



Xin Point Holdings Limited 信邦控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 1571



INTERIM REPORT
2021

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CORPORATE INFORMATION

Board of directors

Executive directors

Mr. Ma Xiaoming
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, *FCCA*

Auditor

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

Legal advisor

Chiu & Partners
40/F, Jardine House
1 Connaught Place
Central, Hong Kong

Principal share registrar

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

Hong Kong share registrar

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

Principal place of business in Hong Kong

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

Registered office

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

Ticker symbol

Listed on The Stock Exchange of Hong Kong
Limited under the share ticker number 1571

Website

<http://www.xinpoint.com>

FINANCIAL HIGHLIGHTS

- Xin Point Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**” or “**Xin Point**”) recorded an unaudited revenue of approximately RMB1,164.8 million for the six months ended 30 June 2021 (“**1H 2021**” or the “**Reporting Period**”), representing an increase of approximately 42.5% compared to the same period of the previous year (six months ended 30 June 2020 (“**1H 2020**”): RMB817.3 million). During 1H 2021, the Group’s business recovered from the economic downturn caused by the outbreak of the Coronavirus Disease (“**COVID-19**”).
- The Group recorded an unaudited profit attributable to the owners of the Company of approximately RMB151.7 million for 1H 2021, which was approximately 142.3% higher than that of the corresponding period in 2020 (1H 2020: RMB62.6 million). The Group also recorded an increase in group profit margin and net profit in 1H 2021.
- The basic and diluted earnings per share for 1H 2021 were RMB15.1 cents (1H 2020: RMB6.2 cents).
- Net cash flows from operations for 1H 2021 were RMB24.1 million (1H 2020: RMB161.4 million).
- The directors of the Company (the “**Directors**”) recommend the payment of an interim dividend of RMB4.54 cents per share for 1H 2021 (1H 2020: RMB3.40 cents).
- In this report, “we”, “us”, “our” refer to the Company and where the context otherwise requires, the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In the first half of 2021, major car markets worldwide largely recovered from the adverse impact of the lockdowns due to COVID-19, which began in early 2020. In China, new car sales for 1H 2021 were 26% higher than that in the 1H 2020, while the US market was up by 18% compared to the same period last year. Registrations for new passenger vehicles in Europe remained stable.

The rise in global car sales in 1H 2021 is the combined result of the recovery of major markets from the COVID-19 pandemic and the ongoing worldwide vaccination campaign. The COVID-19 vaccination boosted consumer confidence and facilitated the growth in private vehicle purchases. Moreover, as more people sought private cars for privacy and social distancing reasons, there is an increased preference among customers for private transport over public transportation.

On the other hand, global chip shortage and surging raw material prices are increasingly impacting the automakers in China, according to the China Association of Automobile Manufacturers. Statistics show that 1.65 million and 1.57 million units of passenger vehicles were sold in China in May and June 2021, respectively, reflecting a decrease of 2% and 11% comparing with the corresponding months in the previous year. The latest retail sales of passenger vehicles showed a drop of approximately 7% in July comparing to the corresponding month in 2020.

According to a consulting firm AlixPartners' estimation, the shortage in global semiconductor chips will cost automakers US\$110 billion in lost revenue this year. It also predicted this shortage of semiconductors would impact the production of 3.9 million vehicles.

BUSINESS REVIEW

Automakers around the world have adjusted their assembly lines due to the auto-chip shortage. Some semiconductor manufacturers believe that the global auto-chip shortage is a result of a faster-than-expected recovery from the COVID-19 pandemic. Reuters reported that a global shortage of semiconductors was also impacting the automobile productions in China, which hindered the progress of recovery by the world's largest car market. Automobile sales in China fell by 12.4% in June 2021 from the corresponding month in the previous year.

The global chip shortage is beginning to have impacts on Xin Point's business. By the end of 2020 and up to the first quarter of 2021, the economy showed strong signs of recovery and Xin Point recorded extremely strong sales in the first quarter of 2021. However, the manufacturing facility closures and the shortage of auto-chips caused problems at the beginning of second quarter of 2021 and Xin Point recorded a decline in sales towards the end of the second quarter in 2021.

The total sales unit increased by 69.2 million units from approximately 139.1 million units in 1H 2020 to 208.3 million units in 1H 2021, representing an increase of approximately 49.7%. The total revenue of the Group increased significantly to approximately RMB1,164.8 million, representing an increase of approximately 42.5% when compared with the corresponding period of last year (1H 2020: approximately RMB817.3 million). Xin Point's revenue remained at a high level during the first quarter of 2021. In general, China and the US were the propelling forces for the recovery in automobiles market, supported by rebounding private consumption in China and massive economic stimulus in the US. However, Xin Point recorded a slight decrease in revenue in the second quarter of 2021 due to the shortages in auto-chips.

It is worth mentioning that the Group's inventory level increased during 1H 2021 as compared to the inventory position at the end of 2020. This was because, primarily, the Group plans to increase its raw material inventory level to mitigate the impact of the increase in the price of raw materials and the possible international logistic disruptions during 1H 2021 which resulted in longer freight transit times. The additional inventory helped to ease the pressure from the increasing cost of raw materials.

Despite the fact that production in our facilities in Mexico is still being ramped up and operating at a below average efficiency level, the Group still achieved an increase in Xin Point's overall gross profit margin level. The Group recorded a 3.0 percentage point increase of its gross profit margin while the gross profit amount increased to approximately RMB381.3 million for 1H 2021 as compared to approximately RMB242.6 million for the 1H 2020.

In addition, Xin Point engaged in internet of vehicle business and established a joint venture company last year in Shenzhen with Wanka Online Inc., whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 1762) ("**Wanka**"). For more details, please refer to the Company's announcements dated 7 January 2020 and 20 January 2020.

The joint venture company has worked closely and communicated with different local and overseas original equipment manufacturers (OEMs). It has successfully developed the "QCAR Solution Platform" for Leapmotor smart vehicles, and such platform is expected to be delivered and installed on the Leapmotor's latest electric sport utility vehicles (SUVs) by the third quarter of 2021. Also, the joint venture company recently commenced a research and development project on the "Quick apps" platform with a renowned local automaker group and worked with truck manufacturers to explore opportunities in long-distance commercial heavy-duty truck markets.

Xin Point believes that the joint venture company with Wanka, in the long term, will capture significant opportunities from the online sales market, especially in the smart vehicle sector.

ELECTRO-PLATING PRODUCTION CAPACITY AND UTILISATION RATE

During 1H 2021, the Group ceased all its electro-plating operations in Wuxi Yangshi Industrial Park ("**Wuxi Production Bases**") and had strategically transferred such electro-plating operations to its Changzhou factory by the end of February 2021. Therefore, two redundant production lines in Wuxi Production Bases ceased their operations (impairments for these two production lines were fully provided in the financial year ended 31 December 2020). Our annualised electro-plating production capacity as of 30 June 2021 decreased to approximately 3.78 million sq.m. (as of 30 June 2020: approximately 4.19 million sq.m.)

As global vehicle sales rebounded in 1H 2021 compared with 1H 2020 due to the easing of pandemic controls and gradual recovery from COVID-19, there was a significant increase in the Group's revenue in 1H 2021. Xin Point also recorded an increase in the utilisation rate of our electro-plating production capacity. Our capacity utilisation rate for 1H 2021 increased to approximately 66.7% as compared with the utilisation rate of 50.5% for 1H 2020.

PRODUCTION YIELD

The Group's production yield for 1H 2021 was approximately 89.1%, with no material changes when compared with the average production yield of approximately 88.9% for the financial year ended 31 December 2020.

ORDER BOOK

Our order book remains healthy, and we have secured orders on hand to drive our expansion in the next few years. Continual efforts to penetrate additional overseas market will remain our priority. The Group had total backlog orders of approximately RMB10.4 billion as of 30 June 2021.

OUTLOOK

It seems that the negative impact of COVID-19 on the Group's business is gradually lessening. In the context of global automobile sales, the effect of the COVID-19 pandemic is somewhat limited in the future. 1H 2021 has been remarkable for the automobile market, leaving the automobile industry in strong financial shape. Entering the second half of 2021, the automobile industry seems to be showing a more normal and predictable demand pattern, as the world becomes accustomed to the "new normal".

Although there is a strong demand from consumers, challenges arising from the global semiconductor chip shortage are expected to dampen the on-going recovery throughout the remainder of 2021.

China, the world's second-largest economy, has been recovering since the second half of last year because of the solid overseas demand for its exports. However, growth is likely to slow down in the second half of 2021 because of the slowdown in manufacturing activity due to higher raw material costs and supply shortages and the limitations on consumer spending due to occasional COVID-19 outbreaks. According to industry data, a global shortage of semiconductors hit automobile production in the world's car market. Automakers around the world also had to adjust assembly lines due to the auto-chip shortage.

It is difficult to estimate how long this supply shortage will last since the level of severity varies greatly across product lines and different locations. However, its effect would be more certain in the next few months. Nonetheless, demand remains stable, particularly in China and the US. We believe that sustained demand is beneficial to the automobile market, in spite of the disruptions in supply chain.

On the other hand, electrification is now a global trend. The political trend pointing to a green-led economic recovery from the COVID-19 pandemic will likely accelerate the electrification of the global light vehicle fleet. The Green Deal in Europe and the Chinese government's targets for 20% of new cars sold to be new energy vehicles by 2025, all point clearly towards the electrification trend.

Recently, President Joe Biden of the US took a step toward his goal of slashing greenhouse gas emissions aimed at making half of all new vehicles sold in 2030 electric. Automakers expect that there will be incentives of more than a billion dollars provided by the US government in relation to electric vehicles, including providing subsidies to consumer, expanding electric vehicle charging networks, increasing investments in research and development, and providing incentives to expand the electric vehicle manufacturing and supply chains. All of these will help boost the future sales of electric vehicles in the US.

It is Xin Point's strategy to partner with more electric vehicle manufacturers and offer leading surface treatment technologies to our partners. During 1H 2021, Xin Point has received approximately RMB507 million of new orders in relation to electric vehicles for the next five-year.

REVENUE

Our revenue increased by approximately RMB347.5 million or 42.5% to approximately RMB1,164.8 million for 1H 2021. With the fiscal stimulus, continued quantitative easing, strong consumer and business demands and a positive outlook on the post-COVID-19 economy, global automobile sales in early 2021 increased. In general, the global automobile industry has recovered from the trough it experienced in the first quarter of 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

During 1H 2021, China and the US new vehicle market continued to rebound as the COVID-19 pandemic is gradually brought under control. The demand for the Group's products continued to recover during the first half of 2021. The total units of automotive decorative components sold in 1H 2021 increased by approximately 69.2 million units or approximately 49.7% compared to the same period in 2020. The Group again recorded positive growth in revenue from all regions. Revenue from the US market, Chinese market and European market surged by 49.3%, 40.4% and 31.2% respectively, as compared with 1H 2020. On the other hand, the Group's overall average selling price still recorded a slight decrease by approximately RMB0.28 per unit or approximately 4.8% to RMB5.59 per unit for 1H 2021 as compared to 1H 2020.

Vehicle sales posted a strong rebound when markets began to recover from COVID-19 related lockdown restrictions towards the end of last year. Even though new car registrations are still lower than the pre-pandemic level, Xin Point recorded promising revenue growth in early 2021 due to the worldwide rollout of the COVID-19 vaccination program.

Since the second quarter of 2021, vehicle manufacturers worldwide have been facing supply chain disruptions and semiconductor shortages, which led to production cuts and several interruptions at car production sites. The market expected that the chip shortages would limit the recovery of the car market in 2021.

Revenue by geographic segment:

	For the six months ended 30 June			
	2021		2020	
	RMB'000	%	RMB'000	%
China	485,392	42%	345,626	42%
North America	392,644	33%	262,921	32%
Europe	228,354	20%	174,087	22%
Others	58,428	5%	34,622	4%
	1,164,818	100%	817,256	100%

COST OF SALES

	Six months ended 30 June 2021		Six months ended 30 June 2020	
	RMB'000	%	RMB'000	%
Direct materials	222,229	28.4%	151,890	26.4%
Staff costs	229,359	29.3%	151,409	26.3%
Overheads	331,965	42.3%	271,345	47.3%
– Depreciation	64,976	8.1%	76,334	13.3%
– Processing fees	39,855	5.1%	30,928	5.4%
– Consumables	48,284	6.2%	37,717	6.6%
– Mold cost	76,900	9.8%	56,291	9.8%
– Utilities	57,875	7.4%	43,800	7.6%
– Shipping and delivery	24,671	3.2%	13,723	2.4%
– Repairs and maintenance	9,432	1.2%	9,070	1.6%
– Others	9,972	1.3%	3,482	0.6%
	783,553	100.0%	574,644	100.0%

MANAGEMENT DISCUSSION AND ANALYSIS

The cost of sales increased by approximately RMB209.0 million or approximately 36.4% from RMB574.6 million for 1H 2020 to approximately RMB783.6 million for 1H 2021. Such increase was mainly because:

- i. there was a significant increase in staff cost of approximately RMB78.0 million or approximately 51.5% for 1H 2021 as a result of the increased number of frontline staff for our new factories and increase in their compensation levels when compared with 1H 2020, because Xin Point's factories implemented flexible production schedules and a temporary and voluntary salary reduction during the second quarter of 2020 to cope with the decreased product demands caused by the COVID-19 pandemic, while the Group resumed full operations during 1H 2021;
- ii. direct materials increased approximately 46.3% or RMB70.3 million as compared to the same period in 2020. Such increase was in line with the Group's increased revenue and inflation in prices of major commodities in the first half of 2021; and
- iii. Overheads amounted to RMB332.0 million for 1H 2021, representing an increase of approximately RMB60.6 million or 22.3% from RMB271.3 million for 1H 2020. The increase was mainly due to the rise in revenue and resumption of full operations in 1H 2021 as compared to 1H 2020. Moreover, during 1H 2020, our factories implemented flexible production schedules in response to the COVID-19 pandemic and thus recorded lower overheads. The growth of fixed manufacturing cost and overheads for 1H 2021 was still smaller than the growth of our revenue during the same period.

GROSS PROFIT

The gross profit was RMB381.3 million and RMB242.6 million, representing a gross profit margin of 32.7% and 29.7% for 1H 2021 and 1H 2020 respectively. The increase was due to the combined effects of the followings:

- i. During 1H 2021, the increase in sales revenue was proportionally greater than the increase in cost of sales. Although the staff cost increased by 51.5% as compared to 1H 2020, the Group managed to control the increase of overheads, hence, the Group still recorded an overall increase in the gross profit margin as compared to 1H 2020;
- ii. Due to program delays and the COVID-19 pandemic, the ramp-up of Xin Point's factory in Mexico has taken longer than expected, hence, the profit contributions from Xin Point's factory in Mexico were limited during 1H 2021, which affected the Group's overall profitability; and
- iii. The spread of COVID-19 among port workers and truck drivers, which impeded the distribution of goods from Asia to North America and Europe by car and ship, together with impacts brought on by the continue increase of raw material commodity prices, created additional pressure on the Group's profit margin during 1H 2021.

OTHER INCOME AND GAINS

Other income and gains mainly represented bank interest income, income from sale of scraps, testing fee income and fair value gain on derivative financial instruments. Other income and gains increased as the Group recorded a fair value gain on derivative financial instruments of RMB4.3 million during 1H 2021 while no such gain was recognised in the same period last year.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses also increased by approximately RMB7.1 million or approximately 24.6% to approximately RMB36.0 million for 1H 2021 from approximately RMB28.9 million for 1H 2020. The increase was mainly due to the resumption of business meetings and domestic travelling within China, as compared to the same period last year when COVID-19 lockdown related measures were in place.

ADMINISTRATIVE EXPENSES

The table below summarises the components of our administrative expenses:

	six-months ended 30 June 2021		six-months ended 30 June 2020	
	RMB'000	%	RMB'000	%
Staff costs	68,515	40.5%	64,476	40.8%
Research and development expenses	27,378	16.2%	30,337	19.2%
Travel and transportation expenses	2,028	1.2%	1,652	1.0%
Office supplies	4,170	2.5%	5,686	3.6%
Legal and professional fees	11,227	6.6%	8,834	5.6%
Depreciation and amortisation	11,226	6.6%	12,785	8.1%
Exchange losses	20,082	11.9%	13,402	8.5%
Rental expenses	2,258	1.3%	1,999	1.3%
Stamp duties and local government surcharges	1,430	0.8%	1,583	1.0%
Equity-settled share option expense	3,351	2.0%	3,649	2.3%
Insurance	1,842	1.1%	1,004	0.6%
Business development expenses	438	0.3%	341	0.2%
Write-down of inventories to net realisable value	1,517	0.9%	—	0.0%
Loss on disposal of property, plant and equipment	1,266	0.7%	493	0.3%
Others	12,575	7.4%	11,945	7.5%
	169,303	100.0%	158,186	100.0%

Administrative expenses increased by approximately RMB11.1 million or by approximately 7.0% to approximately RMB169.3 million for 1H 2021 from approximately RMB158.2 million for 1H 2020. The increase was primarily due to: (i) the decrease in R&D expenses of approximately RMB3.0 million as some research and development projects are delayed and cost controls were tightened due to lower customer demands; (ii) increase in legal and professional expenses of RMB2.4 million; (iii) an amount of approximately RMB1.5 million obsolete inventories written-off in relation to the closure of two electro-plating production lines in Wuxi Production Bases and (iv) increase in exchange loss of RMB6.7 million due to the appreciation of RMB during 1H 2021.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Profit attributable to owners of the Company for the Reporting Period significantly increased by around 142.3% from approximately RMB62.6 million for 1H 2020 to approximately RMB151.7 million for 1H 2021. The increase was the result of the followings:

- i. An increase of approximately 42.5% in our revenue for 1H 2021 as the global automobile market recovered from the COVID-19 as compared with 1H 2020. Xin Point achieved significant growth of the revenue from the sales of automotive decorative components within all regions;
- ii. An increase of around 57.2% in our gross profit for 1H 2021 from approximately RMB242.6 million to approximately RMB381.3 million for 1H 2021, as a result of the increase in the Group's revenue;
- iii. The Group recorded increases in both our sales and distribution expenses and our administrative expenses during 1H 2021 as discussed above; and
- iv. An overall higher effective tax rate for 1H 2021 as most of our operating subsidiaries returned to profit and were required to pay relevant income taxes as compared to 1H 2020.

Basic earnings per share attributable to owners of the Company for 1H 2021 was approximately RMB15.1 cents (1H 2020: approximately RMB6.2 cents).

TOTAL COMPREHENSIVE INCOME

Total comprehensive income for the Reporting Period attributable to owners of the Company was RMB142.3 million (1H 2020: RMB10.4 million), which comprised (a) profit for the Reporting Period attributable to owners of the Company of RMB151.7 million (1H 2020: RMB62.6 million); and (b) other comprehensive loss for the Reporting Period attributable to owners of the Company of RMB9.4 million (1H 2020: loss of RMB52.2 million) which mainly included unrealised gain on fair value changes of listed equity investment at fair value through other comprehensive income ("FVTOCI") of approximately RMB3.3 million (1H 2020: loss of RMB23.7 million), details are disclosed in the sub-paragraph headed Significant Investments Held - (b) Implication on Other Comprehensive Expenses for the Reporting Period" below.

LIQUIDITY AND FINANCIAL RESOURCES

For the Reporting Period, the Group's net cash inflow from operating activities amounted to approximately RMB24.1 million, as compared to approximately RMB161.4 million in 1H 2020.

The bank borrowings of RMB146.7 million as at 30 June 2021 relates to two unsecured working capital loans incurred by the Company (31 December 2020: RMB50.2 million).

As at 30 June 2021, the gearing ratio, being total bank borrowings divided by total equity, was 5.7% (as at 31 December 2020: 2.1%).

The annual interest rates of bank borrowings during 1H 2021 ranged from 1.2% to 2.7% (1H 2020: 1.2%-1.3%).

INTERIM DIVIDEND

The Board resolved to pay an interim dividend of RMB0.0454 per share for 1H 2021 (1H 2020: RMB0.0340 per share). The exchange rate adopted for the conversion of the interim dividend from RMB to Hong Kong dollars was the middle exchange rate of RMB to Hong Kong dollars published by the People's Bank of China one business day prior to the declaration of interim dividend (i.e. 25 August 2021) (HK\$1 = RMB0.83104). Accordingly, the amount of interim dividend payable in Hong Kong dollars will be HK\$0.0546 per share.

The interim dividend will be distributed on or around 29 October 2021 to shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company as at the close of business on 8 October 2021.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 5 October 2021 to 8 October 2021, both days inclusive, during which period no transfer of the Shares will be registered. In order to qualify for the interim dividend payable on or around 29 October 2021, all transfers of the Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share register 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 4 October 2021.

SHARE OPTIONS SCHEME

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

Details of the movement in the share options granted under the 2017 Share Option Schemes of the Company during 1H 2021 are set out below:

Category of participants	Options held at 1 January 2021	Options granted during the reporting period	Options exercised during the reporting period	Options lapsed during the reporting period	Options held at 30 June 2021
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
Others	17,796,000	—	—	(940,000)	16,856,000
	18,374,000	—	—	(940,000)	17,434,000

Note: During 1H 2021, no share option was vested. As at 30 June 2021, there was a total of 17,434,000 share options, of which none of the share option was vested.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE

As at 30 June 2021, 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 2020: RMB87.5 million).

SIGNIFICANT INVESTMENTS HELD

As at 30 June 2021, the Group had equity investments of 25,789,000 shares in Wanka and these shares were accounted for as "Financial Assets Measured at Fair Value Through Other Comprehensive Income". For details, please refer to the Company's announcements dated 7 January 2020 and 20 January 2020.

(a) Implication on Profit or Loss for the Reporting Period

Dividend income (if any), other investment income and relevant finance costs of holding listed equity investments at FVTOCI were recognised in profit or loss for the Reporting Period. During the Reporting Period, no dividend income was recorded from holding of 25,789,000 shares of Wanka. Hence, no income or expense from the Financial Assets Measured at FVTOCI was recorded (1H 2020: Nil).

(b) Implication on Other Comprehensive Expenses for the Reporting Period

During the Reporting Period, the closing share price of Wanka was HK\$0.77 as at 30 June 2021 (being the last trading day for the Reporting Period), an unrealised gain on fair value changes of the Financial Assets Measured at FVTOCI of approximately RMB3.3 million (1H 2020: loss of RMB23.7million) was recognised as other comprehensive income. Realised gain or loss on fair value change is a cash item while unrealised fair value change is a non-cash item and will not affect the cash flow of the Group.

The table below summarises the performance of 25,789,000 shares of Wanka during the Reporting Period:

	Number of shares	Price (per share) HK\$	Recorded in unaudited condensed consolidated statement of financial position		Recorded in unaudited condensed consolidated statement of comprehensive income	
			Financial assets measured at fair value through other comprehensive income RMB'000	Financial assets measured at fair value through other comprehensive income reserve RMB'000	Profit for the Reporting Period RMB'000	Other comprehensive income for the Reporting Period RMB'000
As at 1 January 2021	25,789,000	0.51	13,179	(30,187)	—	—
Unrealised fair value changes	—	—	3,338	3,338	—	3,338
As at 30 June 2021	25,789,000	0.77	16,517	(26,849)	—	3,338
Percentage to total assets						
As at 30 June 2021			0.5%			
As at 31 December 2020			0.4%			

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

During the Reporting Period, the principal capital expenditures of the Group were attributable to the additions of equipment at its existing production facilities. As part of the Group's future strategies, the Group's planned capital expenditures for its business operations will be primarily related to the construction and commencement of operations of its new production facilities. The Group anticipates that its capital expenditures will be financed by cash generated from its operations and the utilisation of the net proceeds from the issue of the shares of the Company from the initial public offer (the "**Listing**") as set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 16 June 2017 (the "**Prospectus**") and the Company's announcement dated 2 February 2021.

There are no other plans for material investments on capital assets as at the date of this report.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The net proceeds from the Listing amounted to approximately HK\$855.0 million (equivalent to approximately RMB741.5 million). On 2 February 2021, the Board announced that there would be a change in use of the net proceeds from the initial public offering of the Company. Please refer to the announcement of the Company dated 2 February 2021 for further details.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2021, the net proceeds were applied as follows:

Purpose	Planned amount as mentioned in the Prospectus	Revised allocation	Percentage of total amount	Actual usage up to 30 June 2021	Unutilised amount as at 30 June 2021	Expected timeline for fully utilising the remaining proceeds
	RMB million	RMB million		RMB million	RMB million	
Expanding and improving the production facilities in PRC						
i) Set up the Huizhou New Production Base	155.0	155.0	20.9%	155.0	—	N/A.
ii) Construct the Wuxi New Production Base	76.4	57.2	7.7%	57.2	—	N/A
iii) Construct a new electroplating production line	23.0	23.0	3.1%	23.0	—	N/A
iv) Invest in plastic injection equipment	11.9	11.9	1.6%	11.9	—	N/A
Constructing the new production base in Mexico and investing in production facilities and equipment	298.1	389.0	52.5%	306.9	82.1	By end of 2022
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	40.0	1.3	0.1%	1.3	—	N/A
Enhancing the product quality, product safety and R&D capabilities	42.3	42.3	5.7%	42.3	—	N/A
Enhancing the information technology and customer services systems	35.6	2.6	0.4%	2.6	—	N/A
Working capital and general corporate purposes	59.2	59.2	8.0%	59.2	—	N/A
Total	741.5	741.5	100.0%	659.4	82.1	

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

During the Reporting Period, the Group did not have any material acquisitions and disposals of subsidiaries.

PLEDGE OF ASSETS

One of the Group's subsidiary in Germany pledged its machinery with a net book value of approximately RMB4.0 million to secure general banking facilities (31 December 2020: RMB3.7 million).

FOREIGN EXCHANGE EXPOSURE

Certain assets of the Group are denominated in foreign currencies such as United States dollars, Euros and Hong Kong dollars. The Group has not implemented any foreign currency hedging policy at the moment. However, continuous monitoring on the foreign exchange exposure is being carried out by the management.

TREASURY POLICIES

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluation of the financial conditions of its clients.

To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

CAPITAL COMMITMENT AND CONTINGENCIES

Capital commitment of the Group as at 30 June 2021 and 31 December 2020 were approximately RMB134.1 million and approximately RMB172.0 million, respectively, which were both attributable to the construction and acquisition of our new production bases and facilities. The Group did not have any significant contingent liabilities as at 30 June 2021 and 31 December 2020.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
REVENUE	3	1,164,818	817,256
Cost of sales		(783,553)	(574,644)
Gross profit		381,265	242,612
Other income and gains	3	10,635	9,887
Selling and distribution expenses		(35,983)	(28,868)
Administrative expenses		(169,303)	(158,186)
Finance costs		(2,133)	(2,119)
Share of profit of an associate		1,276	760
Share of loss of a joint venture		(1,578)	(5)
PROFIT BEFORE TAX	4	184,179	64,081
Income tax expense	5	(33,464)	(1,916)
PROFIT FOR THE PERIOD		150,715	62,165
Attributable to:			
Owners of the parent		151,661	62,649
Non-controlling interests		(946)	(484)
		150,715	62,165
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		(12,738)	(28,471)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:			
Changes in fair value of a financial asset at fair value through other comprehensive income		3,338	(23,730)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD		(9,400)	(52,201)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		141,315	9,964
Attributable to:			
Owners of the parent		142,261	10,448
Non-controlling interests		(946)	(484)
		141,315	9,964
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	7	RMB15.1 cents	RMB6.2 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

	Notes	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		1,322,225	1,194,610
Right-of-use assets		117,793	135,755
Goodwill		4,161	4,161
Intangible assets		1,676	1,341
Investment in an associate		4,724	3,448
Investment in a joint venture		1,660	3,238
Financial asset at fair value through other comprehensive income		16,517	13,179
Prepayments		90,807	112,800
Deferred tax assets		1,861	2,683
Total non-current assets		1,561,424	1,471,215
CURRENT ASSETS			
Inventories		599,453	432,916
Trade and bills receivables	8	616,764	646,004
Prepayments, deposits and other receivables		251,451	137,042
Derivative financial instruments		6,999	4,981
Cash and cash equivalents		440,531	538,978
Total current assets		1,915,198	1,759,921
CURRENT LIABILITIES			
Trade payables	9	336,012	268,503
Other payables and accruals		211,646	239,298
Interest-bearing bank borrowings	10	146,536	49,663
Derivative financial instrument		—	2,317
Lease liabilities		17,429	32,258
Tax payable		119,395	126,950
Total current liabilities		831,018	718,989
NET CURRENT ASSETS		1,084,180	1,040,932
TOTAL ASSETS LESS CURRENT LIABILITIES		2,645,604	2,512,147

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

	Notes	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	10	138	564
Deferred tax liabilities		713	600
Lease liabilities		52,197	63,093
Total non-current liabilities		53,048	64,257
Net assets		2,592,556	2,447,890
EQUITY			
Equity attributable to owners of the parent			
Issued capital	11	87,485	87,485
Reserves		2,506,858	2,361,246
		2,594,343	2,448,731
Non-controlling interests		(1,787)	(841)
Total equity		2,592,556	2,447,890

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to owners of the parent										
	Issued capital RMB'000	Share option reserve RMB'000	Fair value reserve of a financial asset at fair value through other comprehensive income RMB'000	Capital reserve RMB'000	Merger reserve RMB'000	Exchange fluctuation reserve RMB'000	Surplus reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-Controlling Interests RMB'000	Total equity RMB'000
At 1 January 2021 (audited)	87,485	15,360	(30,187)	577,892	828	(44,519)	119,511	1,722,361	2,448,731	(841)	2,447,890
Profit for the period	—	—	—	—	—	—	—	151,661	151,661	(946)	150,715
Other comprehensive loss for the period:											
Changes in fair value of a financial asset at fair value through other comprehensive income	—	—	3,338	—	—	—	—	—	3,338	—	3,338
Exchange differences on translation of foreign operations	—	—	—	—	—	(12,738)	—	—	(12,738)	—	(12,738)
Total comprehensive income for the period	—	—	3,338	—	—	(12,738)	—	151,661	142,261	(946)	141,315
Equity-settled share option arrangements	—	3,351	—	—	—	—	—	—	3,351	—	3,351
Transfer of share option reserve upon forfeiture of share options	—	(1,295)	—	—	—	—	—	1,295	—	—	—
At 30 June 2021 (unaudited)	87,485	17,416	(26,849)	577,892	828	(57,257)	119,511	1,875,317	2,594,343	(1,787)	2,592,556

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to owners of the parent										
	Issued capital RMB'000	Share option reserve RMB'000	Fair value reserve of a financial asset at fair value through other comprehensive income RMB'000	Capital reserve RMB'000	Merger reserve RMB'000	Exchange fluctuation reserve RMB'000	Surplus reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-Controlling Interests RMB'000	Total equity RMB'000
At 1 January 2020 (audited)	87,485	9,187	—	577,892	828	46,658	108,277	1,527,743	2,358,070	311	2,358,381
Profit for the period	—	—	—	—	—	—	—	62,649	62,649	(484)	62,165
Other comprehensive loss for the period:											
Changes in fair value of a financial asset at fair value through other comprehensive income	—	—	(23,730)	—	—	—	—	—	(23,730)	—	(23,730)
Exchange differences on translation of foreign operations	—	—	—	—	—	(28,471)	—	—	(28,471)	—	(28,471)
Total comprehensive income for the period	—	—	(23,730)	—	—	(28,471)	—	62,649	10,448	(484)	9,964
Acquisition of non-controlling interests	—	—	—	—	—	—	—	(86)	(86)	(208)	(294)
Equity-settled share option arrangements	—	3,649	—	—	—	—	—	—	3,649	—	3,649
At 30 June 2020 (unaudited)	87,485	12,836	(23,730)	577,892	828	18,187	108,277	1,590,306	2,372,081	(381)	2,371,700

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Net cash flows from operating activities	24,100	161,424
Purchases of items of property, plant and equipment	(183,462)	(87,443)
Deposits paid for purchase of items of property, plant and equipment	(10,132)	—
Purchase of a financial asset at fair value through other comprehensive income	—	(43,366)
Proceeds from disposal of items of property, plant and equipment	11,174	8,354
Deductions to deposits paid for property, plant and equipment	—	43,713
Investment in a joint venture	—	(4,392)
Dividend received from an associate	—	600
Additions to other intangible assets	(861)	—
Net cash flows used in investing activities	(183,281)	(82,534)
New bank loans	104,024	—
Repayment of bank loans	(7,577)	(773)
Interest paid	(585)	(18)
Principal portion of lease payments	(25,725)	(25,812)
Acquisition of non-controlling interests	—	(294)
Net cash flows from/(used in) financing activities	70,137	(26,897)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(89,044)	51,993
Cash and cash equivalents at beginning of period	538,978	462,814
Effect of foreign exchange rate changes, net	(9,403)	2,627
CASH AND CASH EQUIVALENTS AT END OF PERIOD	440,531	517,434

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

1. CORPORATE INFORMATION

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 Main Board of 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 period, the Company and its subsidiaries (collectively referred to as the "Group") was involved in the manufacture and sale of automotive and electronic components.

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information has been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2020.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 9, HKAS 39, HKFRS 7,
HKFRS 4 and HKFRS 16

Interest Rate Benchmark Reform – Phase 2

Amendment to HKFRS 16

Covid-19-Related Rent Concessions beyond 30 June 2021
(early adopted)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

The nature and impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.
- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The amendment did not have any impact on the financial position and performance of the Group.

3. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue from contracts with customers		
Sale of automotive decorative components	<u>1,164,818</u>	<u>817,256</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

3. REVENUE, OTHER INCOME AND GAINS *(continued)*

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Type of goods		
Sale of goods	1,164,818	817,256
Total revenue from contracts with customers	1,164,818	817,256
Geographical markets		
China	485,392	345,626
North America	392,644	262,921
Europe	228,354	174,087
Other countries	58,428	34,622
Total revenue from contracts with customers	1,164,818	817,256
Timing of revenue recognition		
Goods transferred at a point in time	1,164,818	817,256
Total revenue from contracts with customers	1,164,818	817,256
Revenue from contracts with customers		
External customers	1,164,818	817,256
Total revenue from contracts with customers	1,164,818	817,256

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

3. REVENUE, OTHER INCOME AND GAINS (continued)

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

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
<u>Other income</u>		
Bank interest income	326	918
Government subsidies	570	1,278
Sale of scraps	3,553	3,419
Sale of raw materials	584	467
Testing fee income	360	398
Compensation from insurance companies	167	282
Others	740	3,125
	6,300	9,887
<u>Gains</u>		
Fair value gain on derivative financial instruments, net	4,335	—
	10,635	9,887

4. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Cost of inventories sold	783,553	574,644
Depreciation of property, plant and equipment	59,546	67,054
Depreciation of right-of-use assets	17,962	27,230
Amortisation of other intangible assets*	526	335
Impairment/(reversal of impairment) of trade and bills receivables	3,669	(417)
Write-down of inventories to net realisable value	1,517	—
Fair value loss/(gain) on derivative financial instruments, net*	(4,335)	303
Loss on disposal of items of property, plant and equipment, net*	1,266	493
Foreign exchange differences, net*	20,082	13,402
Equity-settled share option expense	3,351	3,649

* These gains are included in "Other income and gains" and the losses are included in "Administrative expenses", as appropriate, in the interim condensed consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

5. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (six months ended 30 June 2020: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (six months ended 30 June 2020: 8.25%) and the remaining assessable profits are taxed at 16.5% (six months ended 30 June 2020: 16.5%). For the Group's subsidiary established in the United States of America ("U.S."), income tax is calculated at the rate of 31.0% (six months ended 30 June 2020: 31.0%). For the Group's subsidiary established in Germany, income tax is calculated at the rate of 31.7% (six months ended 30 June 2020: 31.7%). Tax on profits assessable in China has been calculated at the applicable China corporate income tax rate of 25% (six months ended 30 June 2020: 25%) during the period, except for two subsidiaries of the Group which are qualified as a High and New Technology Enterprise in Mainland China and a lower PRC corporate income tax rate of 15% (six months ended 30 June 2020: 15%) has been applied for the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Current – China		
Charge for the period	21,841	6,140
Overprovision in prior periods	(1,644)	(22,052)
Current – Hong Kong	7,505	11,414
Current – Germany	3,501	4,908
Current – US	1,326	631
Deferred tax	935	875
Total tax charge for the period	<u>33,464</u>	<u>1,916</u>

6. DIVIDENDS

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Final declared – RMB0.1072 (2020: RMB0.092) per ordinary share	<u>107,511</u>	<u>92,267</u>

On 26 August 2021, the board of directors declared an interim dividend of RMB0.045 (six months ended 30 June 2020: RMB0.034) per ordinary share, amounting to a total of approximately RMB45,532,000 (six months ended 30 June 2020: RMB34,099,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

7. 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 six months ended 30 June 2021 and 2020.

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Profit for the period and earnings for the purpose of basic and diluted earnings per share	<u>151,661</u>	<u>62,649</u>
	Number of shares	Number of shares
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculation	<u>1,002,905,000</u>	<u>1,002,905,000</u>

	Six months ended 30 June	
	2021 RMB (Unaudited)	2020 RMB (Unaudited)
Earnings per share Basic and diluted	<u>15.1 cents</u>	<u>6.2 cents</u>

No adjustment has been made to the basic earnings per share amounts presented for the periods ended 30 June 2021 and 2020 in respect of a dilution as the impact of the share options outstanding had no dilutive effect on the basic earnings per share amounts presented.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

8. TRADE AND BILLS RECEIVABLES

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 provision, is as follows:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within 1 month	345,031	340,239
1 to 2 months	124,949	169,361
2 to 3 months	85,682	87,711
Over 3 months	61,102	48,693
	616,764	646,004

The Group's trading terms with its customers are mainly on credit. The credit period is generally one to 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. Trade and bills receivables are non-interest-bearing.

9. TRADE PAYABLES

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within 1 month	205,056	190,757
1 to 2 months	69,462	39,781
2 to 3 months	31,615	12,224
Over 3 months	29,879	25,741
	336,012	268,503

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

10. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2021			31 December 2020		
	Effective interest rate (%)	Maturity	RMB'000 (Unaudited)	Effective interest rate (%)	Maturity	RMB'000 (Audited)
Current						
Current portion of long term bank loans – secured	1.2-1.3	2021 - 2022	670	1.2-1.3	2021 – 2022	698
Unsecured bank loan which contains a repayment on demand clause	LIBOR ¹ +2.65% p.a.	2021-2022	41,897	LIBOR ¹ +2.65% p.a.	2021-2022	48,965
Unsecured bank loan due for repayment within one year	LIBOR ¹ +1.75% p.a. or HIBOR ² +1.75% p.a.	2022	103,969	—	—	—
			<u>146,536</u>			<u>49,663</u>
Non-current						
Secured bank loans	1.2-1.3	2021-2022	138	1.2-1.3	2021 – 2022	564
			<u>146,674</u>			<u>50,227</u>

¹ London Interbank Offered Rate (“LIBOR”)

² Hong Kong Interbank Offered Rate (“HIBOR”)

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Analysed into:		
Bank loans repayable:		
Within one year or on demand	146,536	49,663
In the second year	138	564
	<u>146,674</u>	<u>50,227</u>

Notes:

- (a) Certain of the Group’s bank loans are secured by property, plant and equipment which had net carrying amounts of approximately RMB4,024,000 and RMB3,747,000 at 30 June 2021 and 31 December 2020, respectively.
- (b) Borrowings of the Group are denominated in HK\$ and EUR (31 December 2020: US\$ and EUR).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

11. ISSUED CAPITAL

	Number of shares	Nominal value of ordinary shares in HK\$'000	Nominal value of ordinary shares in RMB'000
Authorised:			
At 30 June 2021 and 31 December 2020	<u>20,000,000,000</u>	<u>2,000,000</u>	<u>1,737,619</u>
		Number of shares in issue	Share capital RMB'000
Issued and fully paid:			
At 30 June 2021 and 31 December 2020		<u>1,002,905,000</u>	<u>87,485</u>

12. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Contracted but not provided for:		
Plant and equipment	94,575	132,517
Capital contributions to a joint venture company	39,531	39,531
	<u>134,106</u>	<u>172,048</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

13. RELATED PARTY TRANSACTIONS

(a) The Group had the following transactions with a related party during the periods:

	Notes	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Purchase of tooling: Suzhou City Keen Point Precision Molding Co., Ltd.	(i), (ii)	14,997	8,950

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:

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Short term employee benefits	13,990	12,047
Post-employment benefits	221	176
Total compensation paid to key management personnel	14,211	12,223

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

14. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Reporting Periods are as follows:

As at 30 June 2021

Financial assets

	Financial assets at fair value through profit or loss	Financial asset at fair value through other comprehensive income	Financial assets at amortised cost	Total
	Held for trading RMB'000 (Unaudited)	Equity investment RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Trade and bills receivables	—	—	616,764	616,764
Financial assets included in prepayments, deposits and other receivables	—	—	94,730	94,730
Derivative financial instruments	6,999	—	—	6,999
Financial asset at fair value through other comprehensive income	—	16,517	—	16,517
Cash and cash equivalents	—	—	440,531	440,531
	<u>6,999</u>	<u>16,517</u>	<u>1,152,025</u>	<u>1,175,541</u>

Financial liabilities

	Financial liabilities at amortised cost RMB'000 (Unaudited)
Trade payables	336,012
Financial liabilities included in other payables and accruals	13,729
Interest-bearing bank borrowings	146,674
Lease liabilities	69,626
	<u>566,041</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

14. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

As at 31 December 2020

Financial assets

	Financial assets at fair value through profit or loss	Financial asset at fair value through other comprehensive income	Financial assets at amortised cost	Total
	Held for trading RMB'000 (Audited)	Equity investment RMB'000 (Audited)	RMB'000 (Audited)	RMB'000 (Audited)
Trade and bills receivables	—	—	646,004	646,004
Financial assets included in prepayments, deposits and other receivables	—	—	95,065	95,065
Derivative financial instruments	4,981	—	—	4,981
Financial asset at fair value through other comprehensive income	—	13,179	—	13,179
Cash and cash equivalents	—	—	538,978	538,978
	<u>4,981</u>	<u>13,179</u>	<u>1,280,047</u>	<u>1,298,207</u>

Financial liabilities

	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
	Held for trading RMB'000 (Audited)	RMB'000 (Audited)	RMB'000 (Audited)
Trade payables	—	268,503	268,503
Financial liabilities included in other payables and accruals	—	17,855	17,855
Derivative financial instrument	2,317	—	2,317
Interest-bearing bank borrowings	—	50,227	50,227
Lease liabilities	—	95,351	95,351
	<u>2,317</u>	<u>431,936</u>	<u>434,253</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

15. 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	
	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Financial assets		
Financial assets at fair value through other comprehensive income	16,517	13,179
Derivative financial instruments	6,999	4,981
	23,516	18,160
Financial liabilities		
Interest-bearing bank borrowings	146,674	50,227
Derivative financial instrument	—	2,317
	146,674	52,544
	Fair values	
	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Financial assets		
Financial assets at fair value through other comprehensive income	16,517	13,179
Derivative financial instruments	6,999	4,981
	23,516	18,160
Financial liabilities		
Interest-bearing bank borrowings	146,835	50,578
Derivative financial instrument	—	2,317
	146,835	52,895

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 were largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included in 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:

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

15. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

The fair values of a financial asset at fair value through other comprehensive income are based on quoted market prices.

