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 2020

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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

COMPANY SECRETARY

Mr. AU Wai Keung

AUTHORISED REPRESENTATIVES

Mr. MA Xiaoming
Mr. AU Wai Keung

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE 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
Certified Public Accountants
Registered Public Interest Entity Auditor

LEGAL ADVISER

Chiu & Partners

WEBSITE

http://www.xinpoint.com

For the Year Ended December 31,

	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
Revenue	**2,069,366**	2,130,753	2,049,949	1,877,155	1,540,666
Gross Profit	**681,544**	578,160	750,310	779,251	633,312
Gross Profit margin (%)	**32.9%**	27.1%	36.6%	41.5%	41.1%
Profit before tax	**349,852**	235,547	471,635	510,128	411,428
Profit attributable to the owners of the parent	**332,426**	205,452	394,824	391,270	298,341

As at December 31,

	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
Total assets	**3,231,136**	3,186,349	2,932,825	2,540,056	1,517,684
Total liabilities	**783,246**	827,968	681,455	579,629	489,748
Equity attributable to the owners of the parent	**2,448,731**	2,358,070	2,251,370	1,960,427	1,027,936
Non-controlling interests	**(841)**	311	—	—	—

CHAIRMAN'S STATEMENT

TO ALL VALUED SHAREHOLDERS,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Xin Point Holdings Limited (the "**Company**", stock code: 1571), I herewith present the results of the Company and its subsidiaries (collectively referred to as the "**Group**" or "**Xin Point**") for the year ended 31 December 2020 ("**Year**" or "**FY2020**").

MARKET OVERVIEW AND BUSINESS REVIEW

The year 2020 has been full of unwelcome surprises. Businesses and individuals have had to adapt rapidly to cope with uncertainty and anxiety in a seemingly endless pandemic caused by Coronavirus Disease ("**COVID-19**"). The pandemic caused fluctuations with supply chains and reshaped people's relationship with mobility. Auto component manufacturers are setting their course for the future, enhancing production capabilities locally to meet local and global demand, expanding to complementary sectors and optimizing costs in order to regain growth momentum and shape the next normal.

In the first half of 2020, the pandemic made matters worse for the global automotive industry with lockdowns impacting vehicle demand as well as customer purchasing power. Accordingly, the Group's revenue for the first half of 2020 dropped significantly due to lockdowns and halted non-essential activities. Fortunately, there was improvement in the Group's business in the second half of 2020 when the effects of the pandemic in the People's Republic of China (the "**PRC**") were gradually lessened; and the automotive market in the PRC gradually resumed in the second half of 2020, indicating signs of recovery of the economy. Automobile retail sales have resumed growth by the end of 2020, according to the China Passenger Car Association. Moreover, the recovery of North America and European markets contributed to the resuming of Xin Point's business in the second half of 2020. In the North America market, we noticed an increasing demand for private passenger vehicles, especially pickup trucks and SUVs, as more citizens moved to the countryside due to COVID-19. Also, China had implemented effective controls during the pandemic, suppliers with manufacturing plants in China were awarded more new orders when compared with those without facilities in China.

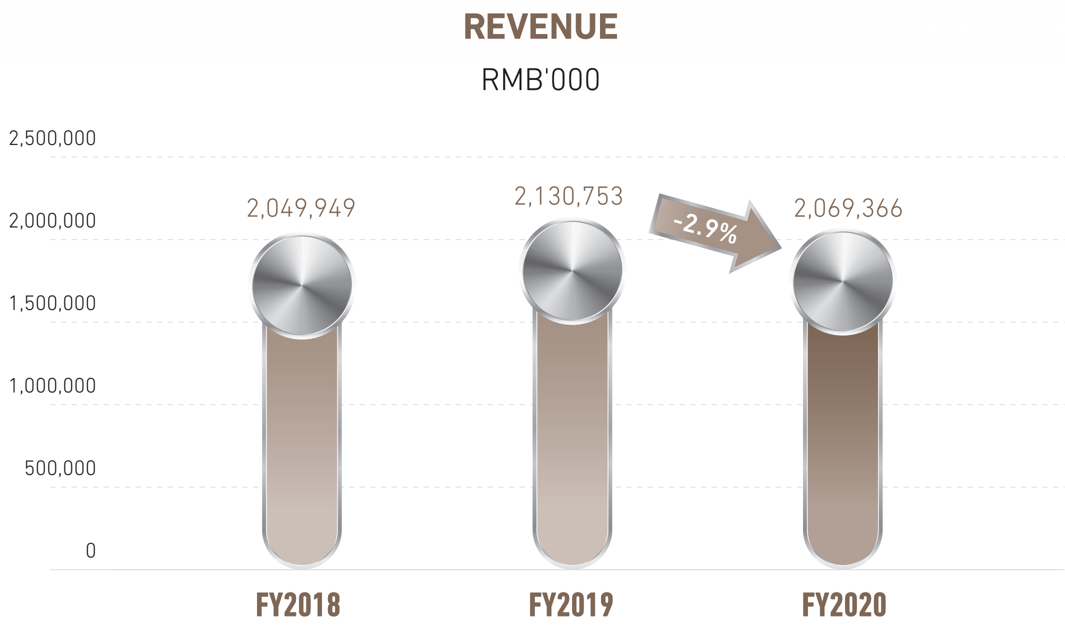
Globally, decrease in demand for new cars, slowdowns of production and consequent delays in delivery dampened global vehicle sales in 2020. Despite such circumstances, the future of the electric vehicle ("**EV**") industry remains promising even though the COVID-19 crisis adversely impacted the automobile industry. While the EV segment was also hit by the global slowdown by the pandemic, demand could rise again 2021 onwards in key areas like EU and China, aided by technology and monetary incentives. Xin Point experienced rapid growth in new orders for EV vehicles in 2020.

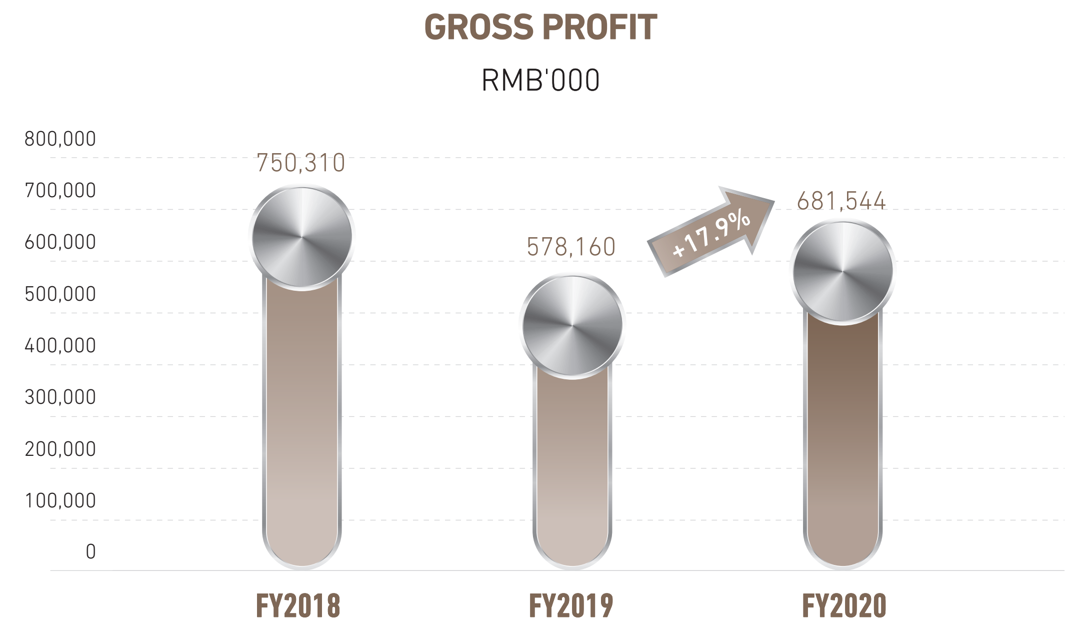
FINANCIAL RESULTS SUMMARY

The revenue of the Group for the year ended 31 December 2020 decreased by 2.9% to RMB2,069.4 million when compared with that of the last year (year ended 31 December 2019 ("**FY2019**"): 2,130.8 million) as the revenue for the first half of 2020 decreased under the outbreak of COVID-19. The first half of 2020 saw a 20.1% decline in revenue and the net profit margin was 7.6%. Xin Point had initiated cost reduction and restructuring measures immediately following the outbreak of the corona pandemic. The significant market recovery led to a substantial improvement in the Group's sales, gross margin and profits in the second half of 2020: revenue of approximately RMB1,251.1 (accounting for 61% of the revenue for FY2020) and net profit after tax of approximately RMB269.2 (accounting for 81% net profit after tax for FY2020) were recorded.

The Company's profit attributable to the owners of the parent for FY2020 was up by 61.8% to RMB332.4 million compared to RMB205.5 million for FY2019. The decrease in vehicle sales due to the pandemic were more than offset by tightened cost control.

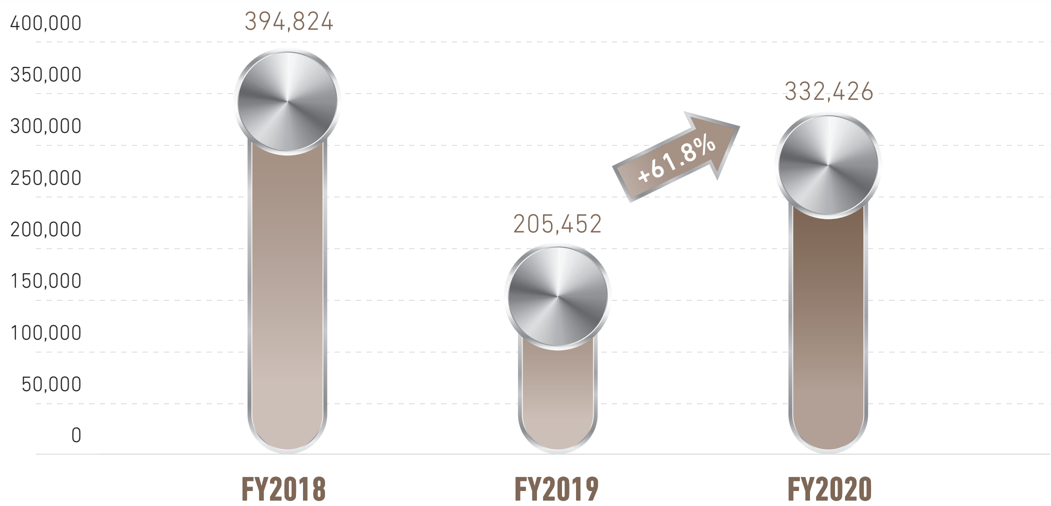
The following charts summarized the Group's revenue, gross profit and net profit attributable to the owners of the parent for the last three financial years:





PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

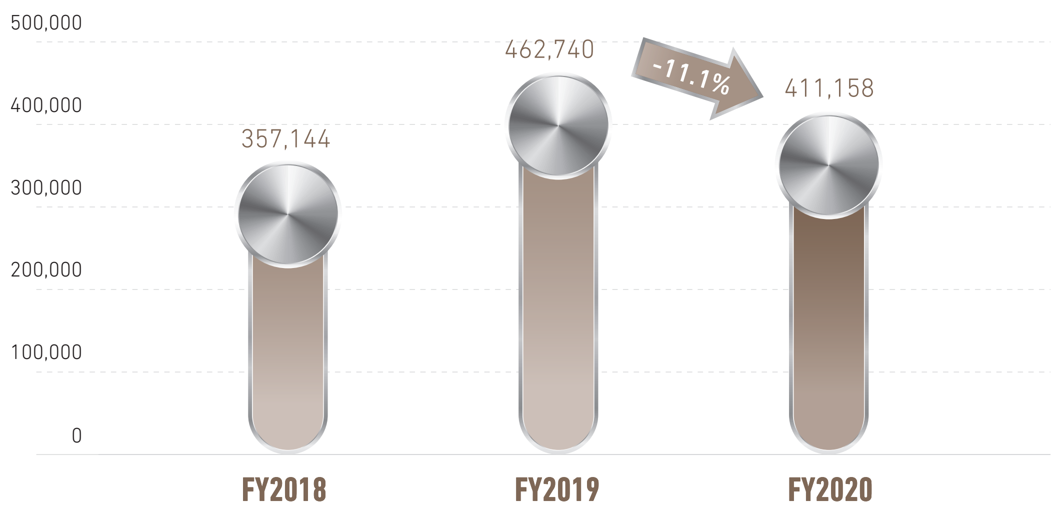
RMB'000



The following chart shows the Group's cash inflow from operating activities for the past three financial years:

OPERATING CASH INFLOW FROM OPERATING ACTIVITIES

RMB'000



The decrease of the Group's cash inflow from operating activities in FY2020 was mainly caused by:

1. The Group's settlement of RMB104.2 million tax payments in relation to the profits generated in the past years and such cash payments was approximately five times more than the tax payment made in FY2019;

2. An increase in trade receivables of RMB48.9 million by end of FY2020 when compared with the outstanding amount at the end of FY2019. As the global automotive industry was impacted by the pandemic, those was an increase in receivable turnover days from approximately 100 days for FY2019 to approximately 110 days for FY2020; and

3. Decrease in the interest income received as a result of lower market interest rates in relation to quantitative easing in worldwide markets.

