (continued)

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).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in 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 profit or loss.

Financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

Initial recognition and measurement

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

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

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

Subsequent measurement

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018) (continued)

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 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 and other comprehensive income.

Derecognition of financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

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 profit or loss.

Offsetting of financial instruments (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

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 (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and other comprehensive income.

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (applicable from 1 January 2018)

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Sale of industrial products

Revenue from the sale of industrial products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the industrial products.

Some contracts for the sale of industrial products provide customers with rights of return and volume rebates. The rights of return and volume rebates give rise to variable consideration.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms.

Other income

Interest income is recognised 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.

Revenue recognition (applicable before 1 January 2018)

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;

(b) rental income, on a time proportion basis over the lease terms; and

(c) 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.

Contract liabilities (applicable from 1 January 2018)

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 29 to the financial statements.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 final 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 profit or loss.

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).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

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.

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

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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 2018 was RMB499,203,000 (2017: RMB327,303,000).

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating unit to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2018 was RMB18,890,000 (2017: Nil). Further details are given in note 15.

Provision for expected credit losses on trade and bills receivables

The Group uses a provision matrix to calculate ECLs for trade and bills receivables. The provision rates are based on days past due for groupings of various customer segments.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future. The information about the ECLs on the Group's trade and bills receivables is disclosed in note 22 to the financial statements.

4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the manufacture and sale of automotive and electronic components. For the purpose of resource 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

	2018 RMB'000	2017 RMB'000
China	964,596	888,911
North America	549,399	486,369
Europe	469,235	442,493
Other countries	66,719	59,382
	2,049,949	1,877,155

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

(b) Non-current assets

	2018 RMB'000	2017 RMB'000
China	977,750	656,658
Other countries	195,341	70,098
	1,173,091	726,756

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 years ended 31 December 2018 and 2017, no revenue from any single customer accounted for 10% or more of the total revenue of the Group.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2018 RMB'000	2017 RMB'000
Revenue from contracts with customers	2,049,949	—
Sale of non-automotive components	—	17,549
Sale of automotive decorative components	—	1,859,606
	2,049,949	1,877,155

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2018

Segments	Non-automotive components RMB'000	Automotive components RMB'000	Total RMB'000
Type of goods			
Sale of goods	9,736	2,040,213	2,049,949
Total revenue from contracts with customers	9,736	2,040,213	2,049,949
Geographical markets			
China	9,736	954,860	964,596
North America	—	549,399	549,399
Europe	—	469,235	469,235
Other countries	—	66,719	66,719
Total revenue from contracts with customers	9,736	2,040,213	2,049,949
Timing of revenue recognition			
Goods transferred at a point in time	9,736	2,040,213	2,049,949
Total revenue from contracts with customers	9,736	2,040,213	2,049,949
Revenue from contracts with customers			
External customers	9,736	2,040,213	2,049,949
Total revenue from contracts with customers	9,736	2,040,213	2,049,949

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2018 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	
Sale of goods	7,201

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of industrial products

The performance obligation is satisfied upon delivery of the industrial products and payment is generally due within 30 to 90 days from delivery, except for new customers, where payment in advance is normally required.

An analysis of other income and gains is as follows:

	2018 RMB'000	2017 RMB'000
Other income		
Bank interest income	8,991	4,311
Government subsidies*	3,279	3,633
Sale of scraps	8,122	8,219
Sale of raw materials	3,547	3,151
Sale of samples	215	1,095
Testing fee income	1,706	2,375
Compensation from insurance companies	646	292
Others	5,378	5,640
	31,884	28,716
Gains		
Fair value gain on derivative financial instruments, net	—	694
Gain on disposal of prepaid land lease payments	—	3,169
Foreign exchange gain, net	24,588	9,504
	56,472	42,083

* 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	2018 RMB'000	2017 RMB'000
Cost of inventories sold		**1,299,639**	1,097,904
Depreciation	13	**101,440**	64,858
Amortisation of prepaid land lease payments	14	**1,061**	806
Amortisation of other intangible asset	16	**670**	—
Minimum lease payments under operating leases		**30,649**	19,939
Research and development costs		**56,298**	42,793
Fair value loss/(gain) on derivative financial instruments, net		**502**	(694)
Auditors' remuneration		**3,831**	3,354
Employee benefit expense (including directors' and chief executive's remuneration (note 8))			
Wages and salaries		**445,382**	359,770
Equity-settled share option expense		**2,704**	—
Pension scheme contributions		**67,380**	71,443
		515,466	431,213
Loss on disposal of items of property, plant and equipment, net		**453**	2,752
Foreign exchange differences, net		**(24,588)**	(9,504)
Impairment of goodwill	15	**—**	3,242

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2018 RMB'000	2017 RMB'000
Interest on bank loans	**62**	260

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:

	2018 RMB'000	2017 RMB'000
Fees	**1,533**	1,212
Other emoluments:		
Salaries, allowances and benefits in kind	**6,195**	5,175
Performance related bonuses	**5,379**	4,626
Equity-settled share option expense	**87**	—
Pension scheme contributions	**99**	79
	11,760	9,880

During the year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 29 to the financial statements. The fair value of such options, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

(a) Independent non-executive directors

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

	2018 RMB'000	2017 RMB'000
Cao Lixin	**104**	60
Gan Weimin	**104**	60
Tang Chi Wai	**125**	72
	333	192

There were no other emoluments payable to the independent non-executive directors during the year (2017: Nil).

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

(b) Executive directors and the chief executive

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Equity-settled share option expense RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2018						
Executive directors:						
Ma Xiaoming	360	1,950	2,125	19	10	4,464
He Xiaolu	120	911	420	15	17	1,483
Meng Jun	120	1,189	950	15	15	2,289
Zhang Yumin	240	1,027	960	16	23	2,266
Liu Jun	240	877	860	16	15	2,008
Jiang Wei	120	241	64	6	19	450
	1,200	6,195	5,379	87	99	12,960
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

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% (2017: 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 31.0% (2017: 34.0%). For the Group's subsidiary established in Germany, income tax is calculated at the rate of 28.0% (2017: 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.

	2018 RMB'000	2017 RMB'000
Current – China		
Charge for the year	53,000	101,796
Overprovision in prior years	(28,856)	(18,473)
Current – Hong Kong	34,610	12,063
Current – Germany	7,190	12,540
Current – US	3,265	11,555
Deferred tax (note 19)	7,602	(623)
Total tax charge for the year	76,811	118,858

A reconciliation of the tax expense applicable to profit before tax at the statutory rate 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 rate is as follows:

	2018		2017	
	RMB'000	%	RMB'000	%
Profit before tax	471,635		510,128	
Tax at the statutory tax rate	117,909	25.0	127,532	25.0
Lower tax rate(s) enacted by local authority	(29,448)	(6.2)	(15,387)	(3.0)
Higher tax rate(s) enacted by local authority	1,303	0.3	7,942	1.6
Adjustments in respect of current tax of previous periods	(28,856)	(6.1)	(18,473)	(3.7)
Profit attributable to an associate	(332)	(0.1)	(348)	(0.1)
Income not subject to tax	(6,909)	(1.5)	(13,414)	(2.6)
Expenses not deductible for tax	23,144	4.9	31,006	6.1
Tax charge at the Group's effective rate	76,811	16.3	118,858	23.3

11. DIVIDENDS

	2018 RMB'000	2017 RMB'000
Interim – RMB0.06 (2017: RMB0.05) per ordinary share	60,858	50,499
Final – RMB0.07 per share for 2017 (RMB100 per share for 2016)	73,255	100,000
	134,113	150,499

A final dividend of RMB0.1 per share amounting to approximately RMB100,291,000 in respect of the year ended 31 December 2018 (2017: RMB0.07 per share amounting to approximately RMB73,255,000) 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 are 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 2018 and 2017.

	2018 RMB'000	2017 RMB'000
Profit for the year and earnings for the purpose of basic and diluted earnings per share	394,824	391,270

	2018 Number of shares	2017 Number of shares
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation	1,006,132,833	880,205,332

	Year ended 31 December	
	2018	2017
Earnings per share Basic and diluted	RMB39 cents	RMB44 cents

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 (note 28), and the aforesaid 750,000,000 ordinary shares.

No adjustment has been made to the basic earnings per share amounts for the years ended 31 December 2018 and 2017 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 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		–	2,620	–	18,868	185	14	–	–	21,687
Exchange realignment		609	(191)	(17)	–	24	(53)	–	12	384
At 31 December 2017 and 1 January 2018, net of accumulated depreciation		21,990	57,293	23,805	305,603	11,890	4,544	179,733	8,107	612,965
Additions		–	8,586	27,253	38,236	25,674	6,250	375,538	6,997	488,534
Transfers		–	196,571	–	166,289	10,325	1,316	(375,995)	1,494	–
Depreciation provided during the year		–	(8,821)	(14,834)	(57,823)	(15,130)	(3,024)	–	(1,808)	(101,440)
Disposals/write-off		–	(6,033)	(223)	(37,706)	(3,119)	(88)	(8,647)	–	(55,816)
Acquisition of a subsidiary	31	1,885	4,046	50	7,700	374	993	–	947	15,995
Exchange realignment		933	445	17	130	173	65	1,993	243	3,999
At 31 December 2018		24,808	252,087	36,068	422,429	30,187	10,056	172,622	15,980	964,237

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	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 2017 and 1 January 2018:									
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 2018:									
Cost	24,808	288,352	115,203	654,647	58,673	24,263	172,622	21,093	1,359,661
Accumulated depreciation	–	(36,265)	(79,135)	(232,218)	(28,486)	(14,207)	–	(5,113)	(395,424)
Net carrying amount	24,808	252,087	36,068	422,429	30,187	10,056	172,622	15,980	964,237

At 31 December 2018, the Group had not yet obtained the building ownership certificates of the Group's buildings with a net carrying amount of RMB3,441,000 (2017: RMB3,734,000) from the relevant government authorities.

As at 31 December 2018, the Group's property, plant and equipment with net carrying amounts of approximately RMB5,034,000 (2017: Nil), were pledged to secure general bank loans of RMB6,115,000 (2017: Nil) granted to the Group (note 26).

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 2017 and 2018 were approximately RMB6,636,000 and RMB492,000, respectively (note 27).

14. PREPAID LAND LEASE PAYMENTS

	2018 RMB'000	2017 RMB'000
Carrying amount at beginning of the year	41,155	34,608
Acquisition of a subsidiary	—	8,462
Additions	8,052	—
Disposal	—	(1,109)
Recognised during the year	(1,061)	(806)
Carrying amount at end of the year	48,146	41,155
Current portion	(1,082)	(951)
Non-current portion	47,064	40,204

15. GOODWILL

	RMB'000
At 1 January 2017:	
Cost	3,242
Accumulated impairment	—
Net carrying amount	3,242
Cost at 1 January 2017, net of accumulated impairment	3,242
Impairment during the year	(3,242)
At 31 December 2017	—
At 31 December 2017:	
Cost	3,242
Accumulated impairment	(3,242)
Net carrying amount	—
Cost at 1 January 2018, net of accumulated impairment	—
Acquisition of a subsidiary (note 31)	18,890
Cost and net carrying amount at 31 December 2018	18,890
At 31 December 2018:	
Cost	22,132
Accumulated impairment	(3,242)
Net carrying amount	18,890

15. GOODWILL (CONTINUED)

Impairment testing of goodwill

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

- Industrial products cash-generating unit.

  The recoverable amount of the industrial products cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 12.56%. The growth rate used to extrapolate the cash flows of the industrial products unit beyond the five-year period is 2.26%. Senior management of the industrial products unit believes that this growth rate is justified, considering the industry average of the relevant unit.

Assumptions were used in the value-in-use calculation of the industrial products cash-generating unit for 31 December 2018. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margin – The basis used to determine the value assigned to the budgeted gross margin is the average gross margin achieved in the year immediately before the budget year.

Discount rate – The discount rate used is before tax and reflects specific risks relating to the relevant unit.

The values assigned to the key assumption on discount rates are consistent with external information sources.

16. OTHER INTANGIBLE ASSET

	Customer relationship RMB'000
31 December 2018	
Cost at 1 January 2018, net of accumulated amortisation	—
Acquisition of a subsidiary (note 31)	3,352
Amortisation provided during the year	(670)
At 31 December 2018	2,682
At 31 December 2018:	
Cost	3,352
Accumulated amortisation	(670)
Net carrying amount	2,682

17. INVESTMENT IN AN ASSOCIATE

	2018 RMB'000	2017 RMB'000
Share of net assets	**2,239**	1,510

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

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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:

	2018 RMB'000	2017 RMB'000
Current assets	**11,495**	8,764
Non-current assets	**10,741**	11,579
Current liabilities	**(14,773)**	(15,310)
Net assets	**7,463**	5,033
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**30%**	30%
Group's share of net assets of the associate and carrying amount of the investment	**2,239**	1,510
Revenue	**32,412**	34,545
Profit for the year	**4,431**	4,640
Total comprehensive income for the year	**4,431**	4,640

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018 RMB'000	2017 RMB'000
Prepayments	169,408	116,003
Deposits and other receivables	132,932	76,116
	302,340	192,119
Non-current portion	(137,979)	(72,077)
Current portion	164,361	120,042

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.

Other receivables that were past due but not impaired related to customers that had a good track record with the Group. Based on past experience, the directors of the Company were of the opinion that no provision for impairment under HKAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

19. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation RMB'000	Fair value adjustment arising from acquisition of a subsidiary RMB'000	Total RMB'000
At 1 January 2017	—	—	—
Deferred tax charged to profit or loss during the year (note 10)	141	—	141
At 31 December 2017 and at 1 January 2018	141	—	141
Deferred tax charged to profit or loss during the year (note 10)	24	1,006	1,030
At 31 December 2018	165	1,006	1,171

19. DEFERRED TAX (CONTINUED)

Deferred tax assets

	Provision for accrued staff welfare RMB'000	Unrealised profits on inventories RMB'000	Other deductible temporary differences RMB'000	Total RMB'000
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 and at 1 January 2018	8,970	1,883	37	10,890
Deferred tax (charged)/credited to profit or loss during the year (note 10)	(8,970)	2,171	227	(6,572)
At 31 December 2018	—	4,054	264	4,318

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:

	2018 RMB'000	2017 RMB'000
Deferred tax assets	**4,318**	10,890
Deferred tax liabilities	**(1,171)**	(141)
	3,147	10,749

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

	2018 RMB'000	2017 RMB'000
Tax losses	**907**	811

The Group had tax losses arising in Malaysia of RMB907,000 (2017: RMB811,000) 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.

19. DEFERRED TAX (CONTINUED)

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 2018, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings of RMB885.9 million (31 December 2017: RMB718.1 million) that are subject to withholding taxes of 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.

20. INVENTORIES

	2018 RMB'000	2017 RMB'000
Raw materials	87,164	73,677
Work in progress	148,853	66,146
Finished goods	263,186	187,480
	499,203	327,303

21. DERIVATIVE FINANCIAL INSTRUMENTS

	2018 RMB'000	2017 RMB'000
Forward metal contracts	3,248	3,750

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. The loss arising from changes in the fair value of non-hedging derivatives amounting to RMB502,000 was charged to profit or loss during the year ended 31 December 2018 (2017: gain of RMB694,000).

22. TRADE AND BILLS RECEIVABLES

	2018 RMB'000	2017 RMB'000
Trade and bills receivables	566,511	538,256
Impairment	(769)	—
	565,742	538,256

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 and bills receivable balances. Trade and bills receivables are non-interest-bearing.

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

	2018 RMB'000	2017 RMB'000
Within 1 month	314,133	387,492
1 to 2 months	152,074	98,773
2 to 3 months	63,593	31,463
Over 3 months	35,942	20,528
	565,742	538,256

The movements in the loss allowance for impairment of trade and bills receivables are as follows:

	2018 RMB'000	2017 RMB'000
At beginning of year	—	—
Effect of adoption of HKFRS 9	769	—
At beginning of year (restated) and end of year	769	—

22. TRADE AND BILLS RECEIVABLES (CONTINUED)

Impairment under HKFRS 9 for the year ended 31 December 2018

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

The Group's bills receivable of RMB21,029,000 at 31 December 2018 are due within 30 days from the date of billing. There was no recent history of default from bills receivable and the Group estimated that the expected loss rate for bills receivable is minimal.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2018

		Past due			
	Current	Less than 1 month	1 to 3 months	Over 3 months	Total
Expected credit loss rate	0.05%	0.61%	2.48%	4.38%	0.14%
Gross carrying amount (RMB'000)	509,315	24,953	6,082	5,132	545,482
Expected credit losses (RMB'000)	242	151	151	225	769

Impairment under HKAS 39 for the year ended 31 December 2017

The ageing analysis of the trade and bills receivables as at 31 December 2017 that were not individually nor collectively considered to be impaired under HKAS 39 is as follows:

	RMB'000
Neither past due nor impaired	527,858
Less than 1 month past due	6,657
1 to 3 months past due	826
Over 3 months past due	2,915
	538,256

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

Receivables that were past due but not impaired related to customers that had a good track record with the Group. Based on past experience, the directors of the Company were of the opinion that no provision for impairment under HKAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

23. CASH AND CASH EQUIVALENTS

At 31 December 2017 and 2018, the Group's cash and bank balances denominated in RMB amounted to RMB57,510,000 and RMB38,448,000, 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.

24. TRADE PAYABLES

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

	2018 RMB'000	2017 RMB'000
Within 1 month	**149,992**	144,378
1 to 2 months	**40,252**	25,423
2 to 3 months	**9,626**	10,605
Over 3 months	**21,543**	13,100
	221,413	193,506

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

25. OTHER PAYABLES AND ACCRUALS

	Notes	**2018 RMB'000**	2017 RMB'000
Receipts in advance		**—**	7,201
Contract liabilities	(a)	**8,145**	—
Other payables	(b)	**46,677**	29,337
Accruals		**192,706**	165,960
		247,528	202,498

Notes:

(a) Details of contract liabilities as at 31 December 2018 and 1 January 2018 are as follows:

	31 December 2018 RMB'000	1 January 2018 RMB'000
Short-term advances received from customers		
Sale of goods	**8,145**	7,201

Contract liabilities include short-term advances received to deliver industrial products. The increase in contract liabilities in 2018 was mainly due to the increase in short-term advances received from customers in relation to the sale of industrial products at the end of the year.

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

26. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2018			2017		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Finance lease payables (note 27)	1.4	2021	135	7	2018	844
Bank overdraft – unsecured	6.5	2019	1,442	—	—	—
Current portion of long term bank loans – secured	1.2 – 1.3	2021 – 2022	1,489	—	—	—
			3,066			844
Non-current						
Finance lease payables (note 27)	1.4	2021	95	—	—	—
Secured bank loans	1.2 – 1.3	2021 – 2022	3,184	—	—	—
			3,279			—
			6,345			844

	2018 RMB'000	2017 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	2,931	—
In the second year	1,508	—
In the third to fifth years, inclusive	1,676	—
	6,115	—
Other borrowings repayable:		
Within one year or on demand	135	844
In the second year	95	—
	230	844

Notes:

(a) The Group's overdraft facilities amounted to RMB7,887,000 (2017: Nil), of which RMB1,442,000 (2017: Nil) had been utilised as at the end of the reporting period.

(b) Certain of the Group's bank loans are secured by property, plant and equipment which had net carrying amounts of approximately RMB6,636,000 and RMB492,000 at 31 December 2017 and 2018, respectively (note 13).

(c) Borrowings of the Group are denominated in HK$ and EUR.

27. FINANCE LEASE PAYABLES

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

At 31 December 2017 and 2018, 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	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
Amounts payable:				
Within one year	**137**	854	**136**	844
In the second year	**96**	—	**94**	—
Total minimum finance lease payments	**233**	854	**230**	844
Future finance charges	**(3)**	(10)		
Total net finance lease payables	**230**	844		
Portion classified as current liabilities (note 26)	**(135)**	(844)		
Non-current portion (note 26)	**95**	—		

28. SHARE CAPITAL

	2018 RMB'000	2017 RMB'000
Issued and fully paid:		
1,002,905,000 (2017: 1,006,487,000) ordinary shares of HK$0.1 each	**87,485**	87,800

28. SHARE CAPITAL (CONTINUED)

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 and 1 January 2018		1,006,487,000	87,800
Cancellation of share repurchased	(e)	(3,582,000)	(315)
At 31 December 2018		1,002,905,000	87,485

During the years ended 31 December 2017 and 2018, 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"), which 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.

(e) The Company purchased 3,582,000 of its shares on the Hong Kong Stock Exchange for a total consideration of HK$10,624,000 equivalent to RMB9,336,000 (2017: Nil). The purchased shares were cancelled in full during the year.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 29 to the financial statements.

29. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, the Company's shareholders, and any non-controlling shareholder in the Company's subsidiaries. The Scheme became effective on 5 June 2017 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a vesting period of one to three years and ends on a date which is not later than five years from the date of offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the Scheme during the year:

	Weighted average exercise price HK$ per share	Number of options '000
At 1 January 2018	—	—
Granted during the year	3.34	22,946
Forfeited during the year	3.34	(1,175)
At 31 December 2018	3.34	21,771

29. SHARE OPTION SCHEME (CONTINUED)

No share options were exercised during the year.

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2018

Number of options '000	Exercise price* HK$ per share	Exercise period
21,771	3.45	30-04-22 to 13-08-28

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

The fair value of the share options granted during the year was HK$31,760,000 (HK$1.57 each), of which the Group recognised a share option expense of RMB2,704,000 during the year ended 31 December 2018.

The fair value of equity-settled share options granted during the year was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2018
Dividend yield (%)	4.43
Expected volatility (%)	60.46
Historical volatility (%)	60.46
Risk-free interest rate (%)	2.09
Expected life of options (year)	10
Weighted average share price (HK$ per share)	3.34

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had 21,771,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 21,771,000 additional ordinary shares of the Company and additional share capital of RMB1,898,000 (before issue expenses).

30. 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 56 of the financial statements.

31. BUSINESS COMBINATION

On 22 June 2018, the Group acquired a 100% interest in BLW. BLW is principally engaged in tool making that specialises in the production of tools for plastic injection moulding and its products are used to manufacture parts in vehicles. The acquisition was made as part of the Group's strategy to expand business relationships with its existing premium customers. The purchase consideration was fully settled by cash on 2 July 2018.

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

	Notes	Fair value recognised on acquisition RMB'000
Property, plant and equipment	13	15,995
Other intangible asset	16	3,352
Inventories		5,096
Cash and bank balances		4,810
Trade receivables		7,889
Other receivables and prepayments		1,364
Trade payables		(740)
Other payables and accruals		(5,206)
Interest-bearing bank borrowings		(5,721)
Deferred tax liability	19	(1,006)
Total identifiable net assets at fair value		25,833
Goodwill on acquisition	15	18,890
Satisfied by cash		44,723

No material transaction cost was incurred for this acquisition.

31. BUSINESS COMBINATION (CONTINUED)

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

	RMB'000
Cash consideration	(44,723)
Cash and bank balances acquired	4,810
Net outflow of cash and cash equivalents included in cash flows from investing activities	(39,913)

Since the acquisition, BLW contributed RMB6,614,000 to the Group's revenue and a loss of RMB8,092,000 to the consolidated profit for the year ended 31 December 2018.

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 RMB2,068,934,000 and RMB395,480,000, respectively.

32. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising in financing activities

2018

	Bank loans RMB'000	Finance lease payables RMB'000
As at 1 January 2018	—	844
Changes from financing cash flows	686	(906)
Increase arising from acquisition of a subsidiary	5,429	292
As at 31 December 2018	6,115	230

2017

	Bank loans RMB'000	Finance lease payables RMB'000
As at 1 January 2017	—	5,065
Changes from financing cash flows	—	(4,221)
As at 31 December 2017	—	844

33. PLEDGE OF ASSETS

Details of the Group's bank loans, which are secured by the assets of the Group, are included in note 26 of the financial statements.

34. 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 2017 and 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 RMB'000	2017 RMB'000
Within one year	25,689	23,551
In the second to fifth years, inclusive	49,531	48,089
Over five years	11,862	15,041
	87,082	86,681

35. COMMITMENTS

In addition to the operating lease commitments detailed in note 34 above, the Group had the following capital commitments at the end of the reporting period:

	2018 RMB'000	2017 RMB'000
Contracted, but not provided for:		
Plant and equipment	105,872	112,249

36. RELATED PARTY TRANSACTIONS

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

	Notes	2018 RMB'000	2017 RMB'000
Purchase of tooling:			
Suzhou City Keen Point Precision Molding Co., Ltd.	(i), (ii)	**31,531**	32,673
Sales of goods:			
Suzhou City Keen Point Precision Molding Co., Ltd.	(i), (ii)	**890**	1,645

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:

	2018 RMB'000	2017 RMB'000
Short term employee benefits	**17,066**	17,007
Post-employment benefits	**—**	—
Total compensation paid to key management personnel	**17,066**	17,007

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

37. 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:

2018

Financial assets

	Financial assets at fair value through profit or loss RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Trade and bills receivables	—	565,742	565,742
Financial assets included in prepayments, deposits and other receivables	—	132,932	132,932
Derivative financial instruments	3,248	—	3,248
Cash and cash equivalents	—	521,780	521,780
	3,248	1,220,454	1,223,702

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	221,413
Financial liabilities included in other payables and accruals	107,591
Interest-bearing bank and other borrowings	6,345
	335,349

37. 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)

2017

Financial assets

	Financial assets at fair value through profit or loss RMB'000	Financial assets at amortised cost 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

38. 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	
	2018	2017
	RMB'000	RMB'000
Financial liabilities		
Interest-bearing bank and other borrowings	**6,345**	844

	Fair values	
	2018	2017
	RMB'000	RMB'000
Financial liabilities		
Interest-bearing bank and other borrowings	**6,445**	854

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.

38. 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:

	2018 RMB'000	2017 RMB'000
Derivative financial instruments		
Fair value measurement using quoted prices in active markets (Level 1)	3,248	3,750

The Group did not have any financial liabilities measured at fair value as at 31 December 2017 and 2018.

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 (2017: Nil).

39. 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, financial assets included in prepayment, deposits and 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 and credit risk and liquidity 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).

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

	Increase/ (decrease) in basis points	Increase/(decrease) in profit before tax 2018 RMB'000	2017 RMB'000
RMB	100	**384**	575
HK$	100	**82**	1,119
US$	100	**4,591**	5,787
RMB	(100)	**(384)**	(575)
HK$	(100)	**(82)**	(1,119)
US$	(100)	**(4,591)**	(5,787)

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% (2017: 53%) 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
2018		
If RMB weakens against US$	**1**	**6,213**
If RMB strengthens against US$	**(1)**	**(6,213)**
If RMB weakens against EUR	**1**	**4,532**
If RMB strengthens against EUR	**(1)**	**(4,532)**
If RMB weakens against JPY	**1**	**177**
If RMB strengthens against JPY	**(1)**	**(177)**
If RMB weakens against HK$	**1**	**3**
If RMB strengthens against HK$	**(1)**	**(3)**
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)

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

Maximum exposure and year-end staging as at 31 December 2018

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2018.

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	RMB'000
Trade and bills receivables*	—	—	—	565,742	565,742
Financial assets included in prepayments, deposits and other receivables					
– Normal**	132,932	—	—	—	132,932
Cash and cash equivalents					
– Not yet past due	521,780	—	—	—	521,780
	654,712	—	—	565,742	1,220,454

* For trade and bills receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 22 to the financial statements.

** The credit quality of the financial assets included in prepayments, deposits and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Maximum exposure as at 31 December 2017

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and financial assets included in prepayment, deposits and other receivables, arises 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 2017 and 2018, 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 22 to the financial statements.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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
2018				
Trade payables	**221,413**	**—**	**—**	**221,413**
Other payables and accruals	**107,591**	**—**	**—**	**107,591**
Interest-bearing bank and other borrowings	**3,118**	**3,327**	**—**	**6,445**
	332,122	**3,327**	**—**	**335,449**
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

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 2017 and 2018.

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:

	2018 RMB'000	2017 RMB'000
Total debt	**6,345**	844
Total equity	**2,251,370**	1,960,427
Gearing ratio	**0.3%**	0.0%

40. STATEMENT OF THE FINANCIAL POSITION OF THE COMPANY

	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSET		
Investment in a subsidiary	**828**	828
CURRENT ASSETS		
Deposits and other receivables	**3**	14
Due from subsidiaries	**340,182**	65,049
Dividend receivable	**192,498**	58,958
Cash and cash equivalents	**198,575**	577,500
Total current assets	**731,258**	701,521
CURRENT LIABILITIES		
Other payables and accruals	**129**	131
Due to subsidiaries	**3,224**	2,229
Total current liabilities	**3,353**	2,360
NET CURRENT ASSETS	**727,905**	699,161
NET ASSETS	**728,733**	699,989
EQUITY		
Issued capital	**87,485**	87,800
Reserves (note)	**641,248**	612,189
Total equity	**728,733**	699,989

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

Note:

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

	Capital reserve RMB'000	Share option reserve RMB'000	Retained Profits/ (accumulated losses) RMB'000	Total RMB'000
At 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 and 1 January 2018	647,771	—	(35,582)	612,189
Total comprehensive income for the year	—	—	169,489	169,489
Equity-settled share options arrangements	—	2,704	—	2,704
Repurchases and cancellation of shares	(9,021)	—	—	(9,021)
Final 2017 dividend	—	—	(73,255)	(73,255)
Interim 2018 dividend	(60,858)	—	—	(60,858)
At 31 December 2018	577,892	2,704	60,652	641,248

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 March 2019.