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

Derivative financial instruments, including a forward currency contract and forward metal contracts, are measured using valuation techniques similar to forward pricing models. The models incorporate various market observable inputs including foreign exchange spot and forward rates. The carrying amounts of forward currency contracts and forward metal contracts are the same as their fair values.

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

Fair value hierarchy

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

Assets measured at fair value:

As at 30 June 2021

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial asset at fair value through other comprehensive income	16,517	—	—	16,517
Derivative financial instruments	4,940	2,059	—	6,999
	21,457	2,059	—	23,516

As at 31 December 2020

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial asset at fair value through other comprehensive income	13,179	—	—	13,179
Derivative financial instruments	4,981	—	—	4,981
	18,160	—	—	18,160

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

15. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Liability measured at fair value:

As at 31 December 2020

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Derivative financial instrument	—	2,317	—	2,317

During the six months ended 30 June 2021, 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.

16. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 26 August 2021.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2021, the Directors and/or any of their respective associates had the following interests and short positions in the Shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") Governing the Listing of Securities on the Stock Exchange:

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

Name of directors	Capacity and nature of interest	Total number of ordinary shares held 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	734,186,750 (Note 1)	
	Beneficial owner	5,351,000 (Note 1)	
	Total	739,537,750	73.74
Mr. Meng Jun	Beneficial owner	482,000 (Note 2)	0.05
Mr. Zhang Yumin	Beneficial owner	507,000 (Note 3)	0.05
Mr. Liu Jun	Beneficial owner	107,000 (Note 4)	0.01
Mr. He Xiaolu	Beneficial owner	96,000 (Note 4)	0.01
Mr. Jiang Wei	Beneficial owner	38,000 (Note 4)	0.01

Long positions in the shares of associated corporation:

Name of director	Name of associated corporation	Percentage of interest (%)
Mr Ma Xiaoming	Green Pinnacle Holdings Limited ("Green Pinnacle") (Note 1)	100

Notes:

- Among the 739,537,750 Shares, 734,186,750 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 734,186,750 Shares and the shares in Green Pinnacle held by Mealth PTC in his capacity of settlor of the Mealth Discretionary Trust. The remaining 5,351,000 shares and underlying shares represent 5,223,000 Shares beneficially held by Mr. Ma and 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 2017 Share Option Scheme.
- Among the 482,000 Shares and underlying Shares, 380,000 Shares are beneficially held by Mr. Meng Jun. The remaining 102,000 underlying Shares represent the maximum number of Shares which may be allotted and issued to Mr. Meng upon the exercise of the share options granted to him under the 2017 Share Option Scheme.
- Among the 507,000 Shares, 400,000 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 2017 Share Option Scheme.
- 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 2017 Share Option Scheme.

OTHER INFORMATION

Save as disclosed above and to the best knowledge of the Directors, as at 30 June 2021, 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 ACQUIRE SHARES OR DEBENTURES

At no time during the period ended 30 June 2021 was the Company, or any of its subsidiaries or associated corporations, a party to any arrangement to enable the Directors and chief executives of the Company (including their respective spouse and children under 18 years of age) to acquire benefits by means of the acquisition of the Shares or underlying shares in, or debentures of, the Company or any of its associated corporations.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2021, the substantial shareholders (not being the Directors of the Company) had the following interests in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Long positions in the shares and underlying shares of the company:

Name of shareholders	Capacity and nature of Interest	Total number of ordinary shares held	Approximate percentage of the total issued share capital of the Company (%)
Green Pinnacle (Note 1)	Beneficial owner	734,186,750	73.21
Mealth PTC (Note 1)	Interest in a controlled corporation and trustee	734,186,750	73.21
Zhu Junhua (Note 2)	Interest of spouse	739,537,750	73.74
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. 734,186,750 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 734,186,750 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 739,537,750 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, the Directors are not aware that there was any party (not being the Directors of the Company) who, as at 30 June 2021, had an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2021, the Group had 6,466 employees (31 December 2020: 5,516 employees), among which 5,227, 6, 17, 28 and 1,188 staff members were employed in China, Hong Kong, the United States, Germany and Mexico, respectively. The remuneration and staff cost for the Reporting Period were approximately RMB321.6 million (1H 2020: RMB231.1 million).

The salaries of the Group's employees largely depend on their type and level of work as well as their length of service with the Group. They receive social welfare benefits and other benefits including social insurance. As required by the relevant laws and regulations on social insurance in relevant jurisdiction, 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 Group operates.

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

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during 1H 2021.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board and the Company's management are committed to maintaining high standards of corporate governance. The Board firmly believes that conducting the Group's business in a transparent and responsible manner and following good corporate governance practices serve the Group's long-term interests and those of the Shareholders. The Board considers the Company had complied with all the code provisions of the Corporate Governance Code (the "**CG Code**") as contained in Appendix 14 to The Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**") for 1H 2021.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. In response to a specific enquiry made by the Company, all Directors confirmed that they had complied with the Model Code for 1H 2021.

CHANGE OF PARTICULARS OF THE DIRECTORS

As at the latest practicable date for the purpose of ascertaining certain information contained in this report, none of the Director nor their respective biographical information had been changed since the published date of the 2020 annual report of the Company, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

AUDIT COMMITTEE REVIEW

The Company has established an audit committee of the Board (the "**Audit Committee**") with written terms of reference in compliance with the CG Code. The Audit Committee comprises all three independent non-executive Directors, namely Mr. Tang Chi Wai (committee chairman), Mr. Gan Weimin and Prof. Cao Lixin. The Audit Committee has reviewed the Group's unaudited condensed consolidated interim financial information for 1H 2021. Based on this review and discussions with the management, the Audit Committee was satisfied that the financial information was prepared in accordance with applicable accounting standards and fairly presented the Group's financial position and results for 1H 2021.