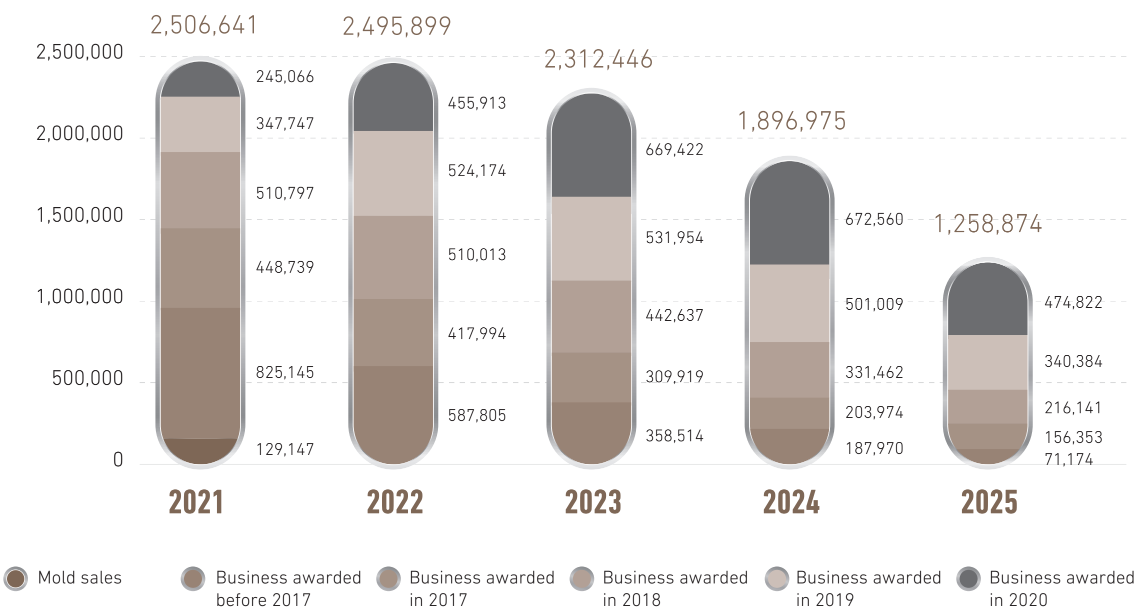
ORDER BOOK

From 1 January 2021 to 31 December 2025, the Group's on-hand orders have a total value of approximately RMB10.5 billion.

The following chart shows the Group's on-hand orders for the next five financial years:

ORDER BOOK FOR THE NEXT FIVE FINANCIAL YEARS

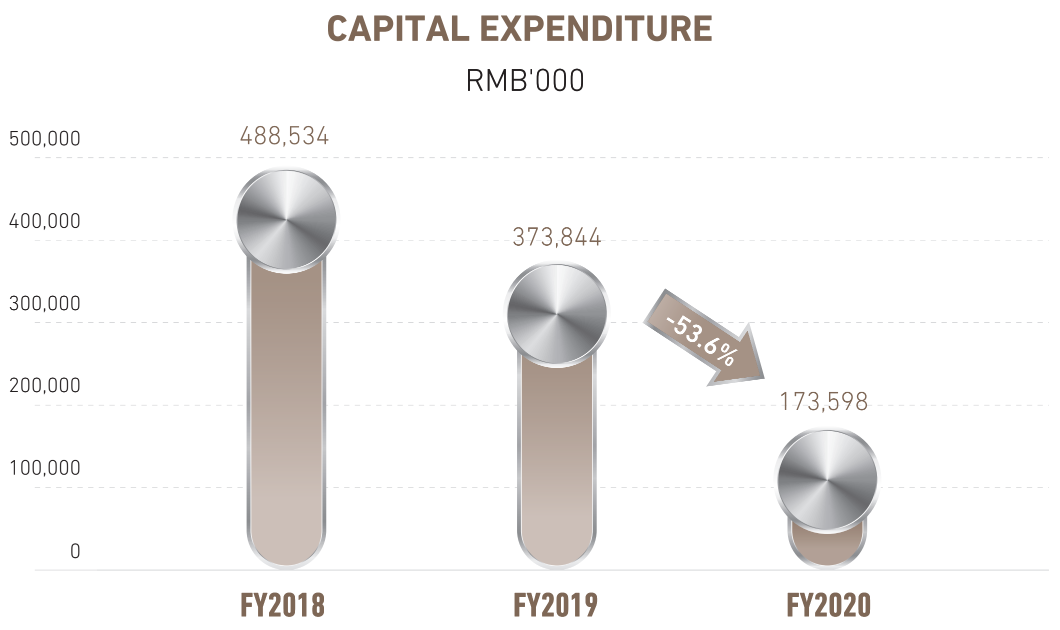
RMB'000



PRODUCTION FACILITIES

No new production facilities were added to the Group's electro-plating lines during FY2020, on the other hand, the Group continued to invest in other machineries, especially plastic injection machines and spray-painting facilities in order to cope with the increased demands for other surface treatment technologies and orders from our customers. Therefore, the capital expenditure incurred during FY2020 decreased by 53.6% when compared with FY2019.

The following summarized the Group's investments in capital expenditure for the year ended 31 December 2020:



The Group has been seeking to diversify and increase its manufacturing options. Our Mexico production base came into full operations during FY2020, and by end of 2020, it employed more than 450 staff. This facility has been a proven solution to the threats of tariffs and taxes while the PRC continues to face trade disputes with the US. Hence, the Group have further plans to expand and upgrade our Mexico facilities in the near future in order to maximize the Group's abilities to accommodate the orders from the North America market, especially orders in the EV sector.

For the PRC and other markets, the new production base built in Changzhou is ramping up as planned and Changzhou is replacing our Wuxi electro-plating operations; Xin Point have also commenced the ground work for our production base located in Jiu Jiang and we expect further investments will be made for the Jiu Jiang facilities. It is estimated that the Jiu Jiang facilities will commence trail operations in 2022, which will further boost Xin Point's capability to serve more orders, especially the promising EV market bolstered by the global trends and new regulations on environmental protection.

PROSPECTS

According to a research report published by Bloomberg, the global vision of long-term electrification is projected to accelerate in the years ahead. The report estimates that by 2040, EV models will account for 58% of new passenger car sales globally and 31% of all vehicle models.

As vaccines are expected to be made available in the near future with a view to control and prevent the COVID-19 pandemic, the global automobile market, including the PRC, is expected to gradually recover. Xin Point also view the long-term prospects of the EV industry as positive given strong policy support, ambitious automobile electrification targets and manufacturers' commitment. Xin Point is likely to benefit from this new trend.

To grasp the opportunities in the EV market, the Group is working diligently on surface treatment technologies as well as other innovations being developed by the Group including physical vapor deposition (PVD), carbon fiber materials, chromium-free electro-plating and upholstering technologies. Furthermore, the Group is proactively exploring co-operations with different business partners globally for various applications of its technologies which will further expand the Group's product mix and product lines, therefore increasing the Group's source of revenue and to allow better focus on research and development ("**R&D**").

Looking forward into 2021, Xin Point is optimistic about the continued recovery of the new light-vehicle market and the potential opportunities within the EV market, supported by a potential economic boom in the year once the COVID-19 vaccination becomes widely available; continued consumer preferences for personal vehicle ownership; low interest rates; and a gradual return of demand for new vehicles.

APPRECIATION

On behalf of the board and our management team, I would like to take this opportunity to express my appreciation to our shareholders, customers and business partners for their ongoing trust and confidence in us. I also express my heartfelt gratitude to all the Directors for their supports and contributions, and committed staff for their diligence and effort, which have contributed to the Group in the past year. The Group will continue to step up with its business development with dedicated efforts and focus on increasing shareholders' return.

MA Xiaoming
Chairman

25 March 2021

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. MA Xiaoming (馬曉明先生), aged 55, 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. 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 55, 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 55, 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 subsidiaries of the Group located in Longhua Town, Huizhou, China.

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

Mr. LIU Jun (劉軍先生), aged 45, 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 subsidiaries of the Group located in Keen Point Hi-tech Industrial Park and Longxi Industrial Park, Huizhou, China.

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 45, 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 47, 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

Mr. TANG Chi Wai (鄧智偉先生), aged 47, was appointed an independent non-executive Directors ("**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 appointed as the honorary president of North Kwai Chung District Scout Council of Scout Association of Hong Kong in June 2019.

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	Chartered tax adviser (formerly known as 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 Chartered Governance Institute (formerly known as 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
July 2016	Fellow	Hong Kong Investor Relations Association

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 55 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 55, 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).

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 December 2020	Shanghai Huace Navigation Technology Ltd	ChiNext of the Shenzhen Stock Exchange (stock code: 300627)	Independent director
May 2015 to July 2020	Shimge Pump Industry Group Co., Ltd.	Small and Medium Enterprise Board of the Shenzhen Stock Exchange (stock code: 002532)	Independent director
January 2017 to November 2020	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
May 2020 to present	Litian Pictures Holdings Limited	Main Board of the Hong Kong Stock Exchange (stock code: 9958)	Independent non-executive director

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 55, 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 37, 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 52, 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 49, 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

For two consecutive years from 2018 to 2019, the automotive industry was affected by the weak economy, rising competition, the slowdown in emerging economies, and tightening credit control that weakened the global demand. Moreover, the unprecedented challenges brought by the lockdowns due to COVID-19 in the first half of 2020, plunged the automotive sales to a historic low. On the positive side, as consumers shift towards personal mobility over public and shared transport, the automotive industry is recovering at a faster-than-expected pace.

Global automotive sales in 2020 recorded a decrease by approximately 15% in 2020 comparing to that of 2019. In the first few months of the pandemic, many major economies saw automotive sales dropped by 70% to 80% year-on-year. Chinese automotive sales, for example, recorded a dramatic decrease in sales by 80% year-on-year in February 2020 as COVID-19 hit. Automotive sales in Western European countries also dropped by 80% year-on-year in April 2020 as its economies were struck by the first waves of COVID-19. Automotive sales rebounded at an exceptional speed as economies reopened after first waves of COVID-19 cases were contained. As the automotive sales in the third quarter of 2020 was promising, sales in most markets around the world was resuming to normal level by the fourth quarter of 2020.

Despite the improved market demand, the global automotive industry is still under pressure. For example, many markets have tightened their emissions regulations, especially in China and Europe. These countries are rapidly promoting vehicle electrification, which would result in dozens of new electric vehicles being introduced to the market over the next few years, although the cost of the vehicles and customer acceptance remain to be challenges. In addition, although the market expects a rebound in the global light vehicle market, we cannot be certain that the sales level can be restored to pre-COVID-19 level because of the possible recession caused by the negative impact on the macro economy effects as a result of COVID-19.

BUSINESS OVERVIEW

For 2020 as a whole, COVID-19 have impacted automotive sales across global markets in various degrees. Factors affecting different markets include the prevalence of COVID-19, how strict are the lockdowns or restrictions on people's activities, and financial supports from the governments. Chinese automotive sales, for example, were down by only 6% year-on-year in 2020, as the earlier onset of the pandemic provided more time for sales recovery, and strict pandemic prevention policies avoided second wave of COVID-19 in the second half of 2020. While US automotive sales recorded a relatively mild decrease by 15% year-on-year. Despite high COVID-19 case counts, US states adopted patchwork approaches to pandemic management, which on average were less stringent than other countries and resulted in a smaller hit to its GDP and modest decrease in automotive sales, with a smaller rebound from mid-2020.

The total number of sales units decreased from approximately 378.8 million in FY2019 to 348.6 million in FY2020, representing a decrease of approximately 8.0%, while total revenue of the Group decreased to approximately RMB2,069.4 million, representing a decrease of approximately 2.9% as compared with the corresponding period of FY2019 (FY2019: approximately RMB2,130.8 million). There was no significant decrease in the Group's revenue during FY2020 as compared with FY2019, but a significant decrease in the production costs, which resulted in an increase in the gross profit of the Group by approximately 17.9% from approximately RMB578.2 million in FY2019 to approximately RMB681.5 million in FY2020.

Electro-plating production capacity and utilization rate

During FY2020, the Group did not have any new electro-plating production facilities, and as of 31 December 2020, the Group's annualised electro-plating capacity was 4.19 million sq.m., which was the same as that as at 31 December 2019.

Affected by the first waves of COVID-19 and broad-based lockdowns during the first half of 2020, the overall average utilization rate of our Group's electro-plating production capacity for FY2020 dropped to 56.8% (FY2019: 68.4%).

Production yield

During FY2020, our overall production yield rate was relatively stable with slight improvement of almost one percentage point from approximately 88.6% in FY2019 to 89.5% in FY2020.

Outlook and Order book

As COVID-19 vaccine doses have been administered gradually, most automotive executives and analysts believe that vehicle sales will start to resume to normal in 2021. The market predicts that strong consumer demand will continue this year and expect a return of commercial fleet sales.

According to forecaster LMC Automotive, the crash in global car sales earlier in 2020 and the subsequent powerful recovery, augurs well for the industry, particularly as China, the world's biggest market, was leading the way. On the other hand, the vehicle market sales have benefited because of the nature of private cars, which provide for a private and isolated space for people during the COVID-19 pandemic.

On the other hand, loose financial conditions will be another supportive factor behind automobile sales recovery. Central banks around the world reduced interest rates at the onset of the pandemic. The US Federal Reserve have issued guidance that the interest rate be held in proximity to the lower bound until inflation targets are achieved, which they expect to happen only in 2023.

While the overall market will recover eventually, the pace of recovery will be uneven across key markets. Our order book remains strong by the end of 2020 and the Group's outstanding order book remains at a high level approximately RMB10.5 billion for the next five years from 1 January 2021 to end of 2025.

Electric vehicles (EVs) will continue to roll out in big numbers powered by a combination of increasingly stringent emission regulations and the shift in consumer preferences. The Group has formed strategic partnerships with some renowned brand names and will continue to work closely on EVs. With cautious outlook, our Group will prioritize our strategies and focus on local manufacturing, investing in innovation and collaboration with our reputable global customers and help transforming the Group into one of the first-class auto interior component manufacturers of the world.

During 2020, Xin Point has engaged in the internet of vehicle business and established a joint venture company with Wanka Online Inc., whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 1762) ("**Wanka**"). This new joint venture company commenced its operations in Shenzhen in June 2020.

Since the commencement of its operations, this new joint venture company has been communicating with some local original equipment manufacturers (OEMs) and have cooperated with Leapmotor to apply QCAR Solution Platform to Leapmotor smart vehicles.

QCAR Solution Platform is the leading product developed by this new joint venture company and it is a cross-operating-system, cloud lightweight vehicle application development framework and based on the "Quick apps" solution, which is a new form of installation-free apps developed based on industry standards.

Since the operations of this new joint venture company are still in development stage, we do not expect that it will be significant contributions in the short terms. Nonetheless, the Group believes that the internet of vehicle business have great market potential in relation to future smart vehicles.

FINANCIAL REVIEW

Revenue

Although the COVID-19 pandemic has made it difficult for automakers during the first half of 2020, the Group's revenue only recorded a slight decrease by approximately RMB61.4 million or approximately 2.9% from approximately RMB2,130.8 million for FY2019 to approximately RMB2,069.4 million for FY2020. The total number of units of automotive decorative components sold in FY2020 also decreased by approximately 30.2 million units or approximately 8.0% from FY2019, while the average selling price for automotive decorative components increased to approximately RMB5.94 per unit or by approximately 5.6% as compared to FY2019.

Due to the global shutdowns during the COVID-19 pandemic, production and supply chains were disrupted during the first half of 2020 and the Group recorded decrease in revenue for all market segments; subsequently as the market recovers, automotive sales rebounded at an exceptional speed as economies reopened after the first waves of the COVID-19 pandemic were contained, the Group's revenue then continued to stabilise and recover well starting from the second half of 2020. In total, the total revenue decreased to approximately RMB2,069.4 million or by 2.9% in FY2020 as compared to FY2019:

i. As China was able to avoid second waves of COVID-19 cases and with substantial policy support, the Group's sales in China decreased only by approximately RMB9.0 million or 1.0% as compared with FY2019;

ii. Despite high COVID-19 cases, less restrictive measures along with a highly accommodative policy environment mitigated market impacts, as compared with that of FY2019, the Group's revenue from the US market decreased by approximately RMB14.2 million or approximately 2.1% to approximately RMB658.6 million for FY2020; and

iii. Due to high COVID-19 cases and repeated waves in most European countries, a 6.2% decrease in revenue generated from the European market or RMB28.3 million decrease was recorded for FY2020, as compared to that of FY2019.

Revenue by geographic segment:

	FY2020		FY2019	
	RMB'000	%	RMB'000	%
China	897,333	43.4%	906,301	42.5%
North America	658,617	31.8%	672,799	31.6%
Europe	426,018	20.6%	454,359	21.3%
Others	87,398	4.2%	97,294	4.6%
	2,069,366	100.0%	2,130,753	100.0%

Cost of sales

	FY2020		FY2019	
	RMB'000	%	RMB'000	%
Direct materials	416,417	30.0%	427,827	27.6%
Staff costs	371,095	26.7%	461,266	29.7%
Overheads	600,310	43.3%	663,500	42.7%
– Depreciation	141,527	10.2%	133,641	8.6%
– Processing fees	67,517	4.9%	89,644	5.8%
– Consumables	66,727	4.8%	89,059	5.7%
– Mold cost	127,394	9.2%	96,924	6.2%
– Utilities	100,319	7.2%	121,551	7.8%
– Shipping and delivery	48,653	3.5%	61,234	3.9%
– Others	48,173	3.5%	71,447	4.7%
	1,387,822	100.0%	1,552,593	100.0%

Over all cost of sales decreased by approximately RMB164.8 million or approximately 10.6% from approximately RMB1,552.6 million for FY2019 to approximately RMB1,387.8 million for FY2020. In contrast to FY2019, the Group's decrease in cost of sales was greater than its decline in revenue during FY2020 as the Group had implemented certain initiatives to minimise the impacts by the global pandemic.

The decrease in cost of sales for FY2020 was the combined results of the followings:

i. In the early months of the COVID-19 pandemic, many major economies saw a decline in automobile sales as government-mandated shut-downs halted non-essential activities. Our factories implemented flexible production schedules to respond to the lowered product demands, consequently there was a decrease of approximately 20.7% in factory overheads for first half of 2020 and the Group recorded an overall decrease in factory overhead by 9.5% for FY2020 as compared with FY2019;

ii. An overall decrease of 19.5% in staff costs was recorded for FY2020 as to compared to that of FY2019, which was the result of the decrease in our average headcount during 2020 as compared to that of in 2019, the flexible production schedules implemented by our factories; as well as the temporary and voluntary salary reduction scheme, where our senior management and mid-level staff agreed to a 30% and 20% reduction of their salaries respectively for the second quarter of 2020 and certain relaxed social insurance contribution policies introduced by local authorities during the pandemic; and

iii. our Wuxi production base's operations were affected by the disruptions and suspensions of the water treatment services in the first half of 2019 and hence higher production costs were recorded in the first half of 2019 as compared to the first half of 2020.

Gross profit

As discussed above, the decrease in the Group's cost of sales was greater than its revenue decline during FY2020, the Group reported an increase in overall gross profit for FY2020. The total revenue was down to RMB2,069.4 million (a decrease of 2.9% year-on-year) and gross profit increased to RMB681.5 million (an increase of 17.9% year-on-year). The Group reported an improved gross profit margin of 32.9%, which was mainly due to decreased staff cost and manufacturing overheads.

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. Other income and gains decreased from RMB43.1 million in FY2019 to RMB22.3 million in FY2020, such decrease was mainly due to no exchange gain recorded for FY2020 and lower bank interest incomes received.

Selling and distribution expenses

Sales and distribution expenses decreased by approximately RMB2.9 million or approximately 4.9% to approximately RMB57.0 million for FY2020 as compared to the same period of 2019. The decrease was mainly due to the decrease in the number of meetings and traveling due to quarantines requirements entry bans, or other restrictions imposed by many countries on local and international travelers.

Administrative expenses

The table below summarises the components of administrative expenses:

	FY2020		FY2019	
	RMB'000	%	RMB'000	%
Staff costs	117,948	41.0%	149,743	47.7%
Research and development expenses	51,267	17.8%	63,058	20.1%
Travel and transportation expenses	4,451	1.5%	9,053	2.9%
Depreciation and amortisation	24,339	8.5%	19,991	6.4%
Office supplies	15,681	5.4%	19,674	6.3%
Legal and Professional fees	12,673	4.4%	12,460	4.0%
Rental expenses	5,624	2.0%	5,629	1.8%
Stamp duties and local government surcharges	5,467	1.9%	5,195	1.7%
Share-based payments	6,173	2.1%	6,483	2.1%
Loss on disposal of property, plant and equipment	—	0.0%	631	0.2%
Insurance	3,114	1.1%	2,827	0.9%
Business development expenses	881	0.3%	2,228	0.7%
Exchange losses	10,727	3.7%	—	0.0%
Impairments on obsolete production facilities	9,553	3.3%	—	0.0%
Others	20,094	7.0%	17,207	5.2%
	287,992	100.0%	314,179	100.0%

Administrative expenses also decreased by approximately RMB26.2 million or approximately 8.3% from approximately RMB314.2 million for FY2019 to approximately RMB288.0 million for FY2020.

The decrease was mainly the combined effects of the followings:

i. the decrease in staff costs by approximately RMB31.8 million, primarily due to the decrease in the average staff headcount and temporary and voluntary salary reduction program implemented during the second quarter of 2020;

ii. the decrease in R&D expenses by approximately RMB11.8 million as some of R&D projects were delayed due to the COVID-19 pandemic;

iii. decrease in travel and transportation expenses by 50.8% and lower business development expenses as a result of fewer client visits during the lockdown periods;

iv. the exchange loss of RMB10.7 million incurred as the result of the appreciation of RMB against USD; and

v. losses of RMB9.6 million incurred for the scrapping of two obsolete electro-plating production lines in Wuxi Production Bases.

Other expenses

During 2020, the German tool shop ("**BLW**") acquired by the Group in 2018 was greatly impacted by COVID-19 and had incurred continuous operating losses in FY2020, another goodwill impairment loss of approximately RMB5.5 million was recorded in FY2020 (FY2019: RMB9.3 million).

Net profit attributable to owners of the Company

Net profit attributable to owners of the Company increased by approximately 61.8% from approximately RMB205.5 million in FY2019 to approximately RMB332.4 million in FY2020. This was primarily due to the followings:

(i) there was a slight decrease of 2.9% or approximately by RMB61.4 million in revenue recorded for FY2020 as discussed above;

(ii) the gross profit increased from approximately RMB578.2 million for FY2019 to approximately RMB681.5 million or by approximately 17.9% for FY2020 as the Group implemented flexible production schedules and there was a decrease of staff cost and overheads;

(iii) sales and distribution expenses decreased by 4.9% for FY2020 as compared to FY2019; and

(iv) administrative expenses also decreased by approximately 8.3% to approximately RMB288.0 million for FY2020, mainly resulted from the decrease in staff costs and the R&D expenditures as the Group tightened headcount and expense growth during the first half of 2020.

Basic earnings per share attributable to owners of the Company for FY2020 was approximately RMB33 cents (FY2019: approximately RMB20 cents).

Total Comprehensive Expenses

Total comprehensive income for FY2020 was RMB210.0 million (FY2019: RMB230.9 million), which comprised (a) profit for FY2020 of RMB331.4 million (FY2019: RMB204.9 million): and (b) other comprehensive loss for FY2020 of RMB121.4 million (FY2019 other comprehensive income RMB25.9 million) which included unrealised loss on fair value changes of listed equity investment at fair value through other comprehensive income ("**FVTOCI**") of approximately RMB30.2 million (FY2019: nil), details are disclosed in the sub-paragraph headed "Significant Investments Held — (b) Implication on Other Comprehensive Expenses for FY2020" below.

Liquidity and financial resources

For FY2020, the Group's net cash inflow from operating activities amounted to approximately RMB411.2 million, as compared to approximately RMB462.7 million in FY2019. Such decrease was mainly due to the settlements of approximately RMB102.3 million tax payments (FY2019: approximately RMB20.5 million) in relation to those profits generated in the past years. The Group's net cash inflow from operating activities before tax in FY2020 actually increased 6.3% when compared to FY2019.

During FY2020, the Company drew down an unsecured bank loan of US$7.5 million for a loan period of two years as working capital. As at 31 December 2020, the Group had interest-bearing bank borrowings of RMB 50.2 million (bank borrowing of RMB1.3 million related to BLW) (31 December 2019: RMB3.2 million, all amount related to BLW).

As at 31 December 2020, the gearing ratio, being total bank borrowings divided by total equity was 2.1% (31 December 2019: 0.13%).

The annual interest rate of the bank and other borrowings during FY2020 was 1.2% - 2.4% (FY2019: 1.2% - 1.3%).

SIGNIFICANT INVESTMENTS HELD

As announced by the Company on 7 January 2020, the Company and Wanka entered into a subscription agreement, pursuant to which the Company has agreed to subscribe for, and Wanka has conditionally agreed to allot and issue to the Company, 25,789,000 shares of Wanka at a subscription price of HK$1.90 per share. The subscription was completed on 20 January 2020 and those 25,789,000 shares were accounted for as "Financial Assets at Fair Value Through Other Comprehensive Income". For further details, please refer to the announcements of the Company dated 7 January 2020 and 20 January 2020 respectively.

The Group entered into the subscription agreement with Wanka with the aim to grasp the opportunity for the future prospects of the internet of vehicle industry.

(a) Implication on Profit or Loss for FY2020

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 year. During FY2020, no dividend income was recorded from holding of 25,789,000 shares of Wanka. Hence no income or expense from the Financial Assets at FVTOCI recorded (FY2019: Nil).

(b) Implication on Other Comprehensive Expenses for FY2020

During FY2020, the share price of Wanka had dropped to HK$0.51 per share as at the close of market on 31 December 2020 (being the last trading day for the FY2020), hence an unrealised loss on fair value changes of the Financial Assets at FVTOCI of approximately RMB30.2 million (FY2019: Nil) was recognised as other comprehensive expenses. 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 FY2020:

	Recorded in unaudited condensed consolidated statement of financial position			Recorded in unaudited condensed consolidated statement of comprehensive income		
	Number of shares	Price (per share) HK$	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 year RMB'000	Other comprehensive expenses for the year RMB'000
As at 1 January 2020	—					
allotment on 20 January 2020	25,789,000	1.90	43,366	—	—	—
Unrealised fair value changes	—		(30,187)	(30,187)	—	(30,187)
As at 31 December 2020	25,789,000	0.51	13,179	(30,187)	—	(30,187)
Percentage to total assets						
As at 31 December 2020			0.4%			
As at 31 December 2019			—			

Commitments

As at 31 December 2020, the Group had the following commitments:

	RMB'000
Capital commitments	
Capital expenditure contracted but not provided for in the consolidated financial statements in respect of:	
Acquisition of property, plant and equipment	132,517
Capital contributions to a joint venture company	39,531
	172,048

Interest Rate and Foreign Exchange Risks

As at 31 December 2020, the balance of bank borrowings of the Group was approximately RMB50.2 million, of which RMB50.2 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 2020, the Group's cash and cash equivalents denominated in currencies other than the functional currencies amounted to approximately RMB388.8 million of which approximately RMB331.3 million was denominated in USD, approximately RMB45.4 million was denominated in EUR, approximately RMB6.7 million was denominated in HKD.

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

Contingent Liabilities

As at 31 December 2020, the Group had no contingent liabilities (31 December 2019: Nil).

Mortgaged Assets

One of the Group's subsidiary in Germany pledged its machinery with a net book value of approximately RMB3.7 million to secure general banking facilities (31 December 2019: RMB 4.6 million).

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 FY2020, the Group's capital expenditure amounted to approximately RMB173.6 million (FY2019: approximately RMB373.8 million). The capital expenditure for FY2020 accommodated further investments in our new factories located in Mexico and Changzhou, together with other plastic injection and electroplating production capacity expansion according to the Group's plan.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The net proceeds from the initial public offering of the Company were 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 more details. As at 31 December 2020 and 2 February 2021 respectively, the utilization of the net proceeds and the latest change in use of proceeds and the resulting new allocation for unutilized amount of the net proceeds were summarized as follows:

Purpose	Planned amount as mentioned in the Prospectus RMB million	Revised allocation RMB million	Actual usage up to 31 December 2020 RMB million	Actual usage up to 2 February 2021 RMB million	Remaining balance after the re-allocation RMB million	Expected timeline for fully utilizing the remaining proceeds (taking into account of the new allocation)
Expanding and improving the production facilities in PRC						
i) Set up the Huizhou New Production Base	155.0	155.0	155.0	155.0	—	N/A.
ii) Construct the Wuxi New Production Base	76.4	57.2	57.2	57.2	—	N/A
iii) Construct a new electroplating production line	23.0	23.0	23.0	23.0	—	N/A
iv) Invest in plastic injection equipment	11.9	11.9	11.9	11.9	—	N/A
Constructing the new production base in Mexico and investing in production facilities and equipment	298.1	389.0	284.5	290.4	98.6	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	1.3	1.3	—	N/A
Enhancing the product quality, product safety and R&D capabilities	42.3	42.3	42.3	42.3	—	N/A
Enhancing the information technology and customer services systems	35.6	2.6	2.6	2.6	—	N/A
Working capital and general corporate purposes	59.2	59.2	59.2	59.2	—	N/A
Total	741.5	741.5	637.0	642.9	98.6	

Dividend

The Board recommends the payment of a final dividend of RMB0.1072 per ordinary Share for the year ended 31 December 2020, together with the interim dividend of RMB0.034 per ordinary Share paid, the effective dividend payout ratio was 42.7%, when calculating against the net profit of RMB331.4 million for the year ended 31 December 2020.

EMPLOYEES

As at 31 December 2020, the Group had 5,516 employees (31 December 2019: 5,324 employees). There were 5,012, 6, 17, 26, 455 staff members in China, Hong Kong, the United States, Germany and Mexico, respectively. The remuneration and staff cost for FY2020 were approximately 485.4 million (FY2019: RMB569.5 million).

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

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

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

DEVELOPMENT & TRAINING

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

CAPITAL STRUCTURE

As at 31 December 2020, 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 2019: RMB87.5 million).

SHARE OPTION SCHEME

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

On 14 August 2018, the Board of the Company granted Share Options to a group of eligible grantees (the "**Grantees**") to subscribe for up to 22,946,000 shares of the Company, allowing the Grantees to exercise such Share Options starting from 15 August 2021 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 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).

No options were granted during FY2020 and FY2019, 1,432,000 Share Options lapsed during FY2020 (FY2019: 1,965,000 Share Options lapsed). The number of outstanding Share Options as at 31 December 2020 was 18,374,000..

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 of the Company (the "**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 FY2020.

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 FY2020. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group during FY2020.

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 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 FY2020 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 2020. In addition, during FY2020, 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 respectively.

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 2020.

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. Ma Xiaoming, Mr. Meng Jun and Mr. Zhang Yumin will retire from office as Director by rotation at the forthcoming annual general meeting to be held on 24 May 2021 ("**2021 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 the latest development to refresh their knowledge and skills 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 FY2020.

Board and Board Committees Meetings

The Board has met regularly in FY2020. For FY2020, 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 FY2020, the Board convened a total of four Board meetings, one Remuneration Committee meeting, one Nomination Committee meeting and two Audit Committee meetings.

During FY2020, 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 FY2020, 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 meeting, Board Committee meetings and annual general meeting" 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 and during FY2020				
Members	Board	Audit Committee	Remuneration Committee	Nomination Committee	2020 annual general meeting
Executive Directors					
Mr. Ma Xiaoming	4/4		1/1	1/1	1/1
Mr. Meng Jun	4/4				1/1
Mr. Zhang Yumin	4/4				1/1
Mr. Liu Jun	4/4				1/1
Mr. He Xiaolu	4/4				1/1
Mr. Jiang Wei	4/4				1/1
Independent non-executive Directors					
Mr. Tang Chi Wai	4/4	2/2	1/1		1/1
Mr. Gan Weimin	4/4	2/2		1/1	1/1
Prof. Cao Lixin	4/4	2/2	1/1	1/1	1/1

Corporate Governance Responsibilities

The Board is responsible for fulfilling the following corporate governance responsibilities for FY2020:

- 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 a 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, is the chairman of the Audit Committee, and possesses 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 FY2020, 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 audited annual results for the year ended 31 December 2019 with the senior management of the Company and external auditor;
- Reviewed and discussed the unaudited interim results for the six months ended 30 June 2020 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 FY2020;
- 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 meeting, Board Committee meetings and annual general meeting".

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 FY2020.

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 is 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 for establishing 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 assesses the performance of executive directors and approves the terms of executive directors' service contracts. The Remuneration Committee also makes recommendations to the Board on remuneration package of individual executive Directors and senior management.

The Remuneration Committee of the Company held one meeting in FY2020 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 meeting, Board Committee meetings and annual general meeting" 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, is 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. Details of the nomination policy are set out in the section headed "Policy for Nomination of Directors" in the Corporate Governance Report.

The Nomination Committee held one meeting in FY2020, 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 2020 AGM 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 meeting, Board Committee meetings and annual general meeting" 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. Details of the Board diversity policy are set out in the section headed "Board Diversity Policy" in the Corporate Governance Report.

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 FY2020 is set out below:

	Amount (RMB'000)
Audit services	1,880
Non-audit services	
Interim financial statements agreed-upon procedure	315
Environmental, Social and Governance Report	310
Total	2,505

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 FY2020.

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 2021 which is subject to the approval by the Shareholders at the forthcoming AGM of the Company to be held on 24 May 2021.

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 FY2020 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 other 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 FY2020, the Audit Committee and the Board conducted a review of the effectiveness of the risk management and internal control system of the Company and its subsidiaries, 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 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 recognises 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 FY2020. 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 FY2020.

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.

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 2 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 investors are welcome to communicate with the Company by email: haorancui@xinpoint.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 FY2020. 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 FY2020.

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 FY2020 are set out on pages 58 to 130 of this annual report.

The Board is pleased to recommend the payment of a final dividend of RMB0.1072 per ordinary Share (the "**Proposed Final Dividend**") for FY2020. Subject to the approval of the Proposed Final Dividend by the Shareholders at the Company's 2021 AGM, the Proposed Final Dividend is expected to be paid on or about 5 July 2021 to the Shareholders whose names are listed on the register of members of the Company on 10 June 2021.

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 FY2020 is set out in the section headed "Management Discussion and Analysis" from pages 16 to 26 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 38 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 16 to 26 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 4 and "Management Discussion and Analysis" on page 16 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 FY2020, 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 2020 Environmental, Social and Governance Report of our Company, which will be published on the websites of the Stock Exchange and the Company on or before 31 July 2021.

SIGNIFICANT INVESTMENTS HELD

A discussion of the Group's significant investments held during FY2020 is set out in the section headed "Management Discussion and Analysis" from page 16 to 26 of this annual report.

CLOSURE OF THE REGISTER OF MEMBERS

(A) For Determining the Entitlement to Attend and Vote at the 2021 AGM

The register of members of the Company will be closed from 18 May 2021 to 24 May 2021 (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 2021 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 no later than 4:30 p.m. on 17 May 2021.

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

The register of members of the Company will be closed from 7 June 2021 to 10 June 2021, (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 2021 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 4 June 2021.

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 3 of this annual report.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There were no material acquisitions or disposals of subsidiaries and associates during the Year. Details of the material investment in a joint venture are set out in Note 18 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 FY2020 are set out in Note 29 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 2020, the Company's reserves available for distribution amounted to approximately RMB594.3 million of which approximately RMB107.5 million has been proposed as a final dividend for FY2020.

RESERVES

Details of the movement in the reserves of the Group and of the Company during FY2020 are set out in Notes 31 and 39 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 28 to the financial statements in this annual report.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during FY2020.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout FY2020. 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 FY2020.

CHARITABLE DONATIONS

During FY2020, the Group did not make any charitable donations.

DIRECTORS

The Directors who held office during FY2020 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. Ma Xiaoming, Mr. Meng Jun and Mr. Zhang Yumin will retire from office as Director by rotation at the forthcoming 2021 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 page 10 of this annual report.

DIRECTORS' SERVICE CONTRACTS

As at 31 December 2020, none of the Directors (including those Directors proposed for re-election at the forthcoming 2021 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, subsisting during or at the end of 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 FY2020.

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, subsisting at the end of the year or at any time during FY2020.

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 2020 and 2019 were approximately RMB13,244,000 and RMB12,680,000 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 2020 and 2019 were approximately RMB12,416,000 and RMB11,839,000 respectively.

For FY2020, 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 FY2020.

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 FY2020 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 FY2020 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 2020.

LOAN OR GUARANTEE FOR LOAN GRANTED TO THE DIRECTORS

During the year ended 2020, 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 2020, 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:

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")	Interest of controlled corporation	734,186,750 (Note 1)	
	Beneficial owner	5,351,000 (Note 2)	
	Total	739,537,750	73.74
Mr. Meng Jun	Beneficial owner	482,000 (Note 3)	0.05
Mr. Zhang Yumin	Beneficial owner	507,000 (Note 4)	0.05
Mr. Liu Jun	Beneficial owner	107,000 (Note 5)	0.01
Mr. He Xiaolu	Beneficial owner	96,000 (Note 5)	0.01
Mr. Jiang Wei	Beneficial owner	38,000 (Note 5)	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:

1. The 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.
2. Among the 5,351,000 Shares and underlying Shares, 5,223,000 Shares are beneficially held by Mr. Ma Xiaoming. 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 2017 Share Option Scheme.
3. 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.
4. Among the 507,000 Shares and underlying 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.
5. 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.

Save as disclosed above and to the best knowledge of the Directors, as at 31 December 2020, 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 FY2020 or the period following 31 December 2020 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 2020, 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 and underlying shares	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 of 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 of a controlled corporation	63,500,000	6.33
Bull Capital GP II Limited (Note 3)	Interest of a controlled corporation	63,500,000	6.33
Bull Capital Partners Ltd. (Note 3)	Interest of 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 of a controlled corporation	63,500,000	6.33
Wong Kun Kau (Note 3)	Interest of 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 and underlying 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 2020, 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 FY2020, the Group's largest customer accounted for 10.7% of the Group's total revenue. The Group's five largest customers accounted for 33.3% of the Group's total revenue.

In FY2020, the Group's largest supplier accounted for 2.4% of the Group's total cost of sales. The Group's five largest suppliers accounted for 9.5% 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 2020, the Group had 5,516 full-time employees, as compared to 5,324 employees as at 31 December 2019. 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 2020 are RMB29.9 million (2019: RMB61.8 million). No forfeited contributions are available to reduce the contribution payable by the Group in future years.

CONNECTED TRANSACTION

During FY2020, 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 FY2020, which did not constitute connected transactions under chapter 14A of the Listing Rules are set out in Note 35 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.

The Company has complied with the Governance Code in FY2020. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on page 27 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 FY2020, 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 FY2020, 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

No material subsequent events undertaken by the Company or by the Group after 31 December 2020.

SHARE OPTION SCHEME

The 2017 Share Option Scheme was adopted by the then Shareholders on 5 June 2017. The purpose of the 2017 Share Option Scheme is to enable our Group to grant options to selected participants as incentives or reward for their contribution to our Group. 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. The maximum number of shares issuable under Share Options to each eligible participant in the 2017 Share Option Scheme within any 12-month period is limited to 1% of the Shares of the Company in issue at any time.

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 2017 Share Option Scheme during FY2020 were as follows:

	Outstanding at beginning of the year	Exercised during the year	Forfeited 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	19,228,000	—	(1,432,000)	—	17,796,000
Total	19,806,000	—	(1,432,000)	—	18,374,000

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 FY2018 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:

	FY2018
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)	3.45

Except for the options which have been forfeited under the 2017 Share Option Scheme, no share options have been granted, exercised, cancelled or lapsed under the 2017 Share Option Scheme since its adoption and up to 31 December 2020. Subject to the following vesting dates, any options granted under the 2017 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	17,796,000 share options: from 30 April 2022 to 13 August 2028

During FY2020, no share options were exercised, and 1,432,000 options were forfeited. The number of outstanding Options as at 31 December 2020 was 18,374,000, representing approximately 1.83% of the total issued share capital of the Company as at the date of this annual report. As at 31 December 2020, the remaining life of the 2017 Share Option Scheme was approximately seven years and eight months.

Details of the 2017 Share Option Scheme are set out in note 30 to the financial statements.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The net proceeds from the initial public offering of the Company were 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. As at 31 December 2020 and 2 February 2021 respectively, the utilization of the net proceeds and the latest change in use of proceeds and the resulting new allocation for unutilized amount of the net proceeds were summarized as follows:

Purpose	Planned amount as mentioned in the Prospectus RMB million	Revised allocation RMB million	Actual usage up to 31 December 2020 RMB million	Actual usage up to 2 February 2021 RMB million	Remaining balance after the re-allocation RMB million	Expected timeline for fully utilizing the remaining proceeds (taking into account of the new allocation)
Expanding and improving the production facilities in PRC						
i) Set up the Huizhou New Production Base	155.0	155.0	155.0	155.0	—	N/A.
ii) Construct the Wuxi New Production Base	76.4	57.2	57.2	57.2	—	N/A
iii) Construct a new electroplating production line	23.0	23.0	23.0	23.0	—	N/A
iv) Invest in plastic injection equipment	11.9	11.9	11.9	11.9	—	N/A
Constructing the new production base in Mexico and investing in production facilities and equipment	298.1	389.0	284.5	290.4	98.6	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	1.3	1.3	—	N/A
Enhancing the product quality, product safety and R&D capabilities	42.3	42.3	42.3	42.3	—	N/A
Enhancing the information technology and customer services systems	35.6	2.6	2.6	2.6	—	N/A
Working capital and general corporate purposes	59.2	59.2	59.2	59.2	—	N/A
Total	741.5	741.5	637.0	642.9	98.6	

AUDITORS

The consolidated financial statements of the Group for FY2020 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 FY2020.

On behalf of the Board

MA Xiaoming
Chairman

Hong Kong, 25 March 2021

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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 58 to 130, which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020, 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 2020, trade and bills receivables amounted to RMB646,004,000, representing 20% 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 24 to the consolidated financial statements, respectively.	We tested, on a sample basis, the ageing analysis of the Group's trade and bills receivable balances 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 the 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.

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

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

- 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, actions taken to eliminate threats or safeguards applied.

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

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

Ernst & Young
Certified Public Accountants
Hong Kong
25 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
REVENUE	5	**2,069,366**	2,130,753
Cost of sales		**(1,387,822)**	(1,552,593)
Gross profit		**681,544**	578,160
Other income and gains	5	**22,293**	43,138
Selling and distribution expenses		**(56,992)**	(59,925)
Administrative expenses		**(287,992)**	(314,179)
Other expenses		**(5,483)**	(9,256)
Finance costs	7	**(4,007)**	(3,757)
Share of profit of an associate		**1,643**	1,366
Share of loss of a joint venture		**(1,154)**	—
PROFIT BEFORE TAX	6	**349,852**	235,547
Income tax expense	10	**(18,482)**	(30,622)
PROFIT FOR THE YEAR		**331,370**	204,925
Attributable to:			
Owners of the parent		**332,426**	205,452
Non-controlling interests		**(1,056)**	(527)
		331,370	204,925
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		**(91,177)**	25,945
Other comprehensive 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		**(30,187)**	—
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**(121,364)**	25,945
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**210,006**	230,870
Attributable to:			
Owners of the parent		**211,062**	231,397
Non-controlling interests		**(1,056)**	(527)
		210,006	230,870
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic and diluted	12	**RMB33 cents**	RMB20 cents

31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**1,194,610**	1,207,085
Right-of-use assets	14(a)	**135,755**	144,719
Goodwill	15	**4,161**	9,441
Intangible asset	16	**1,341**	2,011
Investment in an associate	17	**3,448**	3,005
Investment in a joint venture	18	**3,238**	—
Financial asset at fair value through other comprehensive income	19	**13,179**	—
Prepayments	20	**112,800**	150,180
Deferred tax assets	21	**2,683**	2,324
Total non-current assets		**1,471,215**	1,518,765
CURRENT ASSETS			
Inventories	22	**432,916**	443,252
Trade and bills receivables	24	**646,004**	603,897
Prepayments, deposits and other receivables	20	**137,042**	153,406
Derivative financial instruments	23	**4,981**	4,215
Cash and cash equivalents	25	**538,978**	462,814
Total current assets		**1,759,921**	1,667,584
CURRENT LIABILITIES			
Trade payables	26	**268,503**	266,772
Other payables and accruals	27	**239,298**	241,856
Interest-bearing bank borrowings	28	**49,663**	1,489
Derivative financial instrument	23	**2,317**	—
Lease liabilities	14(b)	**32,258**	30,286
Tax payable		**126,950**	213,974
Total current liabilities		**718,989**	754,377
NET CURRENT ASSETS		**1,040,932**	913,207
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,512,147**	2,431,972

31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	28	**564**	1,662
Deferred tax liabilities	21	**600**	903
Lease liabilities	14(b)	**63,093**	71,026
Total non-current liabilities		**64,257**	73,591
Net assets		**2,447,890**	2,358,381
EQUITY			
Equity attributable to owners of the parent			
Issued capital	29	**87,485**	87,485
Reserves	31	**2,361,246**	2,270,585
		2,448,731	2,358,070
Non-controlling interests		**(841)**	311
Total equity		**2,447,890**	2,358,381

MA Xiaoming
Director

MENG Jun
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

	Notes	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
		Attributable to owners of the parent										
At 1 January 2019		87,485	2,704	–	577,892	828	20,713	97,240	1,464,508	2,251,370	–	2,251,370
Profit for the year		–	–	–	–	–	–	–	205,452	205,452	(527)	204,925
Other comprehensive income for the year:												
Exchange differences on translation of foreign operations		–	–	–	–	–	25,945	–	–	25,945	–	25,945
Total comprehensive income for the year		–	–	–	–	–	25,945	–	205,452	231,397	(527)	230,870
Contributions from non-controlling shareholders		–	–	–	–	–	–	–	–	–	838	838
Equity-settled share option arrangements	30	–	6,483	–	–	–	–	–	–	6,483	–	6,483
Transfer of reserves		–	–	–	–	–	–	11,037	(11,037)	–	–	–
Final 2018 dividend		–	–	–	–	–	–	–	(100,291)	(100,291)	–	(100,291)
Interim 2019 dividend	11	–	–	–	–	–	–	–	(30,889)	(30,889)	–	(30,889)
At 31 December 2019 and 1 January 2020		87,485	9,187	–	577,892	828	46,658	108,277	1,527,743	2,358,070	311	2,358,381
Profit for the year		–	–	–	–	–	–	–	332,426	332,426	(1,056)	331,370
Other comprehensive income for the year:												
Changes in fair value of a financial asset at fair value through other comprehensive income		–	–	(30,187)	–	–	–	–	–	(30,187)	–	(30,187)
Exchange differences on translation of foreign operations		–	–	–	–	–	(91,177)	–	–	(91,177)	–	(91,177)
Total comprehensive income for the year		–	–	(30,187)	–	–	(91,177)	–	332,426	211,062	(1,056)	210,006
Acquisition of non-controlling interests		–	–	–	–	–	–	–	(208)	(208)	(96)	(304)
Equity-settled share option arrangements	30	–	6,173	–	–	–	–	–	–	6,173	–	6,173
Transfer of reserves		–	–	–	–	–	–	11,234	(11,234)	–	–	–
Final 2019 dividend	11	–	–	–	–	–	–	–	(92,267)	(92,267)	–	(92,267)
Interim 2020 dividend	11	–	–	–	–	–	–	–	(34,099)	(34,099)	–	(34,099)
At 31 December 2020		87,485	15,360*	(30,187)*	577,892*	828*	(44,519)*	119,511*	1,722,361*	2,448,731	(841)	2,447,890

* These reserve accounts comprise the consolidated reserves of RMB2,361,246,000 (2019: RMB2,270,585,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**349,852**	235,547
Adjustments for:			
Finance costs	7	**4,007**	3,757
Depreciation of property, plant and equipment	6	**140,509**	118,263
Depreciation of right-of-use assets	6	**35,260**	32,436
Amortisation of an intangible asset	6	**670**	671
Impairment of trade and bills receivables	6	**538**	88
Write off of items of property, plant and equipment	6	**9,553**	—
Loss/(gain) on disposal of items of property, plant and equipment, net	6	**(646)**	631
Share of profit of an associate		**(1,643)**	(1,366)
Share of loss of a joint venture		**1,154**	—
Changes in fair value of derivative financial instruments	6	**1,256**	(902)
Interest income	5	**(1,337)**	(7,318)
Impairment of goodwill	6	**5,483**	9,256
Equity-settled share option expense	6	**6,173**	6,483
		550,829	397,546
Decrease in inventories		**4,009**	62,946
Increase in trade and bills receivables		**(48,648)**	(33,056)
Decrease in prepayments, deposits and other receivables		**9,335**	12,561
Increase in trade payables		**2,922**	45,066
Decrease in other payables and accruals		**(2,524)**	(5,467)
Cash generated from operations		**515,923**	479,596
Interest received		**1,337**	7,318
Interest paid		**(3,754)**	(3,706)
Taxes paid		**(102,348)**	(20,468)
Net cash flows from operating activities		**411,158**	462,740
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(79,861)**	(373,844)
Additions to deposits paid for property, plant and equipment		**(76,545)**	(10,984)
Proceeds from disposal of items of property, plant and equipment		**9,277**	21,508
Dividend received from an associate		**600**	600
Investment in a joint venture		**(4,392)**	—
Purchase of financial asset at fair value through other comprehensive income		**(43,366)**	—
Net cash flows used in investing activities		**(194,287)**	(362,720)

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**48,965**	—
Repayment of bank loans		**(2,079)**	(2,819)
Principal portion of lease payments		**(32,257)**	(27,927)
Interest paid		**(253)**	(51)
Acquisition of non-controlling interests		**(304)**	—
Contributions from non-controlling shareholders		**—**	838
Dividends paid		**(126,366)**	(131,180)
Net cash flows used in financing activities		**(112,294)**	(161,139)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**104,577**	(61,119)
Cash and cash equivalents at the beginning of year		**462,814**	521,780
Effect of foreign exchange rate changes, net		**(28,413)**	2,153
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	25	**538,978**	462,814
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statement of financial position and the statement of cash flows		**538,978**	462,814

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		Principal activities
			Direct	Indirect	
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	Inactive
Keen Point (Europe) GmbH.	Germany	EUR25,000	—	100	Trading of automotive products
Huizhou Keen Point Precision Plastic Co., Ltd.^	PRC/Mainland 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.^	PRC/Mainland China	HK$10,000,000	—	100	Manufacture and sale of automotive and electronic components
Tianjin Jinxin Precision Plastic Components Co., Ltd.^	PRC/Mainland China	US$4,600,000	—	100	Manufacture and sale of automotive and electronic components
Wuxi Jinxin Surface Decoration Co., Ltd. ^	PRC/Mainland China	US$3,000,000	—	100	Manufacture and sale of automotive and electronic components
Huizhou Xin Point Surface Decoration Co., Ltd.^	PRC/Mainland China	RMB30,000,000	—	100	Manufacture and sale of automotive and electronic components
Huizhou Haoyu Technology Co., Ltd.^	PRC/Mainland China	RMB1,000,000	—	100	Trading of automotive and electronic products
Wuxi Keen Point Electronics Co., Ltd.^	PRC/Mainland China	RMB59,677,639	—	100	Manufacture and sale of automotive and electronic components
Shanghai Xinyu Import & Export Trading Co., Ltd.^	PRC/Mainland 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.^	PRC/Mainland China	US$20,000,000	—	100	Trading of automotive and electronic components
Huizhou Xin Point Precision Components Co., Ltd.^	PRC/Mainland China	RMB170,000,000	—	100	Trading of automotive and electronic components
Huizhou Keen Point Surface Decoration Co., Ltd.^	PRC/Mainland China	RMB10,000,000	—	100	Manufacture and sale of automotive and electronic components
Huizhou Xinsheng Technology Co., Ltd.^	PRC/Mainland China	RMB 5,000,000	—	100	Manufacture and sale of automotive and electronic components
Xin Point Mexico S.DE R.L. DE C.V.^	Mexico	US$34,000,000	—	100	Inactive
Time Glory Trading Limited	Hong Kong	HK$100	—	100	Trading of automotive and electronic components
Changzhou Xinsheng Automobile Components Co., Ltd.^	PRC/Mainland China	US$66,500,000	—	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	Indirect	Principal activities
Jiujiang Xin Point Surface Decoration Co., Ltd.^	PRC/Mainland China	RMB10,000,000	—	100	Inactive
Jiujiang Xin Point Automobile Components Co., Ltd.^	PRC/Mainland China	US$10,000,000	—	100	Inactive
Huizhou Xinlong Technology Co., Ltd.^	PRC/Mainland China	RMB5,000,000	—	100	Inactive
Bernd Lindecke Werkzeugbau GmbH	Germany	EUR25,000	—	100	Manufacture and sale of moulds
New Spring Limited	Hong Kong	HK$1,000,000	—	95	Inactive
Huizhou Xinsheng Composites Technology Co., Ltd.^	PRC/Mainland China	RMB5,000,000	—	100	Inactive
Huizhou Ronai Technology Co., Ltd.#	PRC/Mainland China	RMB1,000,000	—	51	Inactive

^ Registered as a wholly-foreign-owned enterprise under PRC law
# Registered as a limited liability company under PRC law

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.

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 and a financial asset at fair value through other comprehensive income 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 2020. 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 *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

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

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) 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 has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. 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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(d) Amendment to HKFRS 16 provides a 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. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively. The amendment did not have any significant impact on the financial position and performance of the Group.

(e) 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, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

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	*Reference to the Conceptual Framework*[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform - Phase 2*[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 17	*Insurance Contracts*[3]
Amendments to HKFRS 17	*Insurance Contracts*[3, 6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[3, 5]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to HKAS 37	*Onerous Contracts - Cost of Fulfilling a Contract*[2]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[2]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 No mandatory effective date yet determined but available for adoption
5 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion
6 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

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

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

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

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 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. 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 are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

The Group had certain interest-bearing bank borrowings denominated in United States dollars based on the London Interbank Offered Rate ("LIBOR") as at 31 December 2020. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings when the "economically equivalent" criterion is met and expects that no significant modification gain or loss will arise as a result of applying the amendments to these changes.

Annual Improvements to HKFRS 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendment that is expected to be applicable to the Group are as set out below:

HKFRS 9 *Financial Instruments* clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in an associate and a joint venture

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.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in an associate and a joint venture 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 the associate and the joint venture are included in profit or loss and other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, 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 associate or joint venture are eliminated to the extent of the Group's investments in an associate and a joint venture, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of an associate or a joint venture is included as part of the Group's investments in an associate and a joint venture.

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.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (continued)

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, deferred tax assets 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 life of 5 years.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

Group as a lessee (continued)

(b) *Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) *Short-term leases*

The Group applies the short-term lease recognition exemption to its short-term leases of properties and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

Investments and other financial assets

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" 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. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) (CONTINUED)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

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. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured 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.

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss 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, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("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 180 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 (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 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 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.

Financial liabilities

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 borrowings.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (continued)

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost (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

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) (CONTINUED)

Derivative financial instruments

Initial recognition and subsequent measurement

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

Inventories

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

Cash and cash equivalents

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

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

Provisions

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) (CONTINUED)

Income tax (continued)

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

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

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

Deferred tax assets are recognised for all deductible temporary differences, and 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, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) (CONTINUED)

Government grants

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

Revenue recognition

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.

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.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to customers).

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 30 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

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 inventory 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 2020 was RMB432,916,000 (2019: RMB443,252,000).

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of 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 net carrying amount of goodwill at 31 December 2020 was approximately RMB4,161,000 (2019: RMB9,441,000). Further details of the methodologies, assumptions and estimates adopted to arrive at the recoverable amount of the cash-generating units to which the goodwill is allocated are set out in note 15 to the financial statements. Attributable to the nature and the underlying stage of development of the cash-generating unit, the related industry and relevant markets, as well as other forward-looking factors, and the valuation methodology adopted, the recoverable amount of the cash-generating unit is sensitive to the assumptions and estimates, in particular the estimated long term growth rate and discount rate adopted, underlying its calculation. Any significant unexpected changes/variations of underlying assumptions and estimates might have a material impact on the recoverable amount of the cash-generating unit and, consequently, the net carrying amount of the goodwill allocated to that cash-generating unit within the next financial year.

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 product) 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 24 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Leases — estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

4. OPERATING SEGMENT INFORMATION

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

Geographical information

(a) Revenue from external customers

	2020 RMB'000	2019 RMB'000
China	897,333	906,301
North America	658,617	672,799
Europe	426,018	454,359
Other countries	87,398	97,294
	2,069,366	2,130,753

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

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information (continued)

(b) Non-current assets

	2020 RMB'000	2019 RMB'000
China	1,122,461	1,183,294
Other countries	346,071	333,147
	1,468,532	1,516,441

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

Information about a major customer

Revenue of approximately RMB222,765,000 (2019: RMB231,277,000) was derived from sales to a single customer, including sales to a group of entities which are known to be under common control with that customer.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2020 RMB'000	2019 RMB'000
Revenue from contracts with customers	2,069,366	2,130,753

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2020

Segments	Non-automotive components RMB'000	Automotive components RMB'000	Total RMB'000
Types of goods			
Sale of goods	—	2,069,366	2,069,366
Total revenue from contracts with customers	—	2,069,366	2,069,366
Geographical markets			
China	—	897,333	897,333
North America	—	658,617	658,617
Europe	—	426,018	426,018
Other countries	—	87,398	87,398
Total revenue from contracts with customers	—	2,069,366	2,069,366
Timing of revenue recognition			
Goods transferred at a point in time	—	2,069,366	2,069,366
Total revenue from contracts with customers	—	2,069,366	2,069,366
Revenue from contracts with customers			
External customers	—	2,069,366	2,069,366
Total revenue from contracts with customers	—	2,069,366	2,069,366

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

For the year ended 31 December 2019

Segments	Non-automotive components RMB'000	Automotive components RMB'000	Total RMB'000
Types of goods			
Sale of goods	5,534	2,125,219	2,130,753
Total revenue from contracts with customers	5,534	2,125,219	2,130,753
Geographical markets			
China	5,534	900,767	906,301
North America	—	672,799	672,799
Europe	—	454,359	454,359
Other countries	—	97,294	97,294
Total revenue from contracts with customers	5,534	2,125,219	2,130,753
Timing of revenue recognition			
Goods transferred at a point in time	5,534	2,125,219	2,130,753
Total revenue from contracts with customers	5,534	2,125,219	2,130,753
Revenue from contracts with customers			
External customers	5,534	2,125,219	2,130,753
Total revenue from contracts with customers	5,534	2,125,219	2,130,753

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:

	2020 RMB'000	2019 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of goods	5,681	8,145

(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:

	2020 RMB'000	2019 RMB'000
Other income		
Bank interest income	1,337	7,318
Government subsidies*	4,445	2,314
Sale of scraps	6,598	10,790
Sale of raw materials	1,564	1,844
Sale of samples	116	107
Testing fee income	1,968	2,213
Compensation from insurance companies	345	254
Others	5,920	6,282
	22,293	31,122
Gains		
Foreign exchange gain, net	—	11,114
Fair value gain on derivative financial instruments, net	—	902
	22,293	43,138

* 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	2020 RMB'000	2019 RMB'000
Cost of inventories sold@		**1,387,822**	1,552,593
Depreciation of property, plant and equipment	13	**140,509**	118,263
Depreciation of right-of-use assets	14(a)	**35,260**	32,436
Amortisation of an intangible asset*	16	**670**	671
Lease payments not included in the measurement of lease liabilities		**5,624**	5,629
Impairment of trade and bills receivables	24	**538**	88
Research and development costs#		**51,267**	63,058
Fair value loss/(gain) on derivative financial instruments, net*	23	**1,256**	(902)
Auditor's remuneration		**3,029**	3,240
Employee benefit expense@ (including directors' and chief executive's remuneration (note 8))			
Wages and salaries		**485,405**	569,538
Equity-settled share option expense		**6,173**	6,483
Pension scheme contributions		**29,920**	61,832
		521,498	637,853
Write off of items of property, plant and equipment*		**9,553**	—
Loss/(gain) on disposal of items of property, plant and equipment, net*		**(646)**	631
Foreign exchange differences, net*		**10,727**	(11,114)
Impairment of goodwill**	15	**5,483**	9,256

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

@ Part of the employee benefit expense is included in "Cost of inventories sold" in the consolidated statement of profit or loss and other comprehensive income.

\# Research and development costs are included in "Administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.

** Impairment of goodwill is included in "Other expenses" in the consolidated statement of profit or loss and other comprehensive income.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2020 RMB'000	2019 RMB'000
Interest on:		
Bank loans	**253**	51
Lease liabilities	**3,754**	3,706
	4,007	3,757

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:

	2020 RMB'000	2019 RMB'000
Fees	**1,543**	1,533
Other emoluments:		
Salaries, allowances and benefits in kind	**5,012**	5,631
Performance related bonuses	**6,399**	5,231
Equity-settled share option expense	**163**	163
Pension scheme contributions	**128**	122
	11,702	11,147

(a) *Independent non-executive directors*

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

	2020 RMB'000	2019 RMB'000
Cao Lixin	**105**	104
Gan Weimin	**108**	104
Tang Chi Wai	**130**	125
	343	333

There were no other emoluments payable to the independent non-executive directors during the year (2019: 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
2020						
Executive directors:						
Ma Xiaoming	**360**	**1,815**	**500**	**36**	**16**	**2,727**
He Xiaolu	**120**	**419**	**928**	**27**	**16**	**1,510**
Meng Jun	**120**	**540**	**1,765**	**29**	**16**	**2,470**
Zhang Yumin	**240**	**1,034**	**960**	**30**	**19**	**2,283**
Liu Jun	**240**	**946**	**2,192**	**30**	**18**	**3,426**
Jiang Wei	**120**	**258**	**54**	**11**	**43**	**486**
	1,200	**5,012**	**6,399**	**163**	**128**	**12,902**
2019						
Executive directors:						
Ma Xiaoming	360	1,947	1,125	36	16	3,484
He Xiaolu	120	585	900	27	16	1,648
Meng Jun	120	752	1,220	29	16	2,137
Zhang Yumin	240	1,037	960	30	21	2,288
Liu Jun	240	1,034	957	30	21	2,282
Jiang Wei	120	276	69	11	32	508
	1,200	5,631	5,231	163	122	12,347

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 years ended 31 December 2019 and 2020 included five directors, 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% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, 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 (2019: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2019: 8.25%) and the remaining assessable profits are taxed at 16.5% (2019: 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% (2019: 31.0%). For the Group's subsidiary established in Germany, income tax is calculated at the rate of 31.7% (2019: 31.7%). Tax on profits assessable in China has been calculated at the applicable PRC corporate income tax rate of 25% (2019: 25%) during the year, except for two subsidiaries of the Group which qualified as a High and New Technology Enterprise in Mainland China and a lower PRC corporate income tax rate of 15% (2019:15%) has been applied for the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2020 RMB'000	2019 RMB'000
Current – China		
Charge for the year	24,633	23,866
Overprovision in prior years	(44,105)	(35,623)
Current – Hong Kong	25,010	28,986
Current – Germany	8,676	7,581
Current – U.S.	4,930	4,086
Deferred (note 21)	(662)	1,726
Total tax charge for the year	18,482	30,622

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 are as follows:

	2020		2019	
	RMB'000	%	RMB'000	%
Profit before tax	349,852		235,547	
Tax at the statutory tax rate	87,463	25.0	58,887	25.0
Lower tax rate(s) enacted by local authority	(35,339)	(10.1)	(13,086)	(5.6)
Higher tax rate(s) enacted by local authority	984	0.3	1,238	0.5
Adjustments in respect of current tax of previous periods	(44,105)	(12.6)	(35,623)	(15.1)
Super-deduction of eligible research and development expenditures	(5,413)	(1.5)	—	—
Profit attributable to an associate	(411)	(0.1)	(342)	(0.1)
Income not subject to tax	(2,022)	(0.6)	(2,537)	(1.1)
Expenses not deductible for tax	7,101	2.0	18,153	7.7
Tax losses utilised from previous periods	(4,951)	(1.4)	—	—
Tax losses not recognised	14,122	4	26	0.0
Others	1,053	0.3	3,906	1.7
Tax charge at the Group's effective rate	18,482	5.3	30,622	13.0

11. DIVIDENDS

	2020 RMB'000	2019 RMB'000
Interim – RMB0.034 (2019: RMB0.0308) per ordinary share	34,099	30,889
Proposed final – RMB0.1072 (2019: RMB0.092) per ordinary share	107,511	92,267
	141,610	123,156

Final dividend of RMB0.1072 per share amounting to approximately RMB107,511,000 in respect of the year ended 31 December 2020 (2019: RMB0.092 per share amounting to approximately RMB92,267,000) 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 2020 and 2019.

	2020 RMB'000	2019 RMB'000
Profit for the year and earnings for the purpose of basic and diluted earnings per share calculation	332,426	205,452

	2020 Number of shares	2019 Number of shares
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation	1,002,905,000	1,002,905,000

	Year ended 31 December	
	2020	2019
Earnings per share Basic and diluted	RMB33 cents	RMB20 cents

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2020 and 2019 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

13. PROPERTY, PLANT AND EQUIPMENT

	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 2019, net of accumulated depreciation	24,808	252,087	36,068	422,429	30,187	10,056	172,622	15,980	964,237
Additions	5,171	–	15,179	39,175	5,219	615	307,986	499	373,844
Transfers	–	37,839	–	115,812	4,357	84	(158,092)	–	–
Depreciation provided during the year	–	(13,924)	(17,961)	(73,888)	(8,874)	(1,530)	–	(2,086)	(118,263)
Disposals/write-off	–	(438)	–	(11,332)	(1,298)	(132)	(4,830)	(4,109)	(22,139)
Exchange realignment	784	(10)	2	20	14	10	8,593	(7)	9,406
At 31 December 2019, and 1 January 2020, net of accumulated depreciation	30,763	275,554	33,288	492,216	29,605	9,103	326,279	10,277	1,207,085
Additions	–	24	10,102	48,888	2,143	589	108,495	3,357	173,598
Transfers	–	145,105	–	88,548	5,630	694	(239,977)	–	–
Depreciation provided during the year	–	(22,065)	(17,594)	(87,270)	(8,983)	(1,812)	–	(2,785)	(140,509)
Disposals/write-off	–	(239)	–	(12,865)	(1,650)	(3,430)	–	–	(18,184)
Exchange realignment	(1,999)	1,979	55	(75)	(41)	(49)	(27,116)	(134)	(27,380)
At 31 December 2020	28,764	400,358	25,851	529,442	26,704	5,095	167,681	10,715	1,194,610

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 2019 and 1 January 2020:									
Cost	30,763	325,706	128,061	793,667	65,217	23,246	326,279	17,372	1,710,311
Accumulated depreciation	—	(50,152)	(94,773)	(301,451)	(35,612)	(14,143)	—	(7,095)	(503,226)
Net carrying amount	30,763	275,554	33,288	492,216	29,605	9,103	326,279	10,277	1,207,085
At 31 December 2020:									
Cost	28,764	472,562	138,230	896,124	64,201	19,606	167,681	20,670	1,807,838
Accumulated depreciation	—	(72,204)	(112,379)	(366,682)	(37,497)	(14,511)	—	(9,955)	(613,228)
Net carrying amount	28,764	400,358	25,851	529,442	26,704	5,095	167,681	10,715	1,194,610

At 31 December 2019, the Group had not yet obtained the building ownership certificates of the Group's buildings with a net carrying amount of RMB37,361,000 from the relevant government authorities.

At 31 December 2020, certain of the Group's property, plant and equipment with a net carrying amount of approximately RMB3,747,000 (2019: RMB4,570,000) were pledged to secure general bank loans of RMB1,262,000 (2019: RMB3,151,000) granted to the Group (note 28).

14. LEASES

The Group as a lessee

The Group has lease contracts for various properties and equipment. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of properties generally have lease terms between 4 and 5 years, while equipment generally has lease terms between 4 and 5 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land RMB'000	Properties RMB'000	Equipment RMB'000	Total RMB'000
At 1 January 2019	48,146	73,129	467	121,742
Additions	—	54,049	1,364	55,413
Depreciation charge	(1,061)	(30,442)	(933)	(32,436)
At 31 December 2019 and 1 January 2020	47,085	96,736	898	144,719
Additions	—	25,453	843	26,296
Depreciation charge	(1,091)	(33,344)	(825)	(35,260)
At 31 December 2020	45,994	88,845	916	135,755

14. LEASES (CONTINUED)

The Group as a lessee (continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2020 RMB'000	2019 RMB'000
Carrying amount at 1 January	**101,312**	73,596
New leases	**26,296**	55,413
Accretion of interest recognised during the year	**3,754**	3,706
Payments	**(36,011)**	(31,403)
Carrying amount at 31 December	**95,351**	101,312
Analysed into:		
Current portion	**32,258**	30,286
Non-current portion	**63,093**	71,026

The maturity analysis of lease liabilities is disclosed in note 38 to the financial statements.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2020 RMB'000	2019 RMB'000
Interest on lease liabilities	**3,754**	3,706
Depreciation charge of right-of-use assets	**35,260**	32,426
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December (included in administrative expenses)	**5,624**	5,629
Total amount recognised in profit or loss	**44,638**	41,761

(d) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in note 32(c) to the financial statements.

15. GOODWILL

	RMB'000
At 1 January 2019:	
Cost	22,132
Accumulated impairment	(3,242)
Net carrying amount	18,890
Cost at 1 January 2019, net of accumulated impairment	18,890
Impairment during the year	(9,256)
Exchange realignment	(193)
At 31 December 2019	9,441
At 31 December 2019 and 1 January 2020:	
Cost	21,939
Accumulated impairment	(12,498)
Net carrying amount	9,441
Cost at 1 January 2020, net of accumulated impairment	**9,441**
Impairment during the year	**(5,483)**
Exchange realignment	**203**
At 31 December 2020	**4,161**
At 31 December 2020:	
Cost	**19,098**
Accumulated impairment	**(14,937)**
Net carrying amount	**4,161**

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

  At the end of the reporting period, the Group had goodwill acquired through a business combination allocated to the industrial products cash-generating unit of the Group (primarily representing the business operations and undertakings of a subsidiary of the Group, Bernd Lindecke Werkzeugbau GmbH ("BLW")).

  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 14.08% (2019: 13.09%). The growth rate used to extrapolate the cash flows of the industrial products unit beyond the five-year period is 1.78% (2019: 1.88%). The senior management of the industrial products unit believes that this growth rate is justified, considering the industry average of the relevant unit.

15. GOODWILL (CONTINUED)

Impairment testing of goodwill (Continued)

Assumptions were used in the value-in-use calculation of the industrial products cash-generating unit for 31 December 2020. 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.

During the year ended 31 December 2020, due to the challenging external environment and the unfavourable operating performance of BLW, the overall effect of which became more apparent after the strategic planning and forecasting process that underpinned the year end impairment review, an impairment of goodwill for the year of approximately RMB5,483,000 (2019: RMB9,256,000) was recognised based on the recoverable amount of the cash-generating unit as at 31 December 2020 of approximately RMB15,322,000 (2019: RMB27,668,000). The impairment loss is included in other expenses in the consolidated statement of profit or loss and other comprehensive income.

16. INTANGIBLE ASSET

	Customer relationship RMB'000
At 31 December 2019	
Cost at 1 January 2019, net of accumulated amortisation	2,682
Amortisation provided during the year	(671)
At 31 December 2019	2,011
At 31 December 2019 and at 1 January 2020:	
Cost	3,352
Accumulated amortisation	(1,341)
Net carrying amount	2,011
At 31 December 2020	
Cost at 1 January 2020, net of accumulated amortisation	2,011
Amortisation provided during the year	(670)
At 31 December 2020	1,341
At 31 December 2020:	
Cost	3,352
Accumulated amortisation	(2,011)
Net carrying amount	1,341

17. INVESTMENT IN AN ASSOCIATE

	2020 **RMB'000**	2019 RMB'000
Share of net assets	**3,448**	3,005

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	PRC/ Mainland China	30	Manufacture and sale of automotive and electronic products

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:

	2020 **RMB'000**	2019 RMB'000
Current assets	**11,695**	13,607
Non-current assets	**6,204**	8,445
Current liabilities	**(6,406)**	(12,035)
Net assets	**11,493**	10,017
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	**3,448**	3,005
Revenue	**23,358**	25,072
Profit for the year	**5,476**	4,554
Total comprehensive income for the year	**5,476**	4,554
Dividend received	**1,200**	600

18. INVESTMENT IN A JOINT VENTURE

	2020 RMB'000	2019 RMB'000
Share of net assets	3,238	—

Particulars of the Group's joint venture are as follows:

Name	Place of registration and business	Registered capital	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activity
萬信車聯科技(深圳)有限公司	PRC/Mainland China	HK$100,000,000	49	49	49	Development of automotive software and information technology

The above investment is indirectly held by the Company.

The following table illustrates the financial information of the Group's joint venture:

	2020 RMB'000	2019 RMB'000
Share of the joint venture's loss for the year	(1,154)	—
Share of the joint venture's total comprehensive loss for the year	(1,154)	—
Aggregate carrying amount of the Group's investment in the joint venture	3,238	—

19. FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 RMB'000	2019 RMB'000
Listed equity investment, at fair value	13,179	—

The above equity investment was irrevocably designated at fair value through other comprehensive income as the Group considers the investment to be strategic in nature.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020 RMB'000	2019 RMB'000
Prepayments	**154,777**	182,223
Deposits and other receivables	**95,065**	121,363
	249,842	303,586
Non-current portion	**(112,800)**	(150,180)
Current portion	**137,042**	153,406

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2020 and 2019, the loss allowance was assessed to be minimal.

Included in other receivables is an amount due from the Group's associate of RMB7,935,000 (2019: RMB11,904,000), which is unsecured, interest-free and repayable on demand.

21. 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 2019	165	1,006	1,171
Deferred tax credited to profit or loss during the year (note 10)	(17)	(251)	(268)
At 31 December 2019 and at 1 January 2020	**148**	**755**	**903**
Deferred tax credited to profit or loss during the year (note 10)	**(52)**	**(251)**	**(303)**
At 31 December 2020	**96**	**504**	**600**

21. DEFERRED TAX (CONTINUED)

Deferred tax assets

	Depreciation charges of right-of-use assets RMB'000	Unrealised profits on inventories RMB'000	Other deductible temporary differences RMB'000	Total RMB'000
At 1 January 2019	—	4,054	264	4,318
Deferred tax credited/(charged) to profit or loss during the year (note 10)	896	(2,724)	(166)	(1,994)
At 31 December 2019 and at 1 January 2020	**896**	**1,330**	**98**	**2,324**
Deferred tax credited/(charged) to profit or loss during the year (note 10)	**514**	**(230)**	**75**	**359**
At 31 December 2020	**1,410**	**1,100**	**173**	**2,683**

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:

	2020 RMB'000	2019 RMB'000
Deferred tax assets	**2,683**	2,324
Deferred tax liabilities	**(600)**	(903)
	2,083	1,421

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

	2020 RMB'000	2019 RMB'000
Tax losses	**51,439**	1,015

The Group had tax losses arising in Mainland China of RMB23,024,000 (2019: Nil) that are available for offsetting against future taxable profits of subsidiaries in Mainland China for five years in which the losses arose, in Mexico of RMB18,874,000 (2019: Nil) that are available for offsetting against future taxable profits of a subsidiary in Mexico in which the losses arose, in Germany of RMB8,526,000 (2019: Nil) and in Germany and in Malaysia of RMB1,015,000 (2019: RMB1,015,000) 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.

21. DEFERRED TAX (CONTINUED)

Deferred tax assets (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 2020, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings of RMB1,020.7 million (31 December 2019: RMB962.4 million) that are subject to withholding taxes of subsidiaries of the Group established in China. In the opinion of the directors, it is not probable that those 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.

22. INVENTORIES

	2020 RMB'000	2019 RMB'000
Raw materials	104,376	99,203
Work in progress	127,946	118,644
Finished goods	200,594	225,405
	432,916	443,252

23. DERIVATIVE FINANCIAL INSTRUMENTS

	2020		2019	
	Assets RMB'000	Liability RMB'000	Assets RMB'000	Liability RMB'000
Forward metal contracts	4,981	—	4,215	—
Forward currency contract	—	2,317	—	—
	4,981	2,317	4,215	—

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 gain arising from changes in the fair value of non-hedging derivatives amounting to RMB1,061,000 (2019: RMB902,000) was charged to profit or loss during the year ended 31 December 2020.

The foreign currency forward contract is not designated for hedge purposes and is measured at fair value through profit or loss. The loss arising from changes in the fair value of non-hedging derivatives amounting to RMB2,317,000 (2019: Nil) was charged to profit or loss during the year ended 31 December 2020.

24. TRADE AND BILLS RECEIVABLES

	2020 RMB'000	2019 RMB'000
Trade and bills receivables	647,399	604,754
Impairment	(1,395)	(857)
	646,004	603,897

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. 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:

	2020 RMB'000	2019 RMB'000
Within 1 month	340,239	344,949
1 to 2 months	169,361	125,146
2 to 3 months	87,711	75,798
Over 3 months	48,693	58,004
	646,004	603,897

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

	2020 RMB'000	2019 RMB'000
At beginning of year	857	769
Impairment losses (note 6)	538	88
At end of year	1,395	857

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 RMB21,801,000 (2019: RMB20,990,000) at 31 December 2020 are due within 90 days (2019: 90 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.

24. TRADE AND BILLS RECEIVABLES (CONTINUED)

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

As at 31 December 2020

		Past due			
Mainland China	**Current**	**Less than 1 month**	**1 to 3 months**	**Over 3 months**	**Total**
Expected credit loss rate	**0.18%**	**0.36%**	**4.35%**	**4.48%**	**0.30%**
Gross carrying amount (RMB'000)	**361,651**	**38,965**	**8,544**	**1,718**	**410,878**
Expected credit losses (RMB'000)	**657**	**141**	**372**	**77**	**1,247**

		Past due			
Other geographical regions	**Current**	**Less than 1 month**	**1 to 3 months**	**Over 3 months**	**Total**
Expected credit loss rate	**0.03%**	**0.25%**	**0.29%**	**0.65%**	**0.07%**
Gross carrying amount (RMB'000)	**186,367**	**17,697**	**4,519**	**6,137**	**214,720**
Expected credit losses (RMB'000)	**51**	**44**	**13**	**40**	**148**

As at 31 December 2019

		Past due			
Mainland China	Current	Less than 1 month	1 to 3 months	Over 3 months	Total
Expected credit loss rate	0.11%	0.12%	0.52%	0.91%	0.13%
Gross carrying amount (RMB'000)	321,225	41,962	14,882	2,089	380,158
Expected credit losses (RMB'000)	352	49	78	19	498

		Past due			
Other geographical regions	Current	Less than 1 month	1 to 3 months	Over 3 months	Total
Expected credit loss rate	0.17%	0.17%	0.22%	0.81%	0.18%
Gross carrying amount (RMB'000)	153,074	33,549	16,122	861	203,606
Expected credit losses (RMB'000)	259	57	36	7	359

The Group categorised its customers by making reference to their geographical regions in Mainland China and other geographical regions.

25. CASH AND CASH EQUIVALENTS

At 31 December 2020, the Group's cash and bank balances denominated in RMB amounted to RMB150,188,000 (2019: RMB96,790,000). 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.

26. 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:

	2020 **RMB'000**	2019 RMB'000
Within 1 month	**190,757**	189,755
1 to 2 months	**39,781**	35,915
2 to 3 months	**12,224**	16,469
Over 3 months	**25,741**	24,633
	268,503	266,772

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

27. OTHER PAYABLES AND ACCRUALS

	Notes	**2020** **RMB'000**	2019 RMB'000
Contract liabilities	(a)	**5,421**	5,681
Other payables	(b)	**39,069**	37,805
Accruals		**194,808**	198,370
		239,298	241,856

Notes:

(a) Details of contract liabilities are as follows:

	31 December **2020** **RMB'000**	31 December 2019 RMB'000	1 January 2019 RMB'000
Short-term advances received from customers			
Sale of goods	**5,421**	5,681	8,145

Contract liabilities include short-term advances received to deliver industrial products. The decrease in contract liabilities in 2020 was mainly due to the decrease 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.

28. INTEREST-BEARING BANK BORROWINGS

	2020			2019		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Current portion of long term bank loans – secured	1.2 - 1.3	2021-2022	698	1.2 – 1.3	2020 – 2022	1,489
Unsecured bank loan which contains a repayment on demand clause	LIBOR +2.65% p.a.	2022	48,965	—	—	—
			49,663			1,489
Non-current						
Secured bank loans	1.2 - 1.3	2021-2022	564	1.2 – 1.3	2021 – 2022	1,662
			50,227			3,151

	2020 RMB'000	2019 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	49,663	1,489
In the second year	564	1,109
In the third to fifth years, inclusive	—	553
	50,227	3,151

Notes:

(a) Certain of the Group's bank loans are secured by property, plant and equipment which had a net carrying amount of approximately RMB3,747,000 (2019: RMB4,570,000) at 31 December 2020 (note 13).

(b) Borrowings of the Group are denominated in US$ and EUR (2019: EUR).

29. SHARE CAPITAL

	2020 RMB'000	2019 RMB'000
Issued and fully paid:		
1,002,905,000 ordinary shares of HK$0.1 each	**87,485**	87,485

There was no movement in the Company's share capital 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 30 to the financial statements.

30. 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.

30. SHARE OPTION SCHEME (CONTINUED)

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

	2020		2019	
	Weighted average exercise price HK$ per share	Number of options '000	Weighted average exercise price HK$ per share	Number of options '000
At the beginning of the year	3.45	19,806	3.45	21,771
Forfeited during the year	3.45	(1.432)	3.45	(1,965)
At the end of the year	3.45	18,374	3.45	19,806

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:

2020

Number of options '000	Exercise price* HK$ per share	Exercise period
18,374	3.45	30-04-22 to 13-08-28

2019

Number of options '000	Exercise price* HK$ per share	Exercise period
19,806	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.

During the year ended 31 December 2020, there was no share option granted and the Group recognised a share option expense of RMB6,173,000 (2019: RMB6,483,000).

30. SHARE OPTION SCHEME (CONTINUED)

At the end of the reporting period, the Company had 18,374,000 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 18,374,000 additional ordinary shares of the Company and additional share capital of RMB2,182,000 (before issue expenses).

31. 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 61 of the financial statements.

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB26,296,000 (2019: RMB55,413,000) and RMB26,296,000 (2019: RMB55,413,000), respectively, in respect of lease arrangements for properties and equipment.

(b) Changes in liabilities arising in financing activities

2020

	Lease liabilities RMB'000	Bank loans RMB'000
As at 1 January 2020	101,312	3,151
Changes from financing cash flows	(32,257)	46,886
New leases	26,296	—
Interest expense	3,754	—
Interest paid classified as operating cash flows	(3,754)	—
Exchange realignment	—	190
As at 31 December 2020	95,351	50,227

2019

	Lease liabilities RMB'000	Bank loans RMB'000	Finance lease payables RMB'000
As at 1 January 2019	73,596	6,115	230
Changes from financing cash flows	(27,697)	(2,819)	(230)
New leases	55,413	—	—
Interest expense	3,706	—	—
Interest paid classified as operating cash flows	(3,706)	—	—
Exchange realignment	—	(145)	—
As at 31 December 2019	101,312	3,151	—

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2020 RMB'000	2019 RMB'000
Within operating activities	**3,754**	3,706
Within financing activities	**32,257**	27,697
	36,011	31,403

33. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank loans are included in note 28 to the financial statements.

34. COMMITMENTS

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

	2020 RMB'000	2019 RMB'000
Contracted, but not provided for:		
Plant and equipment	**132,517**	64,734
Capital contributions to a joint venture company	**39,531**	—
	172,048	64,734

35. RELATED PARTY TRANSACTIONS

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

	Notes	2020 RMB'000	2019 RMB'000
Purchase of tooling:			
Suzhou City Keen Point Precision Molding Co., Ltd.	(i), (ii)	**21,436**	23,177
Sales of goods:			
Suzhou City Keen Point Precision Molding Co., Ltd.	(i), (ii)	**—**	369

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.

35. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	2020 RMB'000	2019 RMB'000
Short term employee benefits	16,419	16,246
Post-employment benefits	331	445
Total compensation paid to key management personnel	16,750	16,691

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

36. 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:

2020

Financial assets

	Financial assets at fair value through profit or loss	Financial assset at fair value through other comprehenvise income	Financial assets at amortised cost	Total
	Held for trading RMB'000	Equity investment RMB'000	RMB'000	RMB'000
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
	4,981	13,179	1,280,047	1,298,207

36. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2020

Financial liabilities

	Financial liability at fair value through profit or loss		
	Held for trading RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
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
	2,317	431,936	434,253

2019

Financial assets

	Financial assets at fair value through profit or loss		
	Held for trading RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Trade and bills receivables	—	603,897	603,897
Financial assets included in prepayments, deposits and other receivables	—	121,363	121,363
Derivative financial instruments	4,215	—	4,215
Cash and cash equivalents	—	462,814	462,814
	4,215	1,188,074	1,192,289

36. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2019

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	266,772
Financial liabilities included in other payables and accruals	99,842
Interest-bearing bank borrowings	3,151
Lease liabilities	101,312
	471,077

37. 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 amount		Fair value	
	2020 RMB'000	2019 RMB'000	**2020 RMB'000**	2019 RMB'000
Financial assets				
Financial asset at fair value through other comprehensive income	**13,179**	—	**13,179**	—
Derivative financial instruments	**4,981**	4,215	**4,981**	4,215
	18,160	4,215	**18,160**	4,215
Financial liabilities				
Interest-bearing bank borrowings	**50,227**	3,151	**50,578**	3,444
Derivative financial instrument	**2,317**	—	**2,317**	—
	52,544	3,151	**52,895**	3,444

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.

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

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

The fair values of the non-current portion of interest-bearing bank 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.

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 approximate 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 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total 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

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

Assets measured at fair value: (Continued)

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Derivative financial instruments	4,215	—	—	4,215

Liability measured at fair value:

As at 31 December 2020

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

The Group did not have any financial liabilities measured at fair value as at 31 December 2019.

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 (2019: Nil).

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments other than derivatives comprise cash and cash equivalents, 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 financial liabilities included other payables and accruals.

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).

	Increase/ (decrease) in basis points	Increase/(decrease) in profit before tax	
		2020 **RMB'000**	2019 RMB'000
RMB	100	**1,502**	1,386
HK$	100	**67**	93
US$	100	**2,823**	2,185
RMB	(100)	**(1,502)**	(1,386)
HK$	(100)	**(67)**	(93)
US$	(100)	**(2,823)**	(2,185)

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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 57% (2019: 57%) 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
2020		
If RMB weakens against US$	1	7,360
If RMB strengthens against US$	(1)	(7,360)
If RMB weakens against EUR	1	4,327
If RMB strengthens against EUR	(1)	(4,327)
If RMB weakens against JPY	1	85
If RMB strengthens against JPY	(1)	(85)
If RMB weakens against HK$	1	1
If RMB strengthens against HK$	(1)	(1)
2019		
If RMB weakens against US$	1	7,392
If RMB strengthens against US$	(1)	(7,392)
If RMB weakens against EUR	1	4,593
If RMB strengthens against EUR	(1)	(4,593)
If RMB weakens against JPY	1	121
If RMB strengthens against JPY	(1)	(121)
If RMB weakens against HK$	1	1
If RMB strengthens against HK$	(1)	(1)

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

Maximum exposure and year-end staging

The tables below show 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.

At 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	—	—	—	625,598	625,598
Bills receivable					
– Not yet past due	21,801	—	—	—	21,801
Financial assets included in prepayments, deposits and other receivables					
– Normal**	95,065	—	—	—	95,065
Cash and cash equivalents					
– Not yet past due	538,978	—	—	—	538,928
	655,844	—	—	625,598	1,281,442

At 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	—	—	—	583,764	583,764
Bills receivable					
– Not yet past due	20,990	—	—	—	20,990
Financial assets included in prepayments, deposits and other receivables					
– Normal**	121,363	—	—	—	121,363
Cash and cash equivalents					
– Not yet past due	462,814	—	—	—	462,814
	605,167	—	—	583,764	1,188,931

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 24 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".

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and financial assets included in prepayments, 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 10% and 11% of the Group's trade and bills receivables were due from the Group's largest customer for the years ended 31 December 2019 and 2020, 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 24 to the financial statements.

Liquidity risk

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

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

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	Total RMB'000
2020			
Trade payables	268,503	—	268,503
Other payables and accruals	17,855	—	17,855
Interest-bearing bank borrowings	50,856	570	51,426
Lease liabilities	32,258	63,093	95,351
	369,472	63,663	433,135
2019			
Trade payables	266,772	—	266,772
Other payables and accruals	99,842	—	99,842
Interest-bearing bank borrowings	1,615	1,946	3,561
Lease liabilities	30,286	71,026	101,312
	398,515	72,972	471,487

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 2019 and 2020.

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

	2020 RMB'000	2019 RMB'000
Total debt	50,227	3,151
Total equity	2,447,890	2,358,381
Gearing ratio	2.1%	0.1%

39. STATEMENT OF THE FINANCIAL POSITION OF THE COMPANY

	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS		
Investment in a subsidiary	828	828
Financial asset at fair value through other comprehensive income	13,179	—
Total non-current assets	14,007	828
CURRENT ASSETS		
Deposits and other receivables	9	—
Due from a subsidiary	814,896	820,713
Cash and cash equivalents	101,854	78,261
Total current assets	916,759	898,974
CURRENT LIABILITIES		
Other payables and accruals	130	132
Due to subsidiaries	184,574	28,627
Interest-bearing bank borrowing	48,965	—
Total current liabilities	233,669	28,759
NET CURRENT ASSETS	683,090	870,215
NET ASSETS	697,097	871,043
EQUITY		
Issued capital	87,485	87,485
Reserves (note)	609,612	783,558
Total equity	697,097	871,043

39. STATEMENT OF THE 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 2019	577,892	2,704	60,652	641,248
Total comprehensive income for the year	—	—	267,007	267,007
Equity-settled share options arrangements	—	6,483	—	6,483
Final 2018 dividend	—	—	(100,291)	(100,291)
Interim 2019 dividend	—	—	(30,889)	(30,889)
At 31 December 2019 and at 1 January 2020	577,892	9,187	196,479	783,558
Total comprehensive loss for the year	—	—	(53,753)	(53,753)
Equity-settled share options arrangements	—	6,173	—	6,173
Final 2019 dividend	—	—	(92,267)	(92,267)
Interim 2020 dividend	—	—	(34,099)	(34,099)
At 31 December 2020	577,892	15,360	16,360	609,612

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 March 2021.