Xin Point Holdings Limited
信邦控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1571

ANNUAL REPORT 2022

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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

COMPANY SECRETARY

Mr. AU Wai Keung

AUTHORISED REPRESENTATIVES

Mr. MA Xiaoming
Mr. AU Wai Keung

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA

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

STOCK CODE

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

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Bank of China

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor

LEGAL ADVISER

Chiu & Partners

WEBSITE

www.xinpoint.com

FINANCIAL SUMMARY

For the Year Ended December 31,

	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
Revenue	**2,882,866**	2,312,468	2,069,366	2,130,753	2,049,949
Gross profit	**882,113**	637,362	681,544	578,160	750,310
Gross profit margin (%)	**30.6%**	27.6%	32.9%	27.1%	36.6%
Profit before tax	**514,582**	256,743	349,852	235,547	471,635
Profit attributable to the owners of the parent	**431,296**	215,240	332,426	205,452	394,824

As at December 31,

	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
Total assets	**3,964,130**	3,399,420	3,231,136	3,186,349	2,932,825
Total liabilities	**1,045,329**	924,089	783,246	827,968	681,455
Equity attributable to the owners of the parent	**2,920,622**	2,478,176	2,448,731	2,358,070	2,251,370
Non-controlling interests	**(1,821)**	(2,845)	(841)	311	—

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Director(s)**") of Xin Point Holdings Limited (the "**Company**", together with its subsidiaries, collectively referred to as the "**Group**" or "**Xin Point**"), I present the annual report of the Company for the financial year ended 31 December 2022 ("**Year**" or "**FY2022**").

During the past Year, our Group has encountered multiple challenging factors such as the prolonged trade disputes between China and the United States ("**US**"), Coronavirus Disease 2019 ("**COVID-19**") lockdowns, and surging freight and raw material costs; then the pandemic has gradually receded all over the globe and the economies have rebounded since then.

Despite signs of recovery for the market, Xin Point sees that the automotive sector is entering a new era of significant change amid shortening lead times and below normal pre-pandemic material supply levels. While passenger cars will always remain a necessity, higher interest rates and affordability still are the major obstacles for the market in 2023.

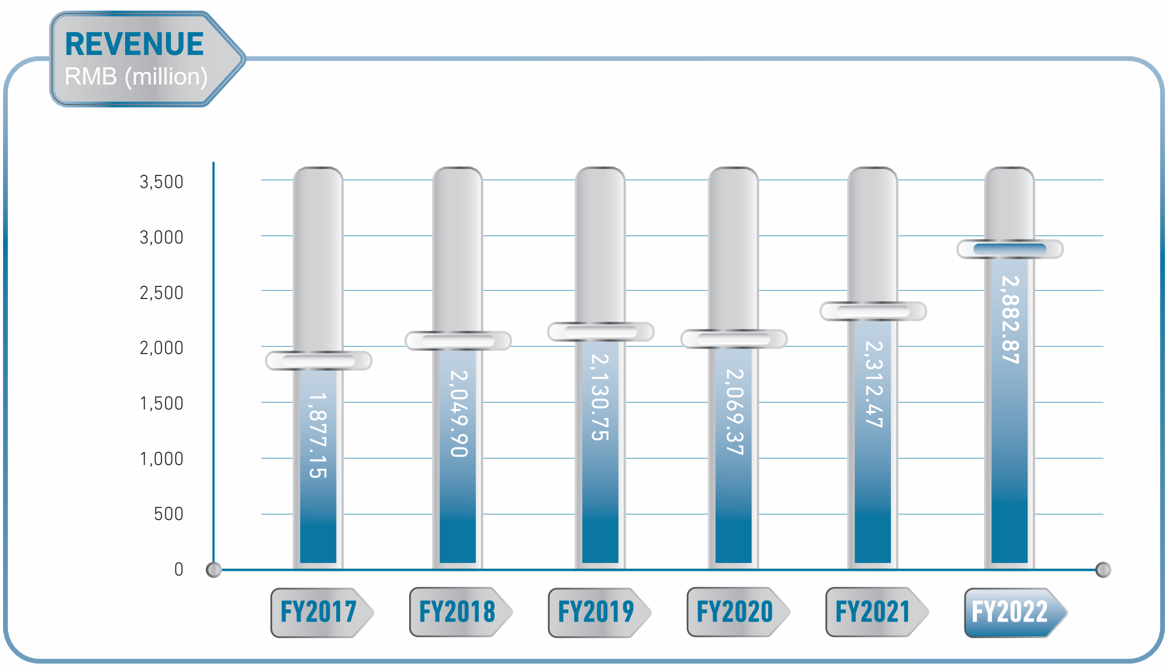
Despite the challenges faced by the automotive industry, electric vehicles ("**EV(s)**") are gaining traction with growing global interest. Also, the pandemic also caused a shift in consumer preferences, with more people turning to online channels to research and purchase cars, this shift accelerates the digital transformation of the industry and increased demand for EVs, driven by concerns about the environmental impact of fossil fuels.

Also, in the emerging EV space, we have observed that consumers are becoming more open-minded and less loyal to established brands, one can expect a period of shifting ownership and brand affiliation, where affordability will be a priority over desirability. As newer brands from the People's Republic of China (the "**PRC**") look to gain acceptance in the global market, it is expected that the EV/hybrid-model sectors will see Chinese manufacturers fill market gaps left by established original equipment manufacturers ("**OEMs**").

RESULTS

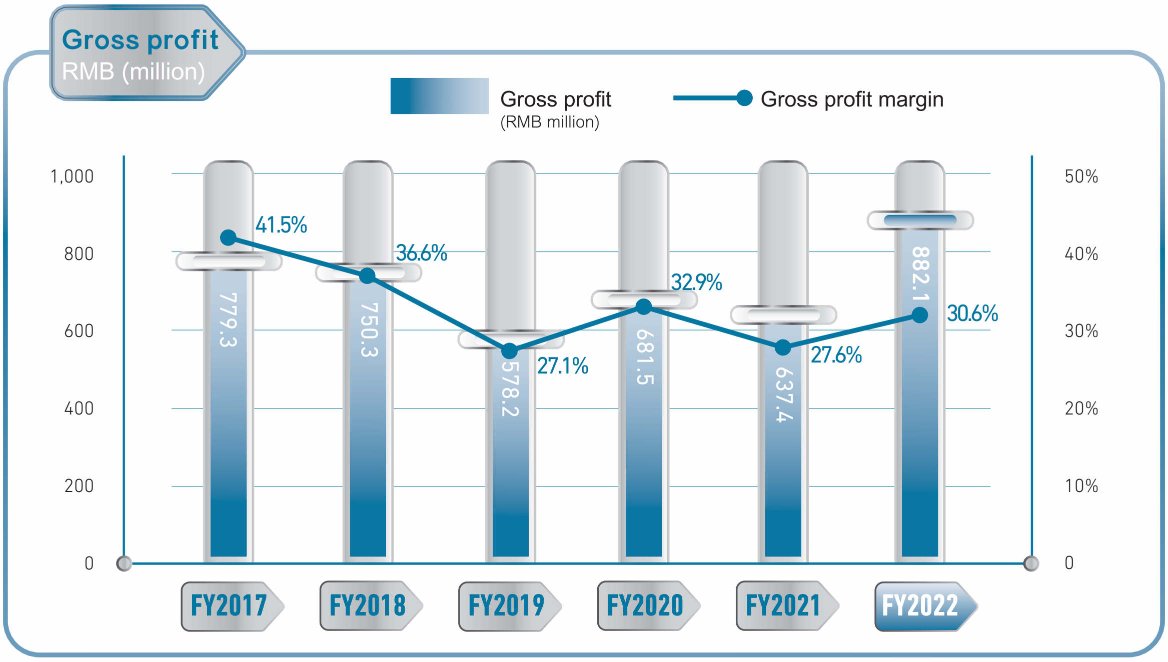
During FY2022, Xin Point continued to grow and achieved outstanding results. The Group reported total revenue of approximately RMB2,882.9 million (the financial year ended 31 December 2021 ("**FY2021**"): RMB2,312.5 million), representing a 24.7% increase compared to the same period of the previous year.

The following chart summarises the Group's revenue for the past six financial years:



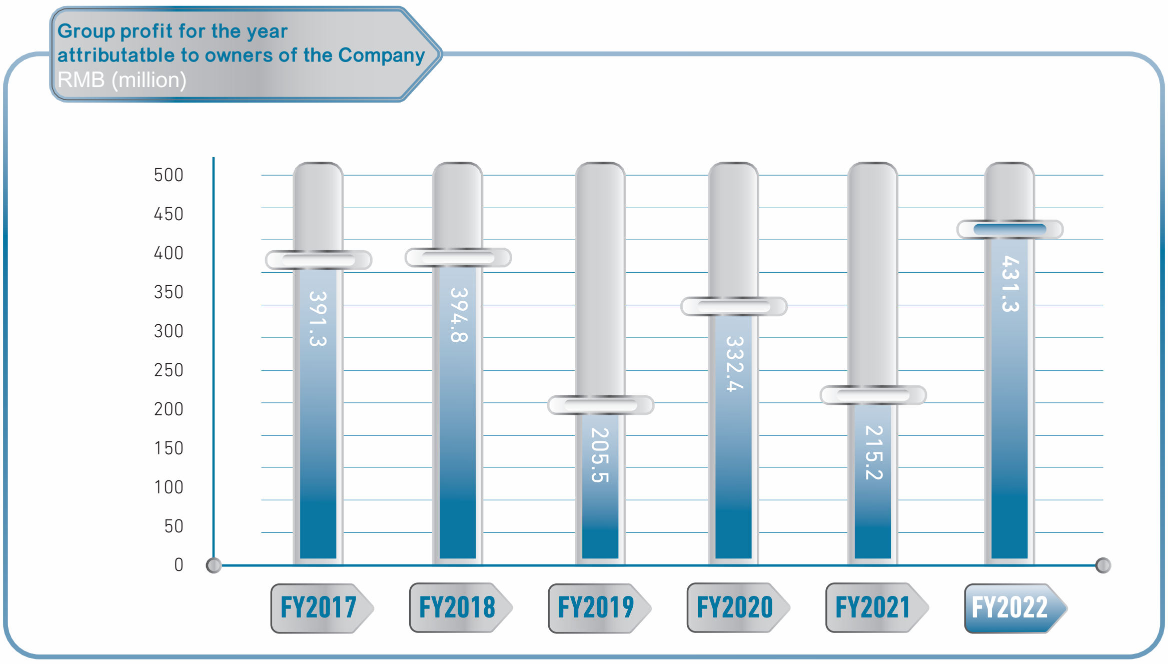
During FY2022, the Group has seen a steady recovery in gross profit and gross profit margin.

The following chart summarises the Group's gross profit and gross profit margin for the past six financial years:



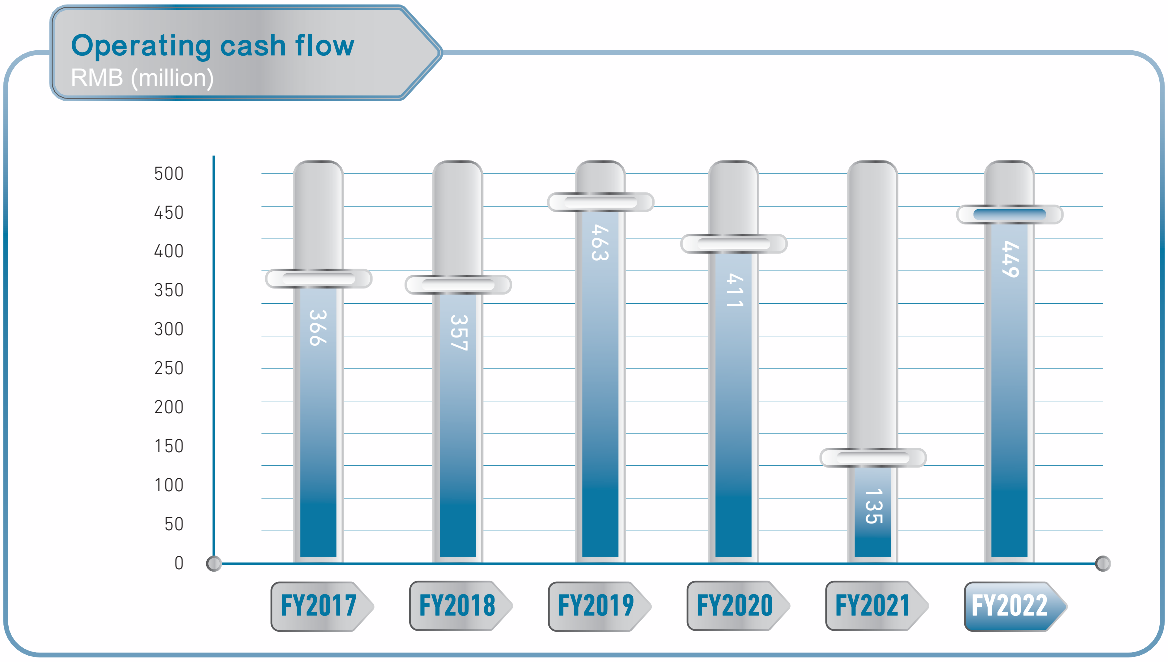
Profit for the year attributable to owners of the Company has reached a new record level of approximately RMB431.3 million for FY2022 (FY2021: RMB215.2 million), which is a 100.4% increase when compared to the same period last year.

The following chart summarises the Group's profit for the year attributable to owners of the Company for the past six financial years:



The Group's operating cash inflow for FY2022 returned to a relatively high level of approximately RMB449 million, representing an increase of roughly 3.3 times as compared to last year, which was mainly caused by the increase in the gross profit and the modest increase of the Group's inventory level.

The following chart summarises the Group's operating cash flow for the past six financial years:

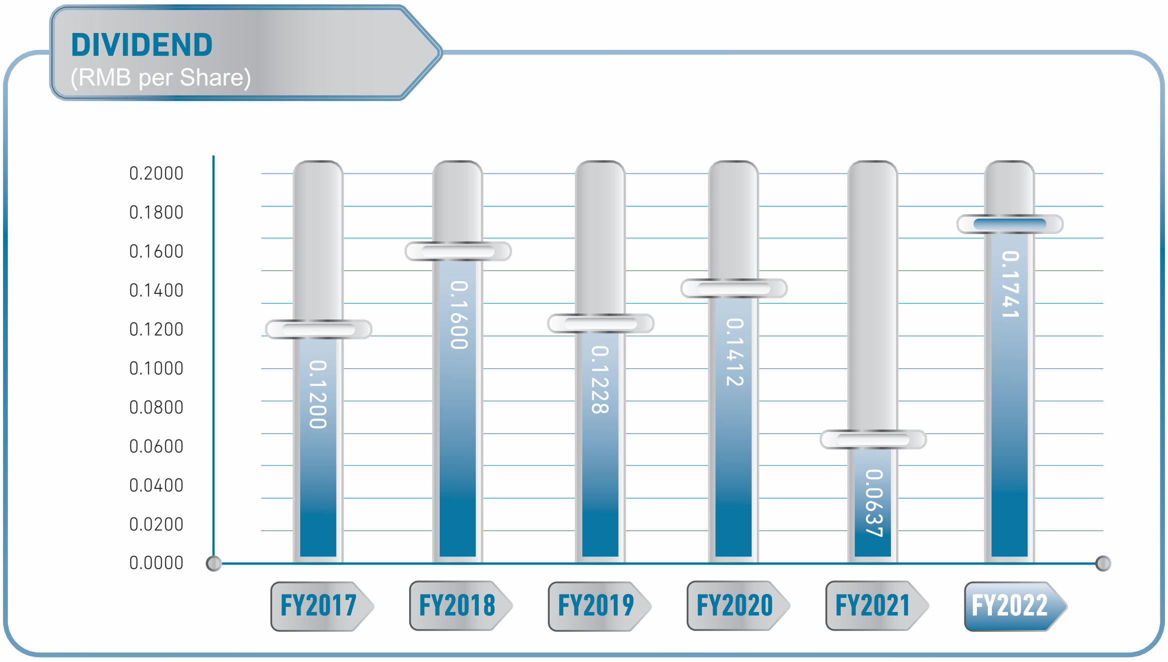


DIVIDENDS

The Board recommends the payment of a final dividend HK$0.14 per ordinary share ("**Share(s)**") for FY2022, together with the interim dividend of HK$0.0589 per Share, the total dividend is HK$0.1989 (RMB0.1741) per Share, representing approximately 40.7% of profit after tax for FY2022 (FY2021: HK$0.0759 or RMB0.0637 per Share).

Since the Company's listing in June 2017, the Group has paid a cumulative total dividend (including the final dividend recommended by the Board for FY2022) of RMB0.7818 per Share (or HK$0.9043 per Share).

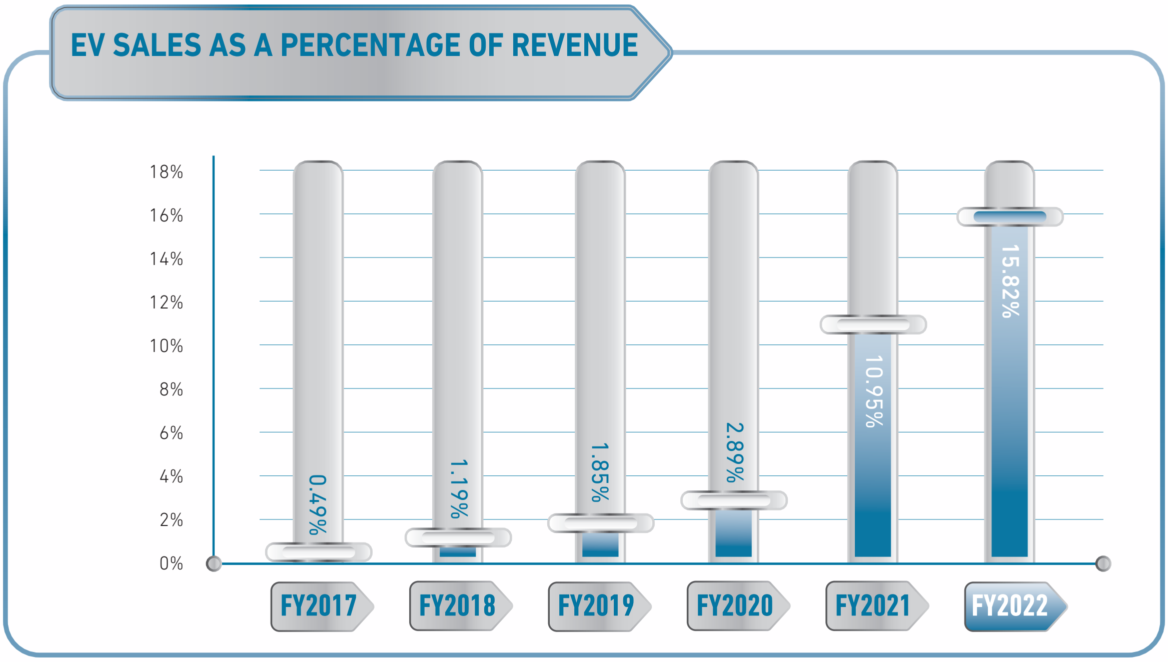
The chart below shows the Group's dividend figures for the past six financial years:



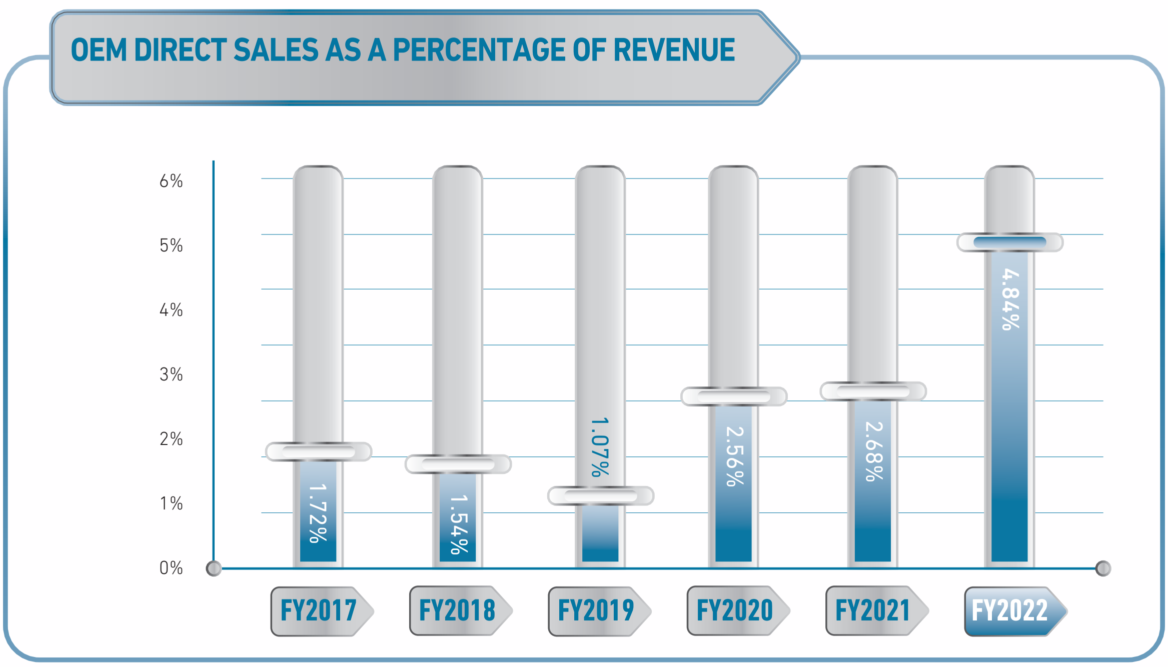
OPERATION REVIEW

As a result of the implementation of the two new strategies of "technology diversification" and "becoming a Tier 1.5" since 2020, Xin Point's target customer mix has been undergoing developing and consolidating processes. EV sales and OEM direct sales have increased significantly, and the product mix has also changed significantly. At the same time, the Group's revenue outside China has reached a new record high since the Company's listing in June 2017.

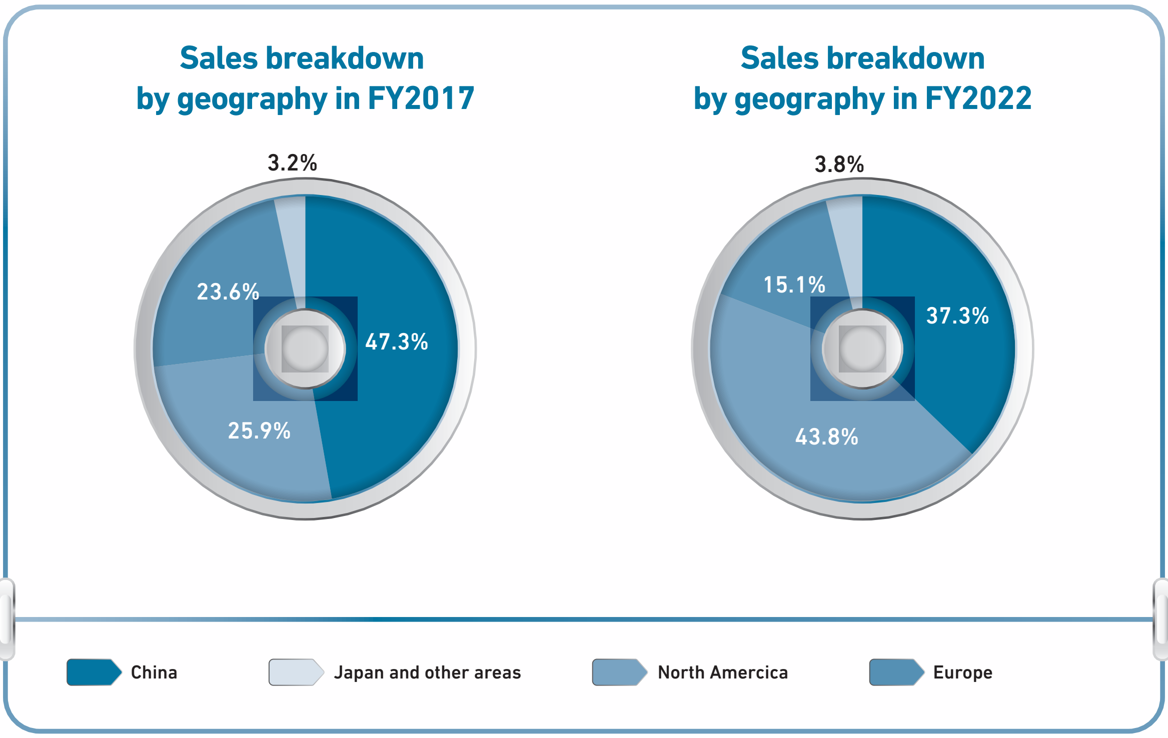
The chart below shows the Group's EV sales figures for the past six financial years:



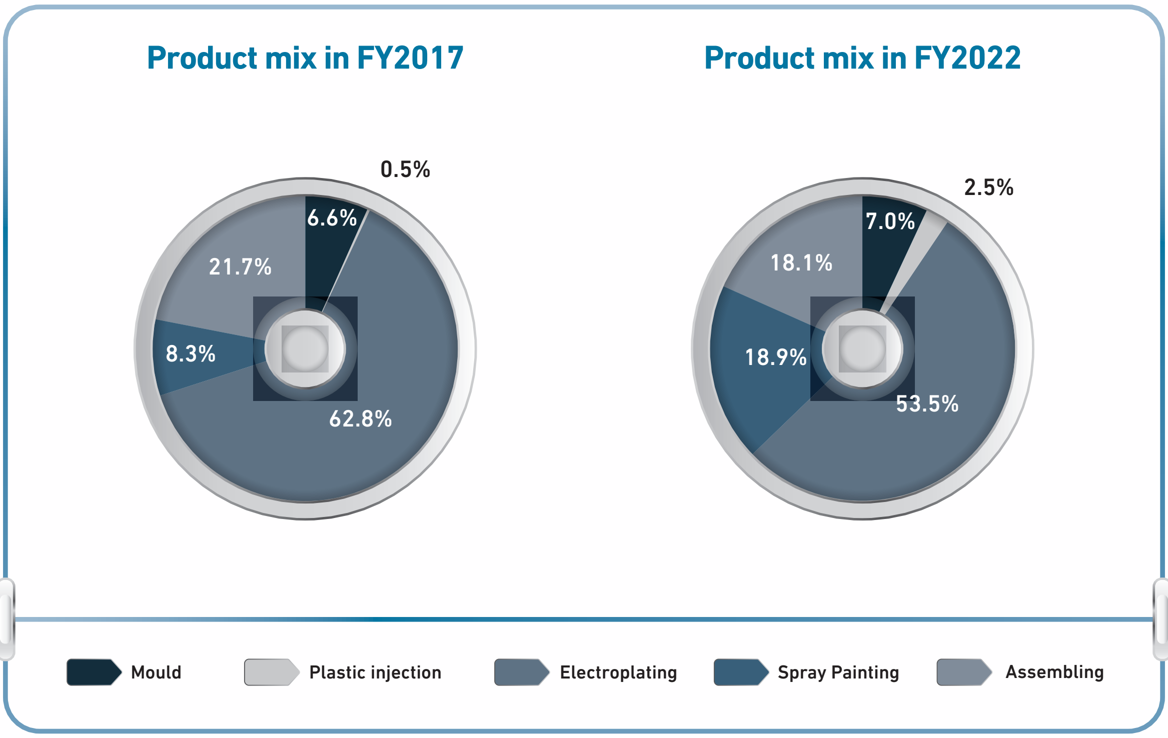
The chart below shows the Group's OEM direct sales figures for the past six financial years:



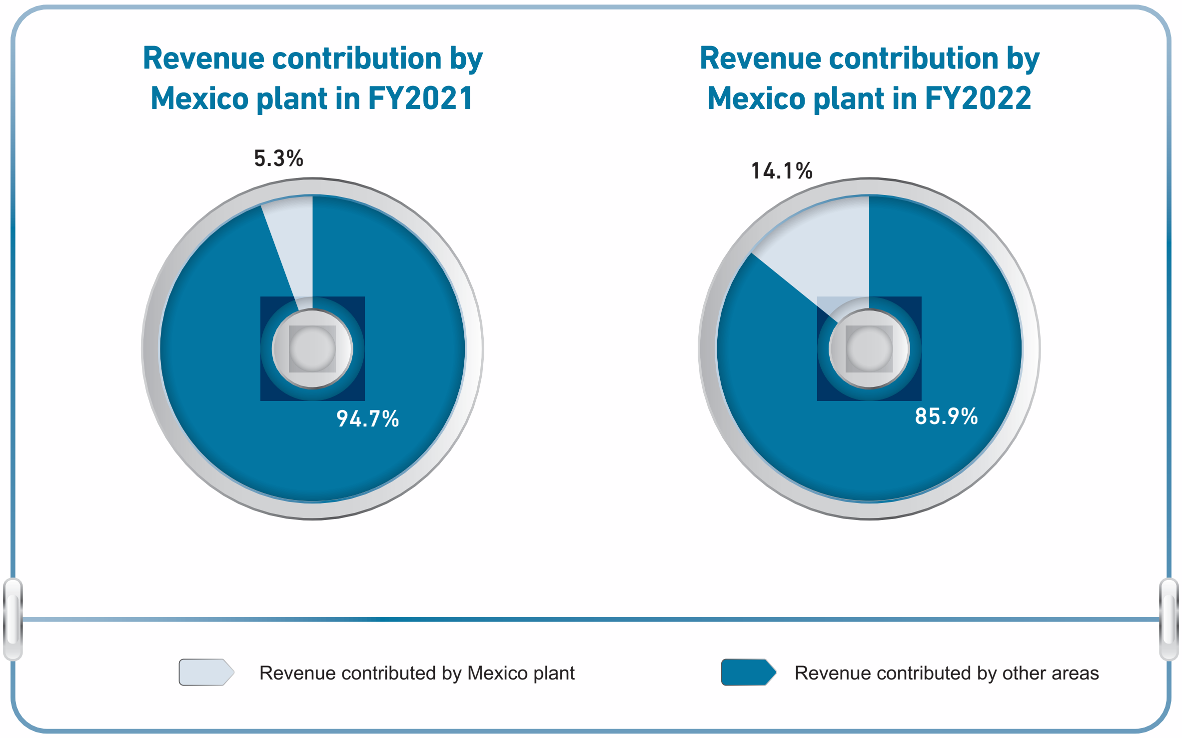
The charts below show a breakdown of the Group's sales by geography in FY2017 and FY2022 respectively:



The charts below compare the Group's product mix in FY2017 and FY2022 respectively:



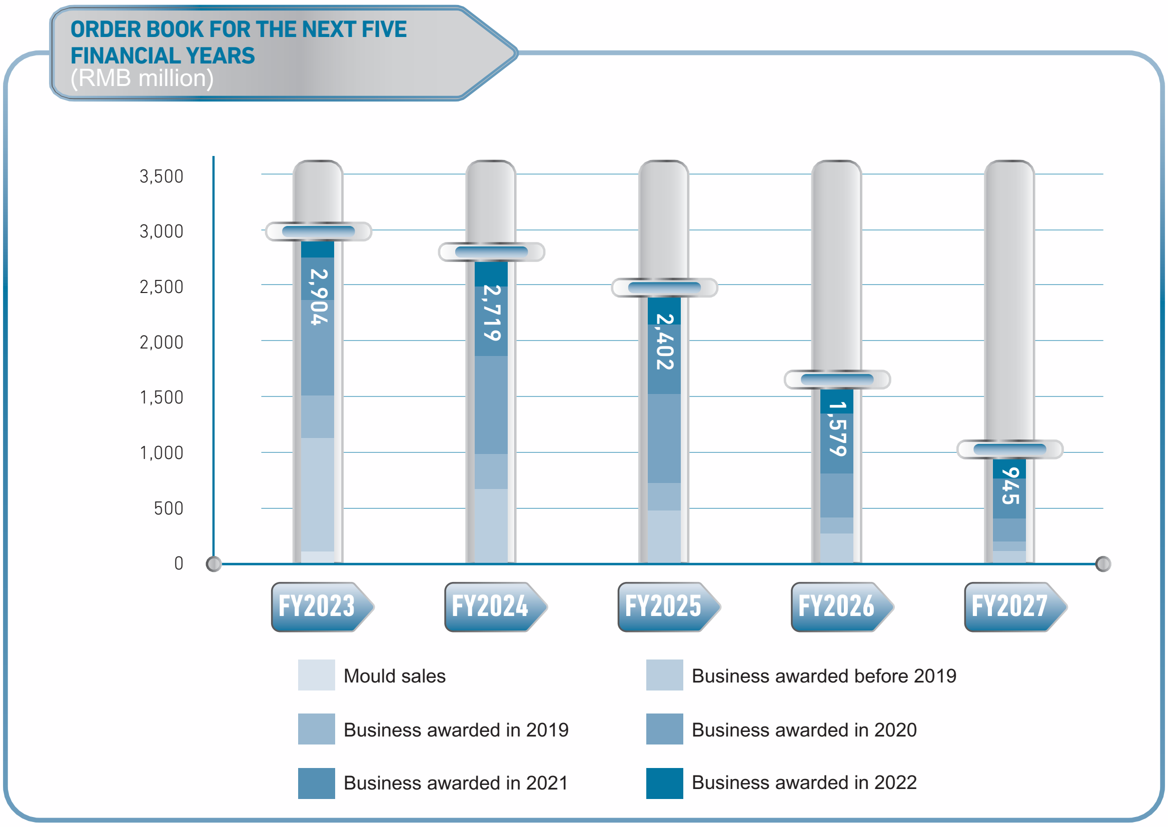
In addition to strategic optimisation, the revenue contributed from our first overseas plant - Mexico plant has been increasing; such additional production capacity from our Mexico plant has been helping Xin Point to meet with those increased orders within the North America region. The charts below show the change in the percentage of revenue contributed by our Mexico plant for FY2021 and FY2022 respectively:



ORDER BOOK

For the next five financial years, the Group has on-hand orders with a total value of approximately RMB10.6 billion.

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



OUTLOOK

After three years, the worst period of the COVID-19 pandemic finally came to an end, but the rising interest rates and the prolonged war between Russia and Ukraine have hit the global economy hard again. The automotive industry is facing more difficulties. The rapid growth of market share of EVs has led to a sharp decline in the market share of fuel vehicles, triggering a bloody price war in the absence of significant growth in the overall vehicle market. Eventually, cost pressures will inevitably be passed on to auto suppliers. In this field full of crises and challenges, we will adapt to market changes, make timely adjustments, seize opportunities, leverage our strengths, and strive for new progress.

In the case of increasing trade barriers, globalisation is an effective way to avoid geopolitical risks. The Xin Point Mexico plant is the first step in our global capacity layout, establishing a bridgehead in the North American market. The plant in Malaysia under planning will have more advantages in management and cost, thus enhancing the competitiveness of Xin Point's globalisation strategy.

According to the Wall Street Journal, 7.8 million EVs were sold worldwide in 2022, up by 68% from 2021. The growth rate of EV market share has far exceeded experts' predictions. EV market will be a fast-growing area of Xin Point's business. Xin Point's "one-stop-shop" service model from product design, mould fabrication, injection moulding, spray painting, physical vapor deposition ("PVD"), testing, assembly to logistics and its rapid response to customers, are able to significantly shorten the lead-time from product development to mass production, therefore, meeting the speed and quality requirements of EV customers at the same time. Xin Point will focus its business on the EV markets in the coming years by leveraging on our competitive advantages to sustain stable growth and reinforce Xin Point's status as a leading international auto decorative parts supplier.

PRODUCTION FACILITIES

The Group previously acquired a piece of industrial land in Malaysia and we think that it is the right time to commence the construction of a production facility. We expect that the Malaysian plant will commence operations by the end of 2025. This plant will focus on injection moulding, electroplating, spray painting and assembling. The expected total investment is RMB300 million.

The construction of Jiu Jiang plant is on schedule and the production facilities are now being installed. This plant will focus on injection, spray painting and PVD processes for large-sized products. It will commence trial run in June 2023. Meanwhile, we plan to install a special electroplating line, which is exclusive for hexavalent chromium electro-plating, to meet with the environmental compliance requirements of the European Union. This line is expected to commence trial run in October 2023.

APPRECIATION

I would like to take this opportunity to extend my gratitude to the shareholders of the Company (the "**Shareholders**"), customers and business partners of the Group for their continuous supports and trust and thank my fellow Directors for their concerted effort and insights throughout the past years. We treasure the efforts from the Group's management team and staff for their contributions to the Group.

With the help and efforts of the above parties, Xin Point believes we are able to move forward and maintain continuous business growth and strive for more value for all parties.

Ma Xiaoming
Chairman

28 March 2023

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. MA Xiaoming (馬曉明先生), aged 57, is an executive Director and the chairman of the Board. He is also the chairman of the nomination committee ("**Nomination Committee**") and a member of the remuneration committee ("**Remuneration Committee**") of the Board. He is primarily responsible for strategic planning and development of our Group and overseeing our Group's operation and management through meetings with the senior management on a regular basis. He was appointed as our Director on 28 August 2014 and was re-designated as our executive Director and the chairman of the Board on 6 April 2016. He was awarded a Bachelor's degree in Engineering in July 1988 from the Department of Applied Chemistry of Harbin Institute of Technology (哈爾濱工業大學應用化學系), the PRC, specialising in electrochemical production process (電化學生產工藝).

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

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

Mr. MENG Jun (孟軍先生), aged 57, is an executive Director. He is primarily responsible for overseeing the overall marketing operation and management of our Group. He was appointed as our executive Director on 6 April 2016. He was awarded a Bachelor's degree in engineering in July 1988 from the Department of Applied Chemistry of Harbin Institute of Technology (哈爾濱工業大學應用化學系), the PRC, specialising in electrochemical production process (電化學生產工藝). By a certificate issued by the Personnel Department of Heilongjiang Province (黑龍江省人事廳) dated September 1999, Mr. Meng was qualified as a senior engineer (高級工程師) in applied chemistry (應用化工). Mr. Meng has over 25 years of experience in the industry.

Mr. Meng joined our Group in August 2004. Since January 2010, Mr. Meng has assumed the office as marketing director and has been responsible for overseeing the daily management of our Group's marketing department. Mr. Meng was appointed as director of XPC in October 2011.

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

Mr. ZHANG Yumin (張玉敏先生), aged 57, is an executive Director and the chief executive officer of the Company. He was appointed as our executive Director on 6 April 2016 and joined our Group in April 2006. Mr. Zhang was appointed as the chief executive officer of the Company with effect from 21 February 2023. Mr. Zhang was awarded a Bachelor's degree in engineering in July 1988 from the Department of Applied Chemistry of Harbin Institute of Technology (哈爾濱工業大學應用化學系), the PRC, specialising in electrochemical production process (電化學生產工藝).

Mr. Zhang is primarily responsible for overseeing the operations and management of the subsidiaries of the Group located in Longxi Town and Longhua Town, Huizhou, China.

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

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Mr. LIU Jun (劉軍先生), aged 47, is an executive Director and the deputy chief executive officer of the Company. He was appointed as our executive Director on 6 April 2016. Mr. Liu was appointed as the deputy chief executive officer of the Company with effect from 21 February 2023. Mr. Liu joined Huizhou Haoyu Industrial Company Limited (惠州市浩瑜實業有限公司), the predecessor entity of Huizhou Keen Point Electronics Co Ltd. (one of our principal operating subsidiaries), in December 2002. Mr. Liu was awarded a Bachelor's degree in Chemical Processing (化工工藝) from Hubei Three Gorges Institute (湖北三峽學院), the PRC, in June 1998 and was awarded a graduation certificate from the College of Advanced Continuing Education of Sun Yat-sen University (中國中山大學高等繼續教育學院), the PRC, in April 2007 for completing a one-year programme on Business Administration.

Mr. Liu Jun is primarily responsible for overseeing the operations and management of the subsidiary of the Group located in Keen Point Hi-tech Industrial Park, Huizhou, China.

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

Mr. HE Xiaolu (何曉律先生), aged 47, is an executive Director. He is primarily responsible for the day-to-day sales and marketing operation and management of our Group, in particular overseeing the business development and sales and marketing strategies of our Group's overseas subsidiaries. He was appointed as our executive Director on 6 April 2016. Mr. He graduated from Fudan University (復旦大學), the PRC, majoring in History (International Tourism) (歷史學(涉外旅遊)) in July 1997. He further obtained a degree of Executive Master of Business Administration from European University, Switzerland, in June 2005.

Mr. He joined our Group in April 2006. From July 2008 onwards, Mr. He has devoted his time in overseeing the daily marketing management, in particular, overseeing the business development and strategies of overseas subsidiaries. Mr. He was appointed as a director of XPC in October 2011 and a director of Keen Point (Europe) Inc. in January 2008.

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

Mr. JIANG Wei (蔣巍先生), aged 49, is an executive Director. He is primarily responsible for overseeing the operations and management of the Group. He was appointed as our executive Director on 6 April 2016. Mr. Jiang was awarded a Diploma in Administrative Management from Shanghai Business Vocational and Technical College (上海商業職業技術學院), the PRC, in July 2001.

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. TANG Chi Wai (鄧智偉先生), aged 49, was appointed an independent non-executive Directors ("**INED**") of our Company on 5 June 2017. He is also the chairman of the audit committee ("**Audit Committee**") and a member of the Remuneration Committee of the Board. Mr. Tang has over 20 years of experience in auditing, accounting and financing. Since June 2008, Mr. Tang has been serving as the financial controller, company secretary and authorised representative of Universal Technologies Holdings Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (stock code: 1026). Mr. Tang was an INED of Century Group International Holdings Limited (formerly known as CHerish Holdings Limited), a company listed on the Main Board of the Stock Exchange (stock code: 2113), for the period from September 2016 to October 2021. Mr. Tang was appointed as an INED of Noble Engineering Group Holdings Limited, a company listed on GEM of the Stock Exchange (stock code: 8445) in September 2017 and an INED of ISP Global Limited, a company listed on GEM of the Stock Exchange in December 2017 (stock code: 8487). Mr. Tang was appointed as the honorary president of North Kwai Chung District Scout Council of Scout Association of Hong Kong in June 2019.

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

Date of grant	Qualification	Name of issuing organisation
September 2003	Member	The Chinese Institute of Certified Public Accountants
January 2005	Fellow	The Association of Chartered Certified Accountants
September 2009	Fellow	The HKICPA
July 2010	Chartered tax adviser (formerly known as certified tax adviser)	The Taxation Institute of Hong Kong
July 2010	Fellow	The Taxation Institute of Hong Kong
September 2014	Fellow	The Society of Registered Financial Planners
April 2015	Fellow	The Hong Kong Institute of Directors
July 2015	Fellow	The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators)
July 2015	Fellow	The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries)
September 2015	Fellow	Institute of Financial Accountants
October 2015	Member	Chartered Institute for Securities & Investment
October 2015	Fellow	Association of International Accountants
November 2015	Certified internal auditor	The Institute of Internal Auditors
December 2015	Fellow	The Society of Chinese Accountants & Auditors
July 2016	Fellow	Hong Kong Investor Relations Association
September 2021	Fellow	Hong Kong Securities and Investment Institute

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

Prof. CAO Lixin (曹立新教授), aged 57, was appointed an INED of our Company on 5 June 2017. Prof. Cao is also the chairman of the Remuneration Committee, a member of the Audit Committee and a member of the Nomination Committee of the Board. Prof. Cao was awarded a Doctoral degree in Engineering in October 2009 from Harbin Institute of Technology (哈爾濱工業大學), the PRC, specialising in chemical engineering and technology (化學工程與技術 (專業)).

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

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

Mr. GAN Weimin (甘為民先生), aged 57, was appointed an INED of our Company on 5 June 2017. Mr. Gan is also a member of the Audit Committee and a member of the Nomination Committee of the Board. Mr. Gan was awarded a Bachelor's degree in engineering in July 1986 from the Department of Optical Instruments and Engineering (光學儀器工程學系) of Zhejiang University (浙江大學), the PRC, specialising in optical instruments (光學儀器). Mr. Gan was further awarded a Bachelor's degree in Law and a Master's degree in Law from Zhejiang University, the PRC in June 1988 and April 1996, respectively. Mr. Gan passed the national qualification examination in the PRC held in 1990 which accredited him as a qualified lawyer in the PRC.

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

Mr. Gan held or holds directorship in the following listed companies:

Period of time	Name of listed issuer	Place of listing and stock code	Office and principal functions position
May 2009 to December 2014	Huazhi Holding (Zhejiang) Co., Ltd (currently known as Zhejiang Huamei Holding Co., Ltd.)	Shenzhen Stock Exchange (stock code: 000607)	Independent director
October 2009 to October 2015	Gem-Year Industrial Co., Ltd.	Shanghai Stock Exchange (stock code: 601002)	Independent director
August 2010 to July 2016	HangZhou Everfine Photo-E-Info Co., Ltd.	Shenzhen Stock Exchange (stock code: 300306)	Independent director
August 2011 to February 2015	RoshowTechnology Co., Ltd.	Shenzhen Stock Exchange (stock code: 002617)	Independent director
January 2015 to December 2020	Shanghai Huace Navigation Technology Ltd	Shenzhen Stock Exchange (stock code: 300627)	Independent director
May 2015 to July 2020	Shimge Pump Industry Group Co., Ltd.	Shenzhen Stock Exchange (stock code: 002532)	Independent director
January 2017 to November 2020	Sunrise Technology Co., Ltd	Shenzhen Stock Exchange (stock code: 300360)	Independent director
March 2017 to present	Zhejiang Aishida Electric Co., Ltd	Shenzhen Stock Exchange (stock code: 002403)	Independent director
May 2020 to present	Litian Pictures Holdings Limited	Hong Kong Stock Exchange (stock code: 9958)	Independent non-executive director
March 2022 to present	Zhejiang Crystal-Optech Co., Limited	Shenzhen Stock Exchange (stock code: 002273)	Independent director

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

SENIOR MANAGEMENT

Dr. YANG Qianshun (楊前順博士), aged 57, is the technical director of XPC. Currently, he is primarily responsible for the product technology and quality management as well as development of technical system of our products. Dr. Yang was awarded a Bachelor's degree in Engineering in July 1988 from the Department of Applied Chemistry of Harbin Institute of Technology (哈爾濱工業大學應用化學系), the PRC, specialising in electrochemical production process (電化學生產工藝). Dr. Yang was further awarded a Master degree in Engineering in April 1991 and a doctoral degree in applied chemistry in October 1994, respectively, both from the Department of Applied Chemistry of the Tianjin University (天津大學應用化學系), the PRC, specialising in applied chemistry. By a certificate issued by the Personnel Department of Guangdong Province (廣東省人事廳) in February 1999, Dr. Yang was qualified as a senior engineer in chemical engineering (化學工程高級工程師). Dr. Yang has over 20 years of experience in the chemical engineering industry.

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

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

Ms. LIU Shaoman (劉少曼女士), aged 39, is the associate technical director of XPC. Currently, she is primarily responsible for overseeing the daily management of the technical department of XPC. Ms. Liu was awarded a Bachelor's degree in Science from Huizhou University (惠州學院), the PRC in June 2006, specialising in applied chemistry.

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

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

Mr. LI Chak Fu (李澤富先生), aged 54, is our finance director. He joined our Group in August 2016 and is principally responsible for the accounting and financial management of our Group as well as liaising with external parties in respect of Group's financial matters. Mr. Li's responsibilities also include acquisition evaluation, review of the Group's performance and managing investor relations. Mr. Li has more than 20 years of experience in financial management and accounting.

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

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

COMPANY SECRETARY

Mr. AU Wai Keung (**區偉強先生**), aged 51, was appointed as our company secretary on 6 April 2016 pursuant to the terms and conditions of a company secretarial service agreement entered into between our Company and Arion & Associates Limited (亞利安會計事務所有限公司), a company principally engaged in providing business consultancy services. Mr. Au is a director of Arion & Associates Limited. He has been serving as the company secretary for a number of Hong Kong listed companies.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

Since 2020, the global automotive sector has faced decreased demand and production halts resulting from COVID-19 and automotive semiconductor shortages. On the other hand, we have seen recovery in global automotive markets in 2022, with new-vehicle sales racking up at growth rates similar to those of 2021. According to the latest news, global automotive sales for 2022 posted an overall flat growth from the sales volume in 2021, at 66.9 million units.

There were still rebounds in the global automotive industry, but they varied widely by region, depending on the pace of the economic recovery, as well as the depth of the downturn they have experienced. Indeed, in Asia Pacific area, despite large disruptions in China, annual sales still grew by 8.6% year-on-year. However, North American sales posted the largest decline in 2022 with a -7.1% year-on-year contraction, offsetting the recovery in 2021. Western Europe and Latin America may have to wait until 2023 to return to pre-pandemic levels. It was estimated that China alone accounted for 30% of sales in 2022 (although its share has fallen from 33% since 2020), while the US took 19%.

The global recovery in automobile industry was dampened by the supply-chain volatility in 2022: a global shortage of semiconductors, a key automotive component, hit automakers' ability to service rebounding demand; productions in China was affected by power shortages throughout the first quarter of 2022; prolonged shortages of magnesium, an essential component for producing aluminum alloys used in vehicles; EV makers ran short of lithium and cobalt, which are crucial for battery manufacturing. Such widening demand-supply gap pushed up the prices for new as well as used car models, and resulted in long waiting periods for customers. Once, a renowned German manufacturer said some of its buyers would have to wait more than a year for their models to be delivered. However, we have observed that in some areas, there has been an easing of the situation by the second half of 2022.

EV sales continue to soar in 2022: 7.8 million EVs were sold worldwide in 2022, a 68% increase from 2021, and EVs are finally becoming serious market disruptors. Governments are becoming increasingly innovative with their EV incentive policies, in order to encourage clean vehicle sales without too much cost and without benefiting high-income households. While the US offers a US$7,500 EV tax credit at the point of sale on clean-vehicle purchases from January 2023; China has extended tax breaks and purchase subsidies available for buyers of new energy vehicles until the end of 2023.

BUSINESS OVERVIEW

Global automobile sales have faced several challenges over the past three years. First came COVID-19 and the lockdown, then came the semiconductor shortage and supply chain issues. In 2022, the Russian–Ukrainian conflicts made life even more difficult for the automotive industry.

During 2022, market growth was driven by China and India, the world's largest and fourth-largest new vehicle markets. In China, the growth was due to the increased push on EVs with greater supply and the recent reopening of the economy.

The situation in some mature markets was not very promising. As inflation problems continue in the US and Europe, sales in 2022 remained flat or grew by only very small percentages. In the US, sales volume is not expected to exceed 14 million units, despite the positive response of the demand for newly available EVs. In Europe, there is still uncertainty about the economic situation, the war in Ukraine, and the increase in car prices.

The Group recorded a growth in the total number of sales units from approximately 395.4 million in FY2021 to 408.3 million in FY2022, representing an increase of approximately 3.3%, while the total revenue of the Group also increased to approximately RMB2,882.9 million, representing an increase of approximately 24.7% as compared with the corresponding period of FY2021 (FY2021: approximately RMB2,312.5 million).

The Group's gross profit for FY2022 amounted to approximately RMB882.1 million, represented an increase of 38.4% when compared with that of last year (FY2021: approximately RMB637.4 million) due to the increase in the Group's total revenue. The gross profit margin of the Group for FY2022 was 30.6% (FY2021: 27.6%), the increase in the gross profit margin of the Group was due to the increase in operating efficiencies (see further discussions under "Financial Review" section below).

Electro-plating production capacity and utilisation rate

Our annualised electro-plating production capacity as of 31 December 2022 decreased to approximately 3.50 million sq.m. (as of 31 December 2021: approximately 3.80 million sq.m.), the Group decided to completely close down our electro-plating facilities in Wuxi Yangshe Industrial Park ("**Wuxi Production Bases**") in the second half of 2022 due to obsolescence and environmental restrictions, such capacities are expected to be replaced by another new addition production base in Huizhou during the first half of 2023. In the meantime, our capacity utilisation rate for FY2022 increased to approximately 86.8% as compared with the overall utilisation rate of 62.9% for FY2021, due to the fact that the electro-plating facilities in our Wuxi Production Bases were no longer contributing in the second half of 2022.

Production yield

During FY2022, our overall production yield rate remained relatively stable with a slight decrease of 0.5 percentage point from approximately 89.0% in FY2021 to 88.5% in FY2022.

Outlook and order book

Year 2022 has been a magical year which we witnessed significant changes that have taken place in the automobile industry, which is coming out of one of its most challenging periods in history.

The industry is continuing to deal with major global disruptions, not just from COVID-19, but from so many other elements of the global economy: such as the tensions in Asia-Pacific and the war in Ukraine have created a climate of uncertainty and hesitation; shortages from microchips to labour are affecting almost every touchpoint along the automotive supply chain. All these factors have been creating challenges to the automotive suppliers, and according to some recent studies, the market is still expecting margins and growth pressures in 2023 for automotive industry. The automotive supplier industry is facing its third consecutive year of slumping volumes; although average profit margins have returned to pre-pandemic levels, several lingering disruptions and many new challenges continues to ramp up the pressure on supplier margins and growth over the short-term. The difficulties are caused primarily by semiconductor shortages and skyrocketing material prices, and especially in Europe, soaring energy prices.

However, one of the most important global trends continues to be the industry's focus on the development of EVs, whether it is improving battery performance or expanding the charging infrastructure and automated driving technologies. These ambitions are resulting in a significant increase in research and development by vehicle manufacturers, who seem to be charging ahead with EV technology despite the many other challenges they currently face. The autonomous vehicle segment will take a leap in 2023, many OEMs are planning to launch their level 3 vehicles in 2023 and are expected to hit the roads.

According to media reports, there were 7.8 million EVs sold worldwide in 2022, a 68% increase from 2021, such uptick helped EVs achieve a roughly 10% global market share in the automotive industry for the first time, and more recent projections expect the EV market to make even more headway in the years ahead.

Also, according to the latest figures from the China Association of Automobile Manufacturers ("**CAAM**"), it is reported that China's auto exports in 2022 maintained at a high level. Since August 2022, the average monthly export figure exceeded 300,000 units, and the annual export exceeded 3 million units; among them, Chinese EVs market developed rapidly in the past two years, ranking first in the world for eight consecutive years. EV sales were approximately 6.9 million units for 2022, represented a year-on-year increase of 93.4%. In 2023, the Group will put more efforts in and focus on the Chinese EV market by leveraging our Group's advanced surface treatment capabilities and our local networks within the Chinese automobile industry.

The Group's outstanding order book remains healthy at approximately RMB10.6 billion for the next five years from 1 January 2023 to end of 2027.

After successfully launching its QCARLINK platform, our Shenzhen joint venture company with Wanka Online Inc., whose shares are listed on the Main Board of the Stock Exchange, (stock code: 1762), has been expanding its businesses with three Chinese vehicle manufacturers and have installed over 50,000 terminals inside their vehicles. The QCARLINK platform now includes 50 applications and its major functionalities include: in-vehicle news, on-demand audio and video and recommendations of automobile related service providers, etc. During 2022, the joint venture company also expanded its business into remote software package distribution systems, user data analytics and in-vehicle operating systems, by co-operating with the joint venture company and analysing such "big-data", an automotive manufacturer will have better understanding on the customers' vehicle usage preferences or other kinds of commercial opportunities or value-added services to be offered to their customers.

Some research firms predicts that global vehicle sales will rise this year despite a downbeat outlook for the global economy. Although it may seem counterintuitive, it is a result of several factors, including more consistent production volumes, delayed demand from the accumulated order books and some more positive economic momentum in certain regions, such as China. This should result in an improvement in passenger car sales on the order of single-digit in 2023.

The Group believes that it will continue to be exposed to various pressures emanating from the more balanced supply and demand picture, continued cost inflation and potentially, more price-sensitive consumer demand, which are the same risks faced by car manufacturers in 2023. On the other hand, the Group will not stand still and will aim to counter these pressures with cost savings and continued prioritisation of our production facilities on the more profitable parts. However, on balance, the Group would expect that the room for maneuver will be smaller this year.

FINANCIAL REVIEW

Revenue

The global vehicle market remained vulnerable to ongoing supply chain pressures and rising geopolitical tensions. This caused a nearly flat growth in global new car sales.

Although 2022 was challenging for the world's major automakers, as supply chain disruptions made it hard to produce enough vehicles to meet demand, the Group still recorded an overall increase by approximately RMB570.4 million or approximately 24.7% from approximately RMB2,312.5 million for FY2021 to approximately RMB2,882.9 million for FY2022. The total number of units of automotive decorative components sold in FY2022 slightly increased by approximately 13.0 million units or approximately 3.3% from FY2021, however, the average selling price ("**ASP**") for automotive decorative components significantly increased to approximately RMB7.06 per unit or by approximately 20.7% when compared to FY2021, which was the key drivers of Group's revenue growth for FY2022:

i. our Group has been committing significant amount of research and development ("**R&D**") efforts on surfacing treatment technologies, including but not limited to spray painting and physical vapor deposition and we have seen these product lines progressing in 2022, and they in fact carry higher ASPs when comparing with traditional sole electro-plating products;

ii. our revenue from North America exceeded the revenue from China in 2022 for the first time, together with an increase of our product ASPs of more than 40% within the North America. Although the inventory-to-sales ratio in the North America has been on an upward trend since the beginning of 2022, it was still well below its long-term average, an indication that the current speed of inventory recovery can hardly catch up with sales. This represented that there was still a strong consumer demand coupled with purchasing power parity encouraged the demand trends for vehicles in US;

iii. the percentage of overall revenue coming from China for 2022 decreased to approximately 37.3% or 5.5 percentage point less when compared to 2021. Vehicle sales in China decelerated since August 2022 and plunged again in November 2022 as a result of COVID-19 lockdowns that lasted until early December 2022 when the country relaxed its zero-COVID policy, which also affected the Group's revenue from China region; and

iv. ongoing supply chain disruptions caused by the conflict in Ukraine have raised inflation risks and reduced growth prospects for the European economy in the near-term. Although Western European vehicle sales picked up in the fourth quarter of 2022 but annual vehicle sales still declined in 2022, which resulted in the Group's revenue from European sales posting a decline in both absolute amount and percentage of total revenue for 2022.

Revenue by geographic segment:

	FY2022		FY2021	
	RMB'000	**%**	RMB'000	%
China	**1,074,520**	**37.3%**	989,548	42.8%
North America	**1,263,074**	**43.8%**	775,449	33.5%
Europe	**434,995**	**15.1%**	437,182	18.9%
Others	**110,277**	**3.8%**	110,289	4.8%
	2,882,866	**100.0%**	2,312,468	100.0%

Cost of sales

	FY2022		FY2021	
	RMB'000	**%**	RMB'000	%
Direct materials	**671,037**	**33.5%**	488,460	29.2%
Staff costs	**515,475**	**25.8%**	431,226	25.7%
Overheads	**814,241**	**40.7%**	755,420	45.1%
– Depreciation	**153,964**	**7.7%**	137,341	8.2%
– Mould cost	**141,467**	**7.1%**	176,228	10.5%
– Utilities	**173,911**	**8.7%**	123,140	7.4%
– Shipping and delivery	**116,249**	**5.8%**	91,712	5.5%
– Others	**228,650**	**11.4%**	226,999	13.5%
	2,000,753	**100.0%**	1,675,106	100.0%

Cost of sales increased by approximately RMB325.7 million or approximately 19.4% from approximately RMB1,675.1 million for FY2021 to approximately RMB2,000.8 million for FY2022. The Group's increase in cost of sales was less than its increase in revenue during FY2022 and such increase was attributable, among other things, to the following factors:

1. during the year, the Group was exposed to the same problems experienced by other car manufacturers: increases in energy costs, raw materials and logistics costs. Raw material cost increased by 37.4% year-on-year to RMB671.0 million for FY2022 and such increases created additional pressure on the cost of sales of the Group and limited the profit margin growth in FY2022;

2. the Group is constantly striving to improve its operating efficiencies through process automation. During 2022, our injection processes implemented extensive automation programs which resulted a moderate increase in our overall headcount during FY2022, hence the Group recorded an overall increase in output per worker ratio, and the Group was able to maintain a lower growth rate of 19.5% in staff cost as compared to the growth of revenue for FY2022;

3. mould cost incurred in FY2022 decreased by 19.7% as compared to last year, which was partly due to the fact that less moulds needed to be repaired and modified resulting from our improved mould fabrication processes and staff skills, and partly due to the fact that less moulds were made in response to our customers' product development cycle; and

4. the Group's operations were still affected by the volatile global environment: including skyrocketing material price caused by shortages from demand recovery and pressured supply chains. Although there have been some minor reductions in the global freight rates, the Group has been facing higher levels of logistics and energy cost since 2021.

Gross profit

The Group has been investing in the R&D in relation to the advanced surfacing treatment technologies and the Group saw the percentage of our spray-painting product lines, which yielded higher operating margins, recorded continuous growth in the past years, partly contributing to an increase in the gross profit margin.

Together with a higher output per worker ratio, the Group also recorded a lower growth in the cost of sales than its revenue increase during FY2022, the Group reported a gross profit of approximately RMB882.1 million for FY2022, represented approximately RMB244.7 million or 38.4% increase in overall gross profit as compared to FY2021. The Group's gross profit margin also increased by three percentage points from 27.6% for FY2021 to 30.6% for the current year.

Other income and gains

Other income and gains mainly represented bank interest income, income from sale of scraps, testing fee income and exchange gains. Other income and gains significantly increased from approximately RMB21.1 million in FY2021 to approximately RMB80.3 million in FY2022, this was due to the recognition of net exchange gains of approximately RMB48.9 million (FY2021: net exchange losses of approximately RMB25.6 million booked as administrative expenses), which was mainly driven by the appreciation of United States Dollar ("**US Dollar**") against Renminbi.

Selling and distribution expenses

Sales and distribution expenses increased by approximately RMB14.7 million or approximately 23.5% to approximately RMB77.3 million for FY2022 as compared to the same period of 2021. The increase was in line with the Group's revenue growth and mainly due to increased business travelling and meetings as results of relaxation of COVID-19 measures.

Administrative expenses

The table below summarises the components of administrative expenses:

	FY2022		FY2021	
	RMB'000	%	RMB'000	%
Staff costs	**153,164**	**43.4%**	135,173	40.5%
Research and development expenses	**73,159**	**20.7%**	68,703	20.6%
Depreciation and amortisation	**19,476**	**5.5%**	21,816	6.5%
Legal and professional fees	**16,893**	**4.8%**	13,613	4.1%
Impairment of items of property, plant and equipment	**14,654**	**4.2%**	—	—
Exchange losses	**—**	**—**	25,596	7.7%
Others	**75,719**	**21.4%**	68,661	20.6%
	353,065	**100.0%**	333,562	100.0%

Administrative expenses increased by approximately RMB19.5 million or approximately 5.8% from approximately RMB333.6 million for FY2021 to approximately RMB353.1 million for FY2022.

The increase in administrative expenses was mainly contributed by the followings:

i. the increase in staff costs by approximately RMB18.0 million for FY2022, which was partly a result of addition bonus provisions made for our staff due to the Group's improved financial performance, and partly due to an increase in headcount;

ii. the slight increase in R&D expenses by approximately RMB4.5 million (by 6.5%) as the Group strives to maintain its technology competitiveness within the market and believes that investing in R&D for production automation is the key to achieving our operating efficiencies;

iii. the Group recorded a significant amount of net exchange gains amounting RMB48.9 million (recorded as other income and gains, see above) as Renminbi depreciated more than 8% against US dollar during 2022, and that the Group collected more than 40% of its revenue in US dollars from the North America; and

iv. there were additional provisions of approximately RMB14.7 million recorded for the obsolete electro-plating production lines in the Wuxi Production Bases.

Net profit attributable to owners of the Company

Net profit attributable to owners of the Company increased by approximately 100.4% from approximately RMB215.2 million for FY2021 to approximately RMB431.3 million for FY2022. This was primarily due to, among other things, the followings:

(i) the Group's revenue recorded a historical high with a growth of 24.7% or an increase of approximately RMB570.4 million for FY2022, the gross profit also increased from approximately RMB637.4 million for FY2021 to approximately RMB882.1 million or by approximately 38.4% for FY2022 and the Group's profitability and efficiencies improved as a result of, among other things, improvement of process automation and cost control initiatives;

(ii) sales and distribution expenses increased by 23.5% for FY2022 as compared to FY2021;

(iii) other income and gains increased significantly by approximately 2.8 times to approximately RMB80.3 million for FY2022, primarily due to the net exchange gain recorded as a result of the US dollars soaring against Renminbi during the year;

(iv) administrative expenses increased by approximately 5.8% to approximately RMB353.1 million for FY2022, which was incurred primarily due to the additional management bonus provided as discussed above; and

(v) income tax increased by approximately 97.0% for FY2022 due to the increase in taxable profits of certain subsidiaries.

Basic earnings per share attributable to owners of the Company for FY2022 increased by 104.8% as compared to last year and was approximately RMB43 cents (FY2021: approximately RMB21 cents).

Total comprehensive income

Total comprehensive income for FY2022 was RMB507.1 million (FY2021: RMB177.2 million), which comprised (a) profit for FY2022 of RMB428.5 million (FY2021: RMB213.0 million); and (b) other comprehensive income for FY2022 of RMB78.6 million (FY2021: other comprehensive loss of RMB35.9 million) which included unrealised loss on fair value changes of listed equity investment at fair value through other comprehensive income ("**FVTOCI**") of approximately RMB3.1 million (FY2021: RMB0.2 million).

Liquidity and financial resources

For FY2022, the Group's net cash inflow from operating activities amounted to approximately RMB449.3 million, as compared to approximately RMB135.3 million in FY2021. Such improvement in the Group's cash inflow was mainly due to the increase of Group's gross profit as discussed above.

For FY2022, bank-borrowing remained stable, as at 31 December 2022, the Group had interest-bearing bank borrowings of RMB145.9 million, and the gearing ratio, being total bank borrowings divided by total equity, was 5.0% (31 December 2021: 5.3%).

Commitments

As at 31 December 2022, the Group had the following commitments:

	RMB'000
Capital commitments	
Capital expenditure contracted but not provided for	
in the consolidated financial statements in respect of:	
Acquisition of property, plant and equipment	82,416
Capital contributions to a joint venture company	35,121
	117,537

Interest Rate and Foreign Exchange Risks

As at 31 December 2022, the balance of bank borrowings of the Group was approximately RMB145.9 million, of which RMB70.2 million was bearing at fixed interest rates.

The Group's cash and cash equivalents are mainly denominated in RMB, EUR and USD. As at 31 December 2022, the Group's cash and cash equivalents denominated in currencies other than the functional currencies amounted to approximately RMB220.4 million of which approximately RMB186.0 million was denominated in USD, approximately RMB25.8 million was denominated in EUR, approximately RMB8.6 million was denominated in HKD.

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

Contingent Liabilities

As at 31 December 2022, the Group had no contingent liabilities (31 December 2021: Nil).

Mortgaged Assets

To secure general banking facilities, two of the Group's subsidiaries in the PRC pledged their land leases with a net carrying amount of approximately RMB13.7 million as at 31 December 2022. One of the Group's subsidiaries in Germany pledged its machinery with a net book value of approximately RMB1.2 million as at 31 December 2021.

Capital Expenditure

Capital expenditure includes the acquisition of property, plant and equipment, the increase in construction in progress and the addition of land use rights. During FY2022, the Group's capital expenditure amounted to approximately RMB167.2 million (FY2021: approximately RMB423.7 million). The capital expenditure accommodated further investments in our new injection, spray-painting and electroplating production facilities located in China and Mexico for the planned production capacity expansion to meet with our customers' demands.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The net proceeds from the initial public offering of the Company were approximately RMