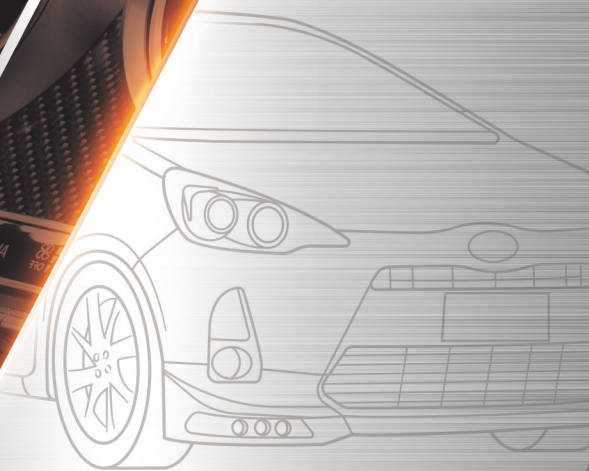




# Xin Point Holdings Limited 信邦控股有限公司

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



# 2022 INTERIM REPORT



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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive directors

Mr. Ma Xiaoming  
Mr. Meng Jun  
Mr. Zhang  
Mr. Liu Jun  
Mr. He Xiaolu  
Mr. Jiang Wei

### Independent non-executive directors

Mr. Tang Chi Wai  
Mr. Gan Weimin  
Prof. Cao Lixin

## COMPANY SECRETARY

Mr. Au Wai Keung, *FCCA*

## AUDITOR

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

## LEGAL ADVISOR

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

## PRINCIPAL SHARE REGISTRAR

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

## HONG KONG SHARE REGISTRAR

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

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

## REGISTERED OFFICE

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

## TICKER SYMBOL

Listed on The Stock Exchange of Hong Kong  
Limited under the stock code 1571

## WEBSITE

<http://www.xinpoint.com>

## FINANCIAL HIGHLIGHTS

- Xin Point Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**” or “**Xin Point**”) recorded an unaudited revenue of approximately RMB1,309.1 million for the six months ended 30 June 2022 (“**1H 2022**” or the “**Reporting Period**”), representing an increase of approximately 12.4% compared to the same period of the previous year (six months ended 30 June 2021 (“**1H 2021**”): approximately RMB1,164.8 million). During 1H 2022, the Group’s business is moving into the next phase of recovery after more than two years of adverse impact caused by the outbreak of Coronavirus Disease (“**COVID-19**”), which were further affected by the auto chip shortages.
- The Group recorded an unaudited profit attributable to the owners of the Company of approximately RMB172.2 million for 1H 2022, which was approximately 13.5% higher than that of the corresponding period in 2021 (1H 2021: approximately RMB151.7 million). The Group also recorded an increase in group net profit in 1H 2022.
- The basic and diluted earnings per share for 1H 2022 were RMB17.2 cents (1H 2021: RMB15.1 cents).
- Net cash flows from operations for 1H 2022 were approximately RMB221.5 million (1H 2021: approximately RMB24.1 million).
- The directors of the Company (the “**Directors**”) recommend the payment of an interim dividend of RMB5.13 cents per share for 1H 2022 (1H 2021: RMB4.54 cents).
- In this report, “we”, “us”, “our” and “Xin Point” refer to the Company and where the context otherwise requires, the Group.



# MANAGEMENT DISCUSSION AND ANALYSIS

## MARKET REVIEW

In the first half of 2022, the automotive industry certainly had a tough time. COVID-19, the semiconductor crisis, and the war in Ukraine all played their parts in undermining global vehicle output. From its peak in 2017, global light vehicle production slumped by over 20% last year due to weakening market outlook, sharply rising input costs and the challenge of transitioning from combustion to electric technologies.

China's automotive industry, being the world's largest, has been hit hard in recent months by the restrictions related to COVID-19, as the government has imposed stringent lockdown restrictions to certain areas (including Shanghai) of the country on various occasions. On the other hand, China's automotive industry is also facing persistent challenges of chip shortages and rising raw material costs, especially for electric-vehicle batteries, according to China Association of Automobile Manufacturers. Authorities have introduced incentives to revive demand, with the central government halving the purchase tax for certain car purchases in June 2022. Many policies have encouraged the sales of new-energy vehicles, which contributed to the increase in sales in June 2022 after falling for four consecutive months. However, those incentives hardly helped with commercial vehicle demand, which depends on the recovery of the logistics and infrastructure sectors and will need more support from the government. China Association of Automobile Manufacturers adjusted its sales forecast downward for the remaining of 2022.

Despite the setbacks, sales is recovering in China as supported by the easing of lockdowns that allowed original equipment manufacturers ("**OEMs**") to ramp up production and a new temporary tax cut for passenger vehicles ("**PVs**"). It has led to the rise in the global light vehicle sales in June 2022, marking the best result of the year so far. However, vehicle sales in 1H 2022 still lie 8.5% below the same period in 2021, signalling that the global market has a bumpy road to recovery, as supply issues are still impacting demand in most regions.

## BUSINESS REVIEW

During the 1H 2022, the automotive business started recovering, albeit slowly, with new vehicle sales growing at rates comparable to those in 2021. While the automakers expect the sector to catch up to pre-pandemic levels in 2023 and beyond, many automakers may still struggle to satisfy the recovering demand in the current market.

The lockdowns due to COVID-19 in 2020 caused numerous supply chain disruptions, including material and labour shortages. Car microchip manufacturers struggled to meet demands, causing delays in vehicle manufacturing and global vehicle shortage. On the other hand, the growth in ownership of personal vehicles was primarily driven by pandemic-related factors, such as stimulus policies, less ride-sharing and less frequent public transits, further complicated the vehicle inventory shortage. Inventory shortage will likely continue throughout the rest of 2022 as companies still struggle to ramp up production. More eco-friendly vehicle options, such as hybrid and electric vehicles ("**EVs**"), are reshaping the automotive industry as more and more consumers consider the impact of climate change. Both conventional and new manufacturers are putting substantial effort into producing EVs to keep up with consumer expectations and the latest legislations.

Despite the persistency of supply chain issues, logistics constraints, inflation pressures, geopolitical conflicts and COVID-19 control measures in China that affected us and other players in the market, Xin Point's strategic initiatives are progressing, helping us to expand our production capacity and improve our operational efficiency. In addition, strong trends in automotive electrification continue to fuel growth in EVs demand for our products. Xin Point recorded a strong year-on-year revenue growth, capping off a dynamic 1H 2022.

The total revenue of the Group increased to approximately RMB1,309.1 million for 1H 2022, representing an increase of approximately 12.4% when compared with the corresponding period of last year (1H 2021: approximately RMB1,164.8 million). Driven by robust consumer demands, Xin Point's revenue remained strong in 1H 2022, except in February and April 2022 due to Chinese New Year holidays and strict lockdowns in China respectively. Nonetheless, the total sales unit decreased by approximately 15.4 million units from approximately 208.3 million units in 1H 2021 to approximately 192.9 million units in 1H 2022, representing a decrease of approximately 7.4%. This was the result of a product mix change in the North American market, as further explained in the section headed "Revenue" on page 6 of this report.

In addition, the operational efficiency of our production facilities in Mexico is improving. Its revenue has been increasing since 2022 and we have recorded positive operating gross profits from the operations in Mexico during 1H 2022. Due to the relatively stronger gross profit contributions from our facilities in Mexico, the Group's gross profit increased to approximately RMB384.3 million for 1H 2022 as compared to approximately RMB381.3 million for 1H 2021.

### ELECTRO-PLATING PRODUCTION CAPACITY AND UTILISATION RATE

During 1H 2022, there were no significant changes in our electro-plating production capacity and our annualised electro-plating production capacity, which remained stable at approximately 3.8 million sq.m. as of 30 June 2022 (as of 31 December 2021: approximately 3.8 million sq.m.).

There was a significant increase in the Group's revenue for 1H 2022. Xin Point also recorded an increase in the utilisation rate of our electro-plating production capacity. Our capacity utilisation rate increased to approximately 76.1% for 1H 2022 as compared with the utilisation rate of approximately 66.7% for 1H 2021.

### PRODUCTION YIELD

The Group's production yield for 1H 2022 increased to approximately 89.9% as the efficiencies of our facilities in Mexico were improved, when compared with the average production yield of approximately 89.5% for the year ended 31 December 2021.

### ORDER BOOK

Our order book remained strong, providing a solid foundation for our future business. Continual efforts to penetrate additional overseas market will remain our priority. The Group had total backlog orders of approximately RMB10.4 billion as of 30 June 2022.

### OUTLOOK

After more than two years of COVID-19 plus the chip shortages, we hope that this year would deliver a continuing recovery in global car sales, which can bridge the gap between the current sales level and the pre-pandemic sales levels. The robust consumer demand allowed automakers to maintain or improve their profits, in spite of the weak sales volume during the second half of last year. Xin Point's 1H 2022 results are buoyed up by the pent-up demand for vehicles coupled with the "back to normal" manufacturing environment.

However, new adverse factors have intervened since the start of 2022, including the Russia-Ukraine war and strict lockdowns in China. This has led to new disruptions at various production sites in Europe and Asia, while chip shortages remain unsolved. As a result, it is uncertain whether the sales level could return to "normal" in 2022 for the global automobile market. We note that light vehicle sales experienced a drop in 1H 2022 across three major car markets, including China, the United States and the European Union.

## MANAGEMENT DISCUSSION AND ANALYSIS

While the global car market was impacted by the pandemic, electrification continued to progress. EVs are not immune from the production struggles as they consume even more chips than conventional cars. However, at the same time, EVs have also been prioritised by car makers for strategic and regulatory reasons.

Almost all car manufacturers have now revealed their transition strategies. In addition to further developments on the regulatory front, new entrants like XPeng, NIO and Rivian are trying to penetrate the market and make their way through the upscaling production challenge. Tesla delivered over half a million EVs in 1H 2022 globally, which is up 46.3% compared with that in 1H 2021. The appetite for EVs is soaring, according to global surveys.

While the automobile industry in China has cut its annual projection for overall sales, China Association of Automobile Manufacturers revised its forecast for EVs, saying that 5.5 million units would probably be sold, up by more than 56% compared with last year's 47% growth. Xin Point would be benefited from the global electrification trend. For the first time, Xin Point has extended its business beyond chrome plating and spray-painting businesses. Recently, we have successfully produced our first compression and back injection molding part at our plant in Mexico. This is a completely new technology for Xin Point and such products are targeted at a renowned automaker within the EV sector.

We improved our performance in 1H 2022 despite the limited global economic recovery. Looking ahead, Xin Point will remain optimistic but cautious about the automobile market in the medium term. We note that the second half of 2021 experienced the most acute impact of auto chip shortages, so the results for the second half of 2022 will likely be in a more favourable position in comparison. Xin Point is optimistic that 2023 will mark a step closer to the return of pre-pandemic production and sales levels as chip shortages start to ease, which helps offset supply chain bottlenecks and rising costs according to recent comments made by Volkswagen. However, the industry still has a bumpy road ahead in the rest of 2022.

### REVENUE

Our revenue increased by approximately RMB144.3 million or approximately 12.4% to approximately RMB1,309.1 million for 1H 2022.

By the end of 2021, we entered the pandemic recovery phase around the world. The automotive market thus staged an impressive rebound. Light vehicle sales have risen back to their pre-pandemic levels, as pent-up demand and country-level incentives have boosted demand.

On the other hand, there were signs that the worst of the semiconductor crisis may be behind us. Many manufacturers have been adapting to the situation and successfully prioritised the production of EVs and other high margin models for sale. They are managing supply chains, working with suppliers and looking for new solutions to resolve problems such as the shortage of cable harnesses from Ukraine. There are also other signs that the semiconductor crisis for the industry is easing. Toyota's global production in March 2022 hit a new record as production outside Japan surged, and many manufacturers reported gradual improvement of supplies of critical components.

During 1H 2022, by leveraging the resilient consumer demands, especially the month-over-month significant rebounds in May and June due to the lifting of lockdown measures in China, Xin Point recorded a significant improvement in its revenue. The Group recorded an overall increase of approximately RMB144.3 million or approximately 12.4% growth in revenue for 1H 2022 as compared to that in 1H 2021.

## MANAGEMENT DISCUSSION AND ANALYSIS

While the revenue generated from China dropped by approximately RMB22.0 million or 4.5% for 1H 2022 as a result of the double-digit dip in vehicle sales in March and April 2022 due to COVID-19 lockdowns, the revenue from the North American market increased significantly by approximately RMB177.3 million or approximately 45.1% as compared with 1H 2021. Increased revenue in the North America market was attributable to: (i) the increased revenue from our factory in Mexico; (ii) commencement of some projects which require production of large components and have complex finishing requirements; and (iii) new pricing schemes implemented during 1H 2022 in order to recover certain material and logistics cost increases faced by Xin Point.

In addition, we also noted that all regions recorded increases in average selling prices. The average selling price increased from RMB5.59 per unit for 1H 2021 to RMB6.78 per unit for 1H 2022, representing an approximately 21.3% increase. This demonstrates that Xin Point is moving into more advanced assembly projects which involve more skillful and complicated processes than electro-plating.

### Revenue by geographic segment:

|               | For the six months ended 30 June |             |                        |             |
|---------------|----------------------------------|-------------|------------------------|-------------|
|               | 2022                             |             | 2021                   |             |
|               | RMB'000<br>(unaudited)           | %           | RMB'000<br>(unaudited) | %           |
| China         | 463,420                          | 35%         | 485,392                | 42%         |
| North America | 569,922                          | 44%         | 392,644                | 33%         |
| Europe        | 224,788                          | 17%         | 228,354                | 20%         |
| Others        | 50,945                           | 4%          | 58,428                 | 5%          |
|               | <b>1,309,075</b>                 | <b>100%</b> | <b>1,164,818</b>       | <b>100%</b> |

### COST OF SALES

|                         | Six months ended 30 June 2022 |               | Six months ended 30 June 2021 |               |
|-------------------------|-------------------------------|---------------|-------------------------------|---------------|
|                         | RMB'000<br>(unaudited)        | %             | RMB'000<br>(unaudited)        | %             |
| <b>Direct materials</b> | <b>264,891</b>                | <b>28.6%</b>  | 222,229                       | 28.4%         |
| <b>Staff costs</b>      | <b>251,370</b>                | <b>27.2%</b>  | 229,359                       | 29.3%         |
| <b>Overheads</b>        | <b>408,560</b>                | <b>44.2%</b>  | 331,965                       | 42.3%         |
| – Depreciation          | 71,969                        | 7.8%          | 64,976                        | 8.3%          |
| – Mold cost             | 74,181                        | 8.0%          | 76,900                        | 9.8%          |
| – Utilities             | 77,716                        | 8.4%          | 57,875                        | 7.4%          |
| – Shipping and delivery | 61,775                        | 6.7%          | 24,671                        | 3.1%          |
| – Others                | 122,919                       | 13.3%         | 107,543                       | 13.7%         |
|                         | <b>924,821</b>                | <b>100.0%</b> | <b>783,553</b>                | <b>100.0%</b> |



## MANAGEMENT DISCUSSION AND ANALYSIS

The cost of sales increased by approximately RMB141.2 million or approximately 18.0% from approximately RMB783.6 million for 1H 2021 to approximately RMB924.8 million for 1H 2022. Such increase was mainly because:

- i. The strong demands for raw materials, including plastic resins and different metals in the second half of 2021 continues in 2022. Xin Point still faced cost pressures during 1H 2022. This is due to the fact that the cost of direct materials increased by approximately 19.2% or approximately RMB42.7 million as compared to the same period in 2021. Such increase was still seven percentage points above the Group's growth in revenue. The increase in cost was attributable to the continued price growth in our direct materials;
- ii. Overheads amounted to approximately RMB408.6 million for 1H 2022, representing an increase of approximately RMB76.6 million or approximately 23.1% from approximately RMB332.0 million for 1H 2021. The increase was mainly due to the business growth in 1H 2022 as compared to 1H 2021. There was a significant 150% increase in shipping and delivery costs for 1H 2022 as compared to 1H 2021. The global freight rates increased steeply in the second half of 2021 and it reached a record high price in September 2021 according to the Container Freight Rate index. While shipping and delivery costs have been gradually decreasing from elevated levels, the cost figures in 1H 2022 are still significantly higher than that in 1H 2021. In addition, as the Russia-Ukraine war disrupted global energy markets, utilities cost surged by approximately 34.3% for 1H 2022 when compared to 1H 2021. This reflects that Xin Point is facing higher energy prices for its operations; and
- iii. On the other hand, previous efforts were made by the management to improve staff efficiency and make operations in facilities in Mexico more stable. There was only an approximately 9.6% increase in staff cost (or approximately RMB22.0 million) for 1H 2022 as compared with that for 1H 2021. Such increase in staff cost for 1H 2022 was less than the growth in our revenue during the same period.

### GROSS PROFIT

Our Group's gross margin of 29.4% was due to the positive contributions from our operations in Mexico, targeted pricing adjustments and margin-accretive effects from ongoing strategic initiatives. However, it was partially offset by the higher material and logistics costs from stretched global supply chains. The gross profit was approximately RMB384.3 million and approximately RMB381.3 million, for 1H 2022 and 1H 2021 respectively. The increase was due to the combined effects of the followings:

- i. During 1H 2022, the increase in sales revenue was approximately 12.4%, while the staff cost only increased by approximately 9.6% as compared to 1H 2021. The Group managed to control the increase of labour cost, hence, the Group still recorded an overall increase in its gross profit for 1H 2022 as compared to 1H 2021;
- ii. The ramp-up of Xin Point's factory in Mexico ended last year. Its revenue had been steadily progressing during 1H 2022. The factory had since been operating in a more efficient manner and achieved economies of scale by increasing production and lowering cost. Hence, the profit contribution level from Xin Point's factory in Mexico increased during 1H 2022; and
- iii. Increases in energy costs, raw materials and logistics costs were hitting automotive suppliers and Xin Point. This unprecedented inflation has serious repercussions on the entire automobile industry. While Xin Point tried to pass on some of its cost increases to others, the options were contractually limited. This created additional pressure on the Group and limited the profit margin during 1H 2022.

### OTHER INCOME AND GAINS

Other income and gains mainly represented bank interest income, exchange gains, income from sale of scraps and testing fee income. During 1H 2022, Xin Point recorded an exchange gain of approximately RMB5.6 million (1H 2021: exchange loss of approximately RMB20.1 million accounted for as administrative expenses) due to the appreciation of USD against RMB and EUR. In addition, a "one-off" gain of approximately RMB3.8 million (1H 2021: nil) was recorded from the disposal of an office premise from our subsidiary. Another gain of approximately RMB2.2 million (1H 2021: nil) was recognised upon the settlement of certain commodity future contracts.

### SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses increased by approximately RMB2.4 million or approximately 6.7% to approximately RMB38.4 million for 1H 2022 from approximately RMB36.0 million for 1H 2021. The increase was mainly due to more marketing staff being employed to cope with new projects and customers' increased demands for our products.

### ADMINISTRATIVE EXPENSES

The table below summarises the components of our administrative expenses:

|                                   | Six months ended 30 June 2022 |               | Six months ended 30 June 2021 |               |
|-----------------------------------|-------------------------------|---------------|-------------------------------|---------------|
|                                   | RMB'000<br>(unaudited)        | %             | RMB'000<br>(unaudited)        | %             |
| Staff costs                       | 74,718                        | 47.3%         | 68,515                        | 40.5%         |
| Research and development expenses | 37,806                        | 23.9%         | 27,378                        | 16.2%         |
| Legal and professional fees       | 9,435                         | 6.0%          | 11,227                        | 6.6%          |
| Depreciation and amortisation     | 12,188                        | 7.7%          | 11,226                        | 6.6%          |
| Exchange losses                   | —                             | —             | 20,082                        | 11.9%         |
| Others                            | 23,833                        | 15.1%         | 30,875                        | 18.2%         |
|                                   | <b>157,980</b>                | <b>100.0%</b> | <b>169,303</b>                | <b>100.0%</b> |

Administrative expenses decreased by approximately RMB11.3 million or by approximately 6.7% to approximately RMB158.0 million for 1H 2022 from approximately RMB169.3 million for 1H 2021. The decrease was primarily due to the combined effects of: (i) the increase in research and development expenses of approximately RMB10.4 million as most projects previously delayed by COVID-19 have resumed and there are more new surfacing decorative technology demands from our customers; (ii) Xin Point recorded exchange gains (accounted for as "other income and gains" above) for 1H 2022 whereas an exchange loss of approximately RMB20.1 million were recorded as administrative expenses due to the appreciation of RMB during 1H 2021; and (iii) there was no loss on disposal incurred for 1H 2022.

## MANAGEMENT DISCUSSION AND ANALYSIS

### PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Profit attributable to owners of the Company for the Reporting Period increased by around 13.5% from approximately RMB151.7 million for 1H 2021 to approximately RMB172.2 million for 1H 2022. The increase was the result of the followings:

- i. An increase of approximately 12.4% in our revenue for 1H 2022 as compared with 1H 2021. Xin Point achieved significant growth in revenue from the sales of automotive decorative components within the North American region during 1H 2022;
- ii. An increase in our gross profit from approximately RMB381.3 million for 1H 2021 to approximately RMB384.3 million for 1H 2022, as a result of the increase in the Group's revenue; and
- iii. The Group recorded increases in other incomes and a decrease in our administrative expenses during 1H 2022 as discussed above.

### TOTAL COMPREHENSIVE INCOME

Total comprehensive income for the Reporting Period attributable to owners of the Company was approximately RMB193.7 million (1H 2021: approximately RMB142.3 million), which comprised (a) profit for the Reporting Period attributable to owners of the Company of approximately RMB172.2 million (1H 2021: approximately RMB151.7 million); and (b) other comprehensive gain for the Reporting Period attributable to owners of the Company of approximately RMB21.5 million (1H 2021: loss of approximately RMB9.4 million) which mainly included unrealised loss on fair value changes of listed equity investment at fair value through other comprehensive income ("FVTOCI") of approximately RMB1.2 million (1H 2021: gain of approximately RMB3.3 million), details are disclosed in the sub-paragraph headed "Significant Investments Held - (b) Implication on Other Comprehensive Expenses for the Reporting Period" on page 12 of this report.

### LIQUIDITY AND FINANCIAL RESOURCES

For the Reporting Period, the Group's net cash inflow from operating activities amounted to approximately RMB221.5 million, as compared to approximately RMB24.1 million in 1H 2021.

The bank borrowings of approximately RMB81.5 million as at 30 June 2022 relates to working capital loans incurred by the Company (31 December 2021: approximately RMB130.9 million).

As at 30 June 2022, the gearing ratio, being total bank borrowings divided by total equity, decreased to 3.1% (as at 31 December 2021: 5.3%).

The annual interest rates of bank borrowings during 1H 2022 ranged from 1.2%-4.2% (1H 2021: 1.2%-2.4%).

### INTERIM DIVIDEND

The board of Directors ("**Board**") resolved to pay an interim dividend of RMB0.0513 per ordinary share of the Company ("**Shares**") for 1H 2022 (1H 2021: RMB0.0454 per Share). The exchange rate adopted for the conversion of the interim dividend from RMB to Hong Kong dollars was the middle exchange rate of RMB to Hong Kong dollars published by the People's Bank of China one business day prior to the declaration of interim dividend (i.e. 24 August 2022) (HK\$1 = RMB0.87153). Accordingly, the amount of interim dividend payable in Hong Kong dollars will be HK\$0.0589 per Share.

The interim dividend will be distributed on or around 28 October 2022 to shareholders of the Company (the “Shareholders”) whose names appear on the register of members of the Company as at the close of business on 7 October 2022.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 3 October 2022 to 7 October 2022, both days inclusive, during which period no transfer of the Shares will be registered. In order to qualify for the interim dividend payable on or around 28 October 2022, all transfers of the Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company’s branch share register in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on 30 September 2022.

## SHARE OPTIONS SCHEME

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

Details of the movement in the share options granted under the 2017 Share Option Scheme of the Company during 1H 2022 are set out below:

| Category of participants | Options held at 1 January 2022 | Options granted during the Reporting Period | Options exercised during the Reporting Period | Options lapsed during the Reporting Period | Options held at 30 June 2022 |
|--------------------------|--------------------------------|---|---|--|------------------------------|
| <b>Directors</b>         |                                |   |   |  |                              |
| 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                       |
| <b>Others</b>            | 15,131,000                     | —   | —   | (851,000)                                  | 14,280,000                   |
|                          | <b>15,709,000</b>              | <b>—</b>                                    | <b>—</b>                                      | <b>(851,000)</b>                           | <b>14,858,000</b>            |

Note: During 1H 2022, 4,518,900 share options were vested. As at 30 June 2022, there was a total of 14,858,000 share options, of which 4,518,900 of the share options were vested.

## CAPITAL STRUCTURE

As at 30 June 2022, 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 2021: approximately RMB87.5 million).



## MANAGEMENT DISCUSSION AND ANALYSIS

### SIGNIFICANT INVESTMENTS HELD

As at 30 June 2022, the Group had equity investments of 25,789,000 shares in Wanka Online Inc. (“Wanka”) and these shares were accounted for as “Financial Assets Measured at Fair Value Through Other Comprehensive Income”. For details, please refer to the Company’s announcements dated 7 January 2020 and 20 January 2020 respectively.

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

Dividend income (if any), other investment income and relevant finance costs of holding listed equity investments at FVTOCI were recognised in profit or loss for the Reporting Period. During the Reporting Period, no dividend income was recorded from holding of 25,789,000 shares of Wanka. Hence, no income or expense from the Financial Assets Measured at FVTOCI was recorded (1H 2021: Nil).

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

The closing share price of Wanka was HK\$0.36 as at 30 June 2022 (being the last trading day for the Reporting Period), an unrealised loss on fair value changes of the Financial Assets Measured at FVTOCI of approximately RMB1.2 million was recorded for 1H 2022 (1H 2021: gain of approximately RMB3.3 million) and was recognised as other comprehensive income. Realised gain or loss on fair value change is a cash item while unrealised fair value change is a non-cash item and will not affect the cash flow of the Group.

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

|                                   | Number of shares | Price (per share)<br>HK\$ | Recorded in unaudited condensed consolidated statement of financial position          |   | Recorded in unaudited condensed consolidated statement of comprehensive income |  |
|-----------------------------------|------------------|---------------------------|---|---|--|--|
|                                   |                  |                           | Financial assets measured at fair value through other comprehensive income<br>RMB'000 | Financial assets measured at fair value through other comprehensive income reserve<br>RMB'000 | Profit for the Reporting Period<br>RMB'000                                     | Other comprehensive income for the Reporting Period<br>RMB'000 |
| As at 1 January 2022              | 25,789,000       | 0.50                      | 10,520  | (30,401)  | —  | —  |
| Unrealised fair value changes     | —                |                           | (1,236)   | (1,236)   | —  | (1,236)  |
| As at 30 June 2022                | 25,789,000       | 0.36                      | 9,284   | (31,637)  | —  | (1,236)  |
| <b>Percentage to total assets</b> |                  |                           |   |   |  |  |
| As at 30 June 2022                |                  |                           | 0.3%  |   |  |  |
| As at 31 December 2021            |                  |                           | 0.3%  |   |  |  |

### FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

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

### USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

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

As at 30 June 2022, the net proceeds were applied as follows:

| Purpose   | Planned amount as mentioned in the Prospectus |                                | Percentage of total amount | Actual usage up to 30 June 2022 | Unutilised amount as at 30 June 2022 | Expected timeline for fully utilising the remaining proceeds |
|---|---|--------------------------------|----------------------------|---------------------------------|--------------------------------------|--|
|   | RMB million                                   | Revised allocation RMB million |                            | RMB million                     | RMB million                          |  |
| Expanding and improving the production facilities in PRC  |   |                                |                            |                                 |                                      |  |
| i) Set up the Huizhou New Production Base   | 155.0   | 155.0                          | 20.9%                      | 155.0                           | —                                    | N/A  |
| ii) Construct the Wuxi New Production Base  | 76.4  | 57.2                           | 7.7%                       | 57.2                            | —                                    | N/A  |
| iii) Construct a new electroplating production line   | 23.0  | 23.0                           | 3.1%                       | 23.0                            | —                                    | N/A  |
| iv) Invest in plastic injection equipment   | 11.9  | 11.9                           | 1.6%                       | 11.9                            | —                                    | N/A  |
| Constructing the new production base in Mexico and investing in production facilities and equipment   | 298.1   | 389.0                          | 52.5%                      | 359.2                           | 29.8                                 | By end of 2022   |
| Reinforcing the market position and enhancing the sales, increasing the direct exposure in the mid-to-high end automobile manufacturing segment and market shares in North America and Europe | 40.0  | 1.3                            | 0.1%                       | 1.3                             | —                                    | N/A  |
| Enhancing the product quality, product safety and R&D capabilities  | 42.3  | 42.3                           | 5.7%                       | 42.3                            | —                                    | N/A  |
| Enhancing the information technology and customer services systems  | 35.6  | 2.6                            | 0.4%                       | 2.6                             | —                                    | N/A  |
| Working capital and general corporate purposes  | 59.2  | 59.2                           | 8.0%                       | 59.2                            | —                                    | N/A  |
| <b>Total</b>  | <b>741.5</b>                                  | <b>741.5</b>                   | <b>100.0%</b>              | <b>711.7</b>                    | <b>29.8</b>                          |  |

## MANAGEMENT DISCUSSION AND ANALYSIS

### MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

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

### PLEDGE OF ASSETS

As at 30 June 2022, certain buildings, right-of-use assets and machineries with a net book value in aggregate of approximately RMB128.9 million were pledged to financial institutions to secure general banking facilities (31 December 2021: certain machineries with a net book value of approximately RMB1.2 million).

### FOREIGN EXCHANGE EXPOSURE

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

### TREASURY POLICIES

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

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

### SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

1. The Company obtained a short-term loan denominated in Hong Kong Dollar of HK\$50.0 million from a Shareholder on 4 July 2022, with an effective interest rate of 1.77% per annum for working capital purpose. Such amount due to a Shareholder was fully repaid on 23 August 2022; and
2. The Company obtained a bank loan denominated in euro of EUR10.0 million from a financial institution on 11 August 2022 for working capital purpose.

### CAPITAL COMMITMENT AND CONTINGENCIES

Capital commitment of the Group as at 30 June 2022 and 31 December 2021 were approximately RMB166.4 million and approximately RMB152.2 million, respectively, which were both attributable to the construction and acquisition of our new production bases and facilities. The Group did not have any significant contingent liabilities as at 30 June 2022 and 31 December 2021 respectively.

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

For the six months ended 30 June 2022

|  | Notes | Six months ended 30 June       |                                |
|--|-------|--------------------------------|--------------------------------|
|  |       | 2022<br>RMB'000<br>(Unaudited) | 2021<br>RMB'000<br>(Unaudited) |
| REVENUE  | 3     | <b>1,309,075</b>               | 1,164,818                      |
| Cost of sales  |       | <b>(924,821)</b>               | (783,553)                      |
| Gross profit   |       | <b>384,254</b>                 | 381,265                        |
| Other income and gains   |       | <b>26,121</b>                  | 10,635                         |
| Selling and distribution expenses  |       | <b>(38,385)</b>                | (35,983)                       |
| Administrative expenses  |       | <b>(157,980)</b>               | (169,303)                      |
| Finance costs  |       | <b>(4,707)</b>                 | (2,133)                        |
| Share of profit of an associate  |       | <b>237</b>                     | 1,276                          |
| Share of loss of a joint venture   |       | <b>(2,023)</b>                 | (1,578)                        |
| PROFIT BEFORE TAX  | 4     | <b>207,517</b>                 | 184,179                        |
| Income tax expense   | 5     | <b>(36,553)</b>                | (33,464)                       |
| PROFIT FOR THE PERIOD  |       | <b>170,964</b>                 | 150,715                        |
| Attributable to:   |       |                                |                                |
| Owners of the parent   |       | <b>172,215</b>                 | 151,661                        |
| Non-controlling interests  |       | <b>(1,251)</b>                 | (946)                          |
|  |       | <b>170,964</b>                 | 150,715                        |
| 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  |       | <b>22,713</b>                  | (12,738)                       |
| Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods: |       |                                |                                |
| Changes in fair value of a financial asset at fair value through other comprehensive income              |       | <b>(1,236)</b>                 | 3,338                          |
| OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD   |       | <b>21,477</b>                  | (9,400)                        |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD  |       | <b>192,441</b>                 | 141,315                        |
| Attributable to:   |       |                                |                                |
| Owners of the parent   |       | <b>193,692</b>                 | 142,261                        |
| Non-controlling interests  |       | <b>(1,251)</b>                 | (946)                          |
|  |       | <b>192,441</b>                 | 141,315                        |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT                                 |       |                                |                                |
| Basic and diluted  | 7     | <b>RMB17.2 cents</b>           | RMB15.1 cents                  |



# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

|  | Notes | As at<br>30 June<br>2022<br>RMB'000<br>(Unaudited) | As at<br>31 December<br>2021<br>RMB'000<br>(Audited) |
|--|-------|--|--|
| <b>NON-CURRENT ASSETS</b>  |       |  |  |
| Property, plant and equipment                                    | 10    | <b>1,504,514</b>                                   | 1,465,269  |
| Right-of-use assets  |       | <b>167,891</b>                                     | 180,218  |
| Goodwill   |       | <b>3,695</b>                                       | 3,772  |
| Intangible asset   |       | <b>335</b>   | 670  |
| Investment in an associate                                       |       | <b>5,684</b>                                       | 5,447  |
| Investment in a joint venture                                    |       | <b>—</b>   | 2,023  |
| Financial asset at fair value through other comprehensive income |       | <b>9,284</b>                                       | 10,520   |
| Prepayments and deposits   |       | <b>236,455</b>                                     | 186,765  |
| Deferred tax assets  |       | <b>1,250</b>                                       | 9,286  |
| <b>Total non-current assets</b>                                  |       | <b>1,929,108</b>                                   | 1,863,970  |
| <b>CURRENT ASSETS</b>  |       |  |  |
| Inventories  |       | <b>590,614</b>                                     | 566,151  |
| Trade and bills receivables                                      | 8     | <b>720,594</b>                                     | 612,466  |
| Prepayments, deposits and other receivables                      |       | <b>188,979</b>                                     | 202,090  |
| Derivative financial instruments                                 |       | <b>3,431</b>                                       | 1,202  |
| Tax recoverable  |       | <b>—</b>   | 4,881  |
| Cash and cash equivalents  |       | <b>151,895</b>                                     | 148,660  |
| <b>Total current assets</b>                                      |       | <b>1,655,513</b>                                   | 1,535,450  |
| <b>CURRENT LIABILITIES</b>                                       |       |  |  |
| Trade payables   | 9     | <b>382,776</b>                                     | 359,021  |
| Other payables and accruals                                      |       | <b>202,055</b>                                     | 184,811  |
| Interest-bearing bank borrowings                                 | 11    | <b>81,540</b>                                      | 130,898  |
| Lease liabilities  |       | <b>41,677</b>                                      | 31,098   |
| Tax payable  |       | <b>115,271</b>                                     | 105,787  |
| <b>Total current liabilities</b>                                 |       | <b>823,319</b>                                     | 811,615  |
| <b>NET CURRENT ASSETS</b>  |       | <b>832,194</b>                                     | 723,835  |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                     |       | <b>2,761,302</b>                                   | 2,587,805  |

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

|   | Notes | As at<br>30 June<br>2022<br>RMB'000<br>(Unaudited) | As at<br>31 December<br>2021<br>RMB'000<br>(Audited) |
|---|-------|--|--|
| <b>NON-CURRENT LIABILITIES</b>              |       |  |  |
| Deferred tax liabilities                    |       | 467  | 500  |
| Lease liabilities                           |       | 90,971   | 111,974  |
| Total non-current liabilities               |       | 91,438   | 112,474  |
| Net assets                                  |       | 2,669,864  | 2,475,331  |
| <b>EQUITY</b>                               |       |  |  |
| Equity attributable to owners of the parent |       |  |  |
| Issued capital                              | 12    | 87,485   | 87,485   |
| Reserves                                    |       | 2,586,475  | 2,390,691  |
|   |       | 2,673,960  | 2,478,176  |
| Non-controlling interests                   |       | (4,096)  | (2,845)  |
| Total equity                                |       | 2,669,864  | 2,475,331  |

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

|   | Attributable to owners of the parent |                                 |   |                            |                           |   |                            |                             |                  |                                      |                         |
|---|--------------------------------------|---------------------------------|---|----------------------------|---------------------------|---|----------------------------|-----------------------------|------------------|--------------------------------------|-------------------------|
|   | Issued capital<br>RMB'000            | Share option reserve<br>RMB'000 | Fair value reserve of a financial asset at fair value through other comprehensive income<br>RMB'000 | Capital reserve<br>RMB'000 | Merger reserve<br>RMB'000 | Exchange fluctuation reserve<br>RMB'000 | Surplus reserve<br>RMB'000 | Retained profits<br>RMB'000 | Total<br>RMB'000 | Non-controlling interests<br>RMB'000 | Total equity<br>RMB'000 |
| At 1 January 2022 (audited)   | 87,485                               | 18,562                          | (30,401)  | 577,892                    | 828                       | (80,162)                                | 134,961                    | 1,769,011                   | 2,478,176        | (2,845)                              | 2,475,331               |
| Profit for the period   | —                                    | —                               | —   | —                          | —                         | —                                       | —                          | 172,215                     | 172,215          | (1,251)                              | 170,964                 |
| Other comprehensive income for the period:  |                                      |                                 |   |                            |                           |   |                            |                             |                  |                                      |                         |
| Changes in fair value of a financial asset at fair value through other comprehensive income | —                                    | —                               | (1,236)   | —                          | —                         | —                                       | —                          | —                           | (1,236)          | —                                    | (1,236)                 |
| Exchange differences on translation of foreign operations                                   | —                                    | —                               | —   | —                          | —                         | 22,713                                  | —                          | —                           | 22,713           | —                                    | 22,713                  |
| Total comprehensive income for the period   | —                                    | —                               | (1,236)   | —                          | —                         | 22,713                                  | —                          | 172,215                     | 193,692          | (1,251)                              | 192,441                 |
| Equity-settled share option arrangements  | —                                    | 2,092                           | —   | —                          | —                         | —                                       | —                          | —                           | 2,092            | —                                    | 2,092                   |
| At 30 June 2022 (unaudited)   | 87,485                               | 20,654                          | (31,637)  | 577,892                    | 828                       | (57,449)                                | 134,961                    | 1,941,226                   | 2,673,960        | (4,096)                              | 2,669,864               |

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

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



# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

|  | Six months ended 30 June       |                                |
|--|--------------------------------|--------------------------------|
|  | 2022<br>RMB'000<br>(Unaudited) | 2021<br>RMB'000<br>(Unaudited) |
| Net cash flows from operating activities                             | <b>221,519</b>                 | 24,100                         |
| Purchases of items of property, plant and equipment                  | <b>(103,781)</b>               | (183,462)                      |
| Deposits paid for purchase of items of property, plant and equipment | <b>(49,614)</b>                | (10,132)                       |
| Proceeds from disposal of items of property, plant and equipment     | <b>5,947</b>                   | 11,174                         |
| Additions to other intangible assets                                 | <b>—</b>                       | (861)                          |
| Net cash flows used in investing activities                          | <b>(147,448)</b>               | (183,281)                      |
| New bank loans   | <b>—</b>                       | 104,024                        |
| Repayment of bank loans  | <b>(53,735)</b>                | (7,577)                        |
| Interest paid  | <b>(1,481)</b>                 | (585)                          |
| Principal portion of lease payments                                  | <b>(17,209)</b>                | (25,725)                       |
| Net cash flows from/(used in) financing activities                   | <b>(72,425)</b>                | 70,137                         |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS                 | <b>1,646</b>                   | (89,044)                       |
| Cash and cash equivalents at beginning of period                     | <b>148,660</b>                 | 538,978                        |
| Effect of foreign exchange rate changes, net                         | <b>1,589</b>                   | (9,403)                        |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD                           | <b>151,895</b>                 | 440,531                        |

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

## 1. CORPORATE 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 Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

During the period, the Company and its subsidiaries (collectively referred to as the “**Group**”) were involved in the manufacture and sale of automotive and electronic components.

## 2.1 BASIS OF PREPARATION

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

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2021.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) for the first time for the current period’s financial information.

|  |  |
|--|--|
| Amendments to HKFRS 3                          | <i>Reference to the Conceptual Framework</i>   |
| Amendments to HKAS 16                          | <i>Property, Plant and Equipment: Proceeds before Intended Use</i>                       |
| Amendments to HKAS 37                          | <i>Onerous Contracts – Cost of Fulfilling a Contract</i>                                 |
| <i>Annual Improvements to HKFRSs 2018-2020</i> | Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41 |

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

- (a) Amendments to HKFRS 3 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 has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

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

- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:
- *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. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
  - *HKFRS 16 Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

## 3. REVENUE

An analysis of revenue is as follows:

|  | Six months ended 30 June       |                                |
|--|--------------------------------|--------------------------------|
|  | 2022<br>RMB'000<br>(Unaudited) | 2021<br>RMB'000<br>(Unaudited) |
| <b>Revenue from contracts with customers</b> |                                |                                |
| Sale of automotive decorative components     | <b>1,309,075</b>               | 1,164,818                      |

Disaggregated revenue information for revenue from contracts with customers

|  | Six months ended 30 June       |                                |
|--|--------------------------------|--------------------------------|
|  | 2022<br>RMB'000<br>(Unaudited) | 2021<br>RMB'000<br>(Unaudited) |
| <b>Type of goods</b>                         |                                |                                |
| Sale of goods                                | <b>1,309,075</b>               | 1,164,818                      |
| Total revenue from contracts with customers  | <b>1,309,075</b>               | 1,164,818                      |
| <b>Geographical markets</b>                  |                                |                                |
| China  | <b>463,420</b>                 | 485,392                        |
| North America                                | <b>569,922</b>                 | 392,644                        |
| Europe                                       | <b>224,788</b>                 | 228,354                        |
| Other countries                              | <b>50,945</b>                  | 58,428                         |
| Total revenue from contracts with customers  | <b>1,309,075</b>               | 1,164,818                      |
| <b>Timing of revenue recognition</b>         |                                |                                |
| Goods transferred at a point in time         | <b>1,309,075</b>               | 1,164,818                      |
| Total revenue from contracts with customers  | <b>1,309,075</b>               | 1,164,818                      |
| <b>Revenue from contracts with customers</b> |                                |                                |
| External customers                           | <b>1,309,075</b>               | 1,164,818                      |
| Total revenue from contracts with customers  | <b>1,309,075</b>               | 1,164,818                      |

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

### 4. PROFIT BEFORE TAX

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

|  | Six months ended 30 June       |                                |
|--|--------------------------------|--------------------------------|
|  | 2022<br>RMB'000<br>(Unaudited) | 2021<br>RMB'000<br>(Unaudited) |
| Cost of inventories sold   | 924,821                        | 783,553                        |
| Depreciation of property, plant and equipment                              | 63,814                         | 59,546                         |
| Depreciation of right-of-use assets  | 19,112                         | 17,962                         |
| Amortisation of other intangible asset                                     | 335                            | 526                            |
| Impairment/(reversal of impairment) of trade and bills receivables         | (2,563)                        | 3,669                          |
| Write-down/(reversal of write-down) of inventories to net realisable value | (49)                           | 1,517                          |
| Fair value gain on derivative financial instruments, net*                  | (2,151)                        | (4,335)                        |
| Loss/(gain) on disposal of items of property, plant and equipment, net*    | (3,785)                        | 1,266                          |
| Foreign exchange differences, net*   | (5,642)                        | 20,082                         |
| Equity-settled share option expense  | 2,092                          | 3,351                          |

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

### 5. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (six months ended 30 June 2021: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (six months ended 30 June 2021: 8.25%) and the remaining assessable profits are taxed at 16.5% (six months ended 30 June 2021: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates, except for one subsidiary of the Group which qualified as High and New Technology Enterprise in Mainland China and a lower PRC corporate income tax rate of 15% (six months ended 30 June 2021: 15%) has been applied for the period.

|                                 | Six months ended 30 June       |                                |
|---------------------------------|--------------------------------|--------------------------------|
|                                 | 2022<br>RMB'000<br>(Unaudited) | 2021<br>RMB'000<br>(Unaudited) |
| Current:                        |                                |                                |
| Charge for the period           |                                |                                |
| Hong Kong                       | 14,176                         | 7,505                          |
| Elsewhere                       | 18,773                         | 26,668                         |
| Overprovision in prior years    | (4,399)                        | (1,644)                        |
| Deferred                        | 8,003                          | 935                            |
| Total tax charge for the period | 36,553                         | 33,464                         |

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

## 6. DIVIDENDS

|   | Six months ended 30 June       |                                |
|---|--------------------------------|--------------------------------|
|   | 2022<br>RMB'000<br>(Unaudited) | 2021<br>RMB'000<br>(Unaudited) |
| 2021 final dividend declared - RMB0.0183 (2020: RMB0.1072) per ordinary share | <b>18,353</b>                  | 107,511                        |

On 25 August 2022, the board of directors declared an interim dividend of RMB0.0513 (six months ended 30 June 2021: RMB0.0454) per ordinary share, amounting to a total of approximately RMB51,449,000 (six months ended 30 June 2021: RMB45,629,000).

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

Basic earnings per share are calculated by dividing the profit attributable to the ordinary equity holders of the parent by the weighted average number of shares in issue during the six months ended 30 June 2022 and 2021 respectively.

|   | Six months ended 30 June       |                                |
|---|--------------------------------|--------------------------------|
|   | 2022<br>RMB'000<br>(Unaudited) | 2021<br>RMB'000<br>(Unaudited) |
| Profit for the period attributable to the ordinary equity holders of the parent for the purpose of basic and diluted earnings per share calculation | <b>172,215</b>                 | 151,661                        |

|  | Number of<br>shares  | Number of<br>shares |
|--|----------------------|---------------------|
| Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculation | <b>1,002,905,000</b> | 1,002,905,000       |

|   | Six months ended 30 June   |                            |
|---|----------------------------|----------------------------|
|   | 2022<br>RMB<br>(Unaudited) | 2021<br>RMB<br>(Unaudited) |
| Earnings per share<br>Basic and diluted | <b>17.2 cents</b>          | 15.1 cents                 |

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2022 and 2021 respectively in respect of a dilution as the impact of share options outstanding had no dilutive effect on the basic earnings per share amount presented.



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

### 8. TRADE AND BILLS RECEIVABLES

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

|                | 30 June<br>2022<br>RMB'000<br>(Unaudited) | 31 December<br>2021<br>RMB'000<br>(Audited) |
|----------------|---|---|
| Within 1 month | 392,183                                   | 362,730                                     |
| 1 to 2 months  | 188,505                                   | 129,885                                     |
| 2 to 3 months  | 64,124                                    | 64,256                                      |
| Over 3 months  | 75,782                                    | 55,595                                      |
|                | <b>720,594</b>                            | <b>612,466</b>                              |

The Group's trading terms with its customers are mainly on credit. The credit period is generally one to four 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.

### 9. TRADE PAYABLES

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

|                | 30 June<br>2022<br>RMB'000<br>(Unaudited) | 31 December<br>2021<br>RMB'000<br>(Audited) |
|----------------|---|---|
| Within 1 month | 237,611                                   | 213,592                                     |
| 1 to 2 months  | 73,250                                    | 53,432                                      |
| 2 to 3 months  | 13,067                                    | 25,112                                      |
| Over 3 months  | 58,848                                    | 66,885                                      |
|                | <b>382,776</b>                            | <b>359,021</b>                              |

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

Included in trade payables is an amount due to an associate of RMB2,539,000 (31 December 2021: RMB10,609,000), which is unsecured, interest-free and repayable on demand.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

## 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group acquired items of property, plant and equipment at costs of RMB103,781,000 (six months ended 30 June 2021: RMB186,343,000).

Items of property, plant and equipment with an aggregate net book value of RMB2,162,000 (six months ended 30 June 2021: RMB12,440,000) were disposed of by the Group during the six months ended 30 June 2022.

In addition, there was no impairment of items of property, plant and equipment (six months ended 30 June 2021: Nil) for the six months ended 30 June 2022.

## 11. INTEREST-BEARING BANK AND OTHER BORROWINGS

|   | 30 June 2022                      |          |                     | 31 December 2021                  |          |                   |
|---|-----------------------------------|----------|---------------------|-----------------------------------|----------|-------------------|
|   | Effective interest rate (%)       | Maturity | RMB'000 (Unaudited) | Effective interest rate (%)       | Maturity | RMB'000 (Audited) |
| Bank loans – secured  | 1.2-1.3                           | 2022     | 250                 | 1.2-1.3                           | 2022     | 511               |
| Unsecured bank loan which contains a repayment on demand clause                                   | LIBOR <sup>1</sup><br>+2.65% p.a. | 2022     | 16,388              | LIBOR <sup>1</sup><br>+2.65% p.a. | 2022     | 28,408            |
| Unsecured bank loan due for repayment within one year which contains a repayment on demand clause | HIBOR <sup>2</sup><br>+1.75% p.a. | 2022     | 64,902              | HIBOR <sup>2</sup><br>+1.75% p.a. | 2022     | 101,979           |
|   |                                   |          | <b>81,540</b>       |                                   |          | <b>130,898</b>    |

<sup>1</sup> London Interbank Offered Rate ("LIBOR")

<sup>2</sup> Hong Kong Interbank Offered Rate ("HIBOR")

Certain of the Group's bank loan agreements contain repayment on demand clauses and the corresponding bank loans as at 30 June 2022 and 31 December 2021 were classified as current liabilities in the interim condensed consolidated statement of financial position. Ignoring the effect of any repayment on demand clauses and based on the maturity terms of these loans, the interest-bearing bank borrowings of the Group as at 30 June 2022 and 31 December 2021 are repayable within one year.

Notes:

- Certain of the Group's bank loans are secured by property, plant and equipment which had net carrying amounts of approximately RMB128,884,000 and RMB1,163,000 at 30 June 2022 and 31 December 2021, respectively.
- Borrowings of the Group are denominated in HK\$, US\$ and EUR (31 December 2021: HK\$, US\$ and EUR).

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

### 12. ISSUED CAPITAL

|                                      | Number of shares      | Nominal value<br>of ordinary shares<br>in HK\$'000 | Nominal value<br>of ordinary shares<br>in RMB'000 |
|--------------------------------------|-----------------------|--|---|
| Authorised:                          |                       |  |   |
| At 30 June 2022 and 31 December 2021 | <u>20,000,000,000</u> | <u>2,000,000</u>                                   | <u>1,737,619</u>                                  |

|                                      | Number of<br>shares in issue | Share<br>capital<br>RMB'000 |
|--------------------------------------|------------------------------|-----------------------------|
| Issued and fully paid:               |                              |                             |
| At 30 June 2022 and 31 December 2021 | <u>1,002,905,000</u>         | <u>87,485</u>               |

### 13. COMMITMENTS

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

|  | 30 June<br>2022<br>RMB'000<br>(Unaudited) | 31 December<br>2021<br>RMB'000<br>(Audited) |
|--|---|---|
| Contracted but not provided for:                 |   |   |
| Plant and equipment                              | <b>166,366</b>                            | 152,266                                     |
| Capital contributions to a joint venture company | <b>37,081</b>                             | 37,081                                      |
|  | <u><b>203,447</b></u>                     | <u>189,347</u>                              |

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

## 14. RELATED PARTY TRANSACTIONS

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

|  | Notes     | Six months ended 30 June       |                                |
|--|-----------|--------------------------------|--------------------------------|
|  |           | 2022<br>RMB'000<br>(Unaudited) | 2021<br>RMB'000<br>(Unaudited) |
| Purchase of tooling:                               |           |                                |                                |
| Suzhou City Keen Point Precision Molding Co., Ltd. | (i), (ii) | <b>11,415</b>                  | 14,997                         |

Notes:

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

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

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

|   | Six months ended 30 June       |                                |
|---|--------------------------------|--------------------------------|
|   | 2022<br>RMB'000<br>(Unaudited) | 2021<br>RMB'000<br>(Unaudited) |
| Short term employee benefits                        | <b>9,759</b>                   | 13,990                         |
| Post-employment benefits                            | <b>258</b>                     | 221                            |
| Total compensation paid to key management personnel | <b>10,017</b>                  | 14,211                         |

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

### 15. FINANCIAL INSTRUMENTS BY CATEGORY

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

As at 30 June 2022

#### Financial assets

|   | Financial assets<br>at fair value<br>through profit<br>or loss | Financial asset<br>at fair value<br>through other<br>comprehensive<br>income | Financial assets<br>at amortised<br>cost | Total                  |
|---|--|--|--|------------------------|
|   | Held for<br>trading<br>RMB'000<br>(Unaudited)                  | Equity<br>investment<br>RMB'000<br>(Unaudited)                               | RMB'000<br>(Unaudited)                   | RMB'000<br>(Unaudited) |
| Trade and bills receivables   | —  | —  | 720,594                                  | 720,594                |
| Financial assets included in prepayments,<br>deposits and other receivables | —  | —  | 19,891                                   | 19,891                 |
| Derivative financial instruments  | 3,431  | —  | —  | 3,431                  |
| Financial asset at fair value through other<br>comprehensive income         | —  | 9,284  | —  | 9,284                  |
| Cash and cash equivalents   | —  | —  | 151,895                                  | 151,895                |
|   | <b>3,431</b>   | <b>9,284</b>   | <b>892,380</b>                           | <b>905,095</b>         |

#### Financial liabilities

|   | Financial<br>liabilities at<br>amortised<br>cost<br>RMB'000<br>(Unaudited) |
|---|--|
| Trade payables  | 382,776  |
| Financial liabilities included in other payables and accruals | 31,685   |
| Interest-bearing bank borrowings                              | 81,540   |
| Lease liabilities   | 132,648  |
|   | <b>628,649</b>   |

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

## 15. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

As at 31 December 2021

### Financial assets

|   | Financial assets<br>at fair value<br>through profit<br>or loss | Financial asset<br>at fair value<br>through other<br>comprehensive<br>income | Financial assets<br>at amortised<br>cost | Total          |
|---|--|--|--|----------------|
|   | Held for<br>trading  | Equity<br>investment   |  |                |
|   | RMB'000  | RMB'000  | RMB'000                                  | RMB'000        |
|   | (Audited)  | (Audited)  | (Audited)                                | (Audited)      |
| Trade and bills receivables   | —  | —  | 612,466                                  | 612,466        |
| Financial assets included in prepayments,<br>deposits and other receivables | —  | —  | 14,989                                   | 14,989         |
| Derivative financial instruments  | 1,202  | —  | —  | 1,202          |
| Financial asset at fair value<br>through other comprehensive income         | —  | 10,520   | —  | 10,520         |
| Cash and cash equivalents   | —  | —  | 148,660                                  | 148,660        |
|   | <u>1,202</u>   | <u>10,520</u>  | <u>776,115</u>                           | <u>787,837</u> |

### Financial liabilities

|   | Financial<br>liabilities at<br>amortised cost<br>RMB'000<br>(Audited) |
|---|---|
| Trade payables  | 359,021   |
| Financial liabilities included in other payables and accruals | 19,841  |
| Interest-bearing bank borrowings                              | 130,898   |
| Lease liabilities   | 143,072   |
|   | <u>652,832</u>  |



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

### 16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

|  | Carrying amounts                          |   | Fair values                               |   |
|--|---|---|---|---|
|  | 30 June<br>2022<br>RMB'000<br>(Unaudited) | 31 December<br>2021<br>RMB'000<br>(Audited) | 30 June<br>2022<br>RMB'000<br>(Unaudited) | 31 December<br>2021<br>RMB'000<br>(Audited) |
| <b>Financial assets</b>  |   |   |   |   |
| Financial assets at fair value through<br>other comprehensive income | 9,284                                     | 10,520                                      | 9,284                                     | 10,520                                      |
| Derivative financial instruments                                     | 3,431                                     | 1,202                                       | 3,431                                     | 1,202                                       |
|  | <b>12,715</b>                             | 11,722                                      | <b>12,715</b>                             | 11,722                                      |
| <b>Financial liabilities</b>   |   |   |   |   |
| Interest-bearing bank borrowings                                     | <b>81,540</b>                             | 130,898                                     | <b>81,540</b>                             | 130,898                                     |

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

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

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

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

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 a forward currency contract and forward metal contracts are the same as their fair values.

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

### Fair value hierarchy

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

Assets measured at fair value:

#### As at 30 June 2022

|   | Fair value measurement using                                  |   |   | Total<br>RMB'000 |
|---|---|---|---|------------------|
|   | Quoted prices<br>in active<br>markets<br>(Level 1)<br>RMB'000 | Significant<br>observable<br>inputs<br>(Level 2)<br>RMB'000 | Significant<br>unobservable<br>inputs<br>(Level 3)<br>RMB'000 |                  |
| Financial asset at fair value through other<br>comprehensive income | 9,284   | —   | —   | 9,284            |
| Derivative financial instruments                                    | 1,469   | 1,962   | —   | 3,431            |
|   | <b>10,753</b>   | <b>1,962</b>  | <b>—</b>  | <b>12,715</b>    |

#### As at 31 December 2021

|   | Fair value measurement using                                  |   |   | Total<br>RMB'000 |
|---|---|---|---|------------------|
|   | Quoted prices<br>in active<br>markets<br>(Level 1)<br>RMB'000 | Significant<br>observable<br>inputs<br>(Level 2)<br>RMB'000 | Significant<br>unobservable<br>inputs<br>(Level 3)<br>RMB'000 |                  |
| Financial asset at fair value through other<br>comprehensive income | 10,520  | —   | —   | 10,520           |
| Derivative financial instruments                                    | 11  | 1,191   | —   | 1,202            |
|   | <b>10,531</b>   | <b>1,191</b>  | <b>—</b>  | <b>11,722</b>    |

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

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

During the six months ended 30 June 2022, 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 (31 December 2021: Nil).

### **17. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

The interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 25 August 2022.

## OTHER INFORMATION

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

As at 30 June 2022, the Directors, the chief executive of the Company and/or any of their respective close associates had the following interests and/or short positions in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") which would have to be notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which such person was taken or deemed to have under such provisions of SFO); or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which would be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") to be notified to the Company and the Stock Exchange:

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

| Name of Directors                   | Capacity and nature of interest    | Total number of Shares held and underlying Shares | Approximate percentage of the total issued share capital of the Company (%) |
|-------------------------------------|------------------------------------|---|---|
| Mr. Ma Xiaoming ("Mr. Ma") (Note 1) | Interest of controlled corporation | 734,186,750 (Note 1)                              |   |
|                                     | Beneficial owner                   | 6,463,000 (Note 1)                                |   |
|                                     | Total                              | 740,649,750                                       | 73.85   |
| Mr. Meng Jun                        | Beneficial owner                   | 482,000 (Note 2)                                  | 0.05  |
| Mr. Zhang Yumin                     | Beneficial owner                   | 507,000 (Note 3)                                  | 0.05  |
| Mr. Liu Jun                         | Beneficial owner                   | 107,000 (Note 4)                                  | 0.01  |
| Mr. He Xiaolu                       | Beneficial owner                   | 96,000 (Note 4)                                   | 0.01  |
| Mr. Jiang Wei                       | Beneficial owner                   | 38,000 (Note 4)                                   | 0.01  |

#### Long positions in the shares of associated corporation:

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

Notes:

- Among the 740,649,750 Shares, 734,186,750 Shares are beneficially held by Green Pinnacle which is wholly owned by Mealth (PTC) Limited ("Mealth PTC"). Both Green Pinnacle and the Shares owned by it form part of the trust assets of the Mealth Discretionary Trust, which was established by Mr. Ma as settlor and whose trustee is Mealth PTC. The Mealth Discretionary Trust is a discretionary trust and its discretionary objects include Mr. Ma, Mr. Ma's family members, the Company's Directors, namely, Mr. He Xiaolu, Mr. Meng Jun, Mr. Liu Jun and Mr. Zhang Yumin and the other beneficiaries. By virtue of the SFO, Mr. Ma is deemed to be interested in the 734,186,750 Shares and the shares in Green Pinnacle held by Mealth PTC in his capacity of settlor of the Mealth Discretionary Trust. The remaining 6,463,000 Shares and underlying Shares represent 6,335,000 Shares beneficially held by Mr. Ma and 128,000 underlying Shares being the maximum number of Shares which may be allotted and issued to Mr. Ma upon the exercise of the share options granted to him under the 2017 Share Option Scheme.
- Among the 482,000 Shares and underlying Shares, 380,000 Shares are beneficially held by Mr. Meng Jun. The remaining 102,000 underlying Shares represent the maximum number of Shares which may be allotted and issued to Mr. Meng upon the exercise of the share options granted to him under the 2017 Share Option Scheme.
- Among the 507,000 Shares, 400,000 Shares are beneficially held by Mr. Zhang Yumin. The remaining 107,000 underlying Shares represent the maximum number of Shares which may be allotted and issued to Mr. Zhang upon the exercise of the share options granted to him under the 2017 Share Option Scheme.
- These represent the maximum number of Shares which may be allotted and issued to such Directors upon the exercise of the share options granted to each of them under the 2017 Share Option Scheme.

## OTHER INFORMATION

Save as disclosed above and to the best knowledge, information and belief of the Directors, as at 30 June 2022, none of the Directors, the chief executive of the Company and their respective close associates had 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 would 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 had taken or deemed to have taken under the SFO) or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which would be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

During the Reporting Period, none of the Company, any of its subsidiaries and associated corporations was a party to any arrangement to enable the Directors and chief executive of the Company (including their respective close associates) to acquire benefits by means of the acquisition of the shares or underlying shares in, or debentures of, the Company or any of its associated corporations.

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

As at 30 June 2022, the following persons (not being the Directors or chief executive of the Company) had the following interests and/or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

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

| Name of Shareholders   | Capacity and nature of Interest                  | Total number of Shares held | Approximate percentage of the total issued share capital of the Company (%) |
|--|--|-----------------------------|---|
| Green Pinnacle (Note 1)  | Beneficial owner                                 | 734,186,750                 | 73.21   |
| Mealth PTC (Note 1)  | Interest in a controlled corporation and trustee | 734,186,750                 | 73.21   |
| Zhu Junhua (Note 2)  | Interest of spouse                               | 740,649,750                 | 73.85   |
| Bull Capital China Growth Fund II, L.P. (Note 3)               | Interest in a controlled corporation             | 63,500,000                  | 6.33  |
| Bull Capital GP II Limited (Note 3)                            | Interest in a controlled corporation             | 63,500,000                  | 6.33  |
| Bull Capital Partners Ltd. (Note 3)                            | Interest in a controlled corporation             | 63,500,000                  | 6.33  |
| Greater Talent Investments Limited ("Greater Talent") (Note 3) | Beneficial owner                                 | 63,500,000                  | 6.33  |
| Peace World Investments Limited (Note 3)                       | Interest in a controlled corporation             | 63,500,000                  | 6.33  |
| Wong Kun Kau (Note 3)  | Interest in a controlled corporation             | 63,500,000                  | 6.33  |

Notes:

1. 734,186,750 Shares are beneficially held by Green Pinnacle, which is wholly owned by Mealth PTC. Both Green Pinnacle and the Shares owned by it form part of the trust assets of the Mealth Discretionary Trust, which was established by Mr. Ma as settlor and whose trustee is Mealth PTC. By virtue of the SFO, Mealth PTC is deemed to be interested in the 734,186,750 Shares held by Green Pinnacle.
2. Ms. Zhu Junhua is the spouse of Mr. Ma and accordingly she is deemed to be interested in the aggregate of 740,649,750 Shares by virtue of the SFO.
3. Greater Talent is wholly owned by Bull Capital China Growth Fund II, L.P. ("**Bull Capital LP**"). The general partner of Bull Capital LP is Bull Capital GP II Limited ("**Bull Capital GP**"). Bull Capital Partners Ltd. ("**Bull Capital Partners**") is the investment manager of Bull Capital LP. Bull Capital Partners and Bull Capital GP are held as to 46.69% and 80% respectively by Peace World Investments Limited ("**Peace World**"), which is wholly owned by Mr. Wong Kun Kau ("**Mr. Wong**"). Accordingly, by virtue of the SFO, each of Bull Capital LP, Bull Capital Partners, Bull Capital GP, Peace World and Mr. Wong is deemed to be interested in the Shares held by Greater Talent.

Save as disclosed above, as at 30 June 2022, the Directors were not aware that there was any persons (not being the Directors or chief executive of the Company) who, had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

## EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2022, the Group had 6,392 employees (31 December 2021: 5,851 employees), among which 4,664, 6, 22, 20 and 1,680 staff members were employed in China, Hong Kong, the United States, Germany and Mexico, respectively. The remuneration and staff cost for the Reporting Period were approximately RMB334.8 million (1H 2021: approximately RMB321.6 million).

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

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

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

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during 1H 2022.



## OTHER INFORMATION

### COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board and the Company's management are committed to maintaining high standards of corporate governance. The Board firmly believes that conducting the Group's business in a transparent and responsible manner and following good corporate governance practices serve the Group's long-term interests and those of the Shareholders. The Board considers the Company had complied with all the code provisions of the Corporate Governance Code (the "CG Code") as contained in Part 2 of Appendix 14 to the Listing Rules for 1H 2022.

### COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. In response to a specific enquiry made by the Company, all Directors confirmed that they had complied with the Model Code for 1H 2022.

### CHANGE OF PARTICULARS OF THE DIRECTORS

As at the latest practicable date for the purpose of ascertaining certain information contained in this report, none of the Director nor their respective biographical information had been changed since the published date of the 2021 annual report of the Company, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

### AUDIT COMMITTEE REVIEW

The Company has established an audit committee of the Board (the "Audit Committee") with written terms of reference in compliance with the CG Code. The Audit Committee comprises all three independent non-executive Directors, namely Mr. Tang Chi Wai (committee chairman), Mr. Gan Weimin and Prof. Cao Lixin. The Audit Committee has reviewed the Group's unaudited condensed consolidated interim financial information for 1H 2022 and this interim report. Based on this review and discussions with the management, the Audit Committee was satisfied that the financial information was prepared in accordance with applicable accounting standards and fairly presented the Group's financial position and results for 1H 2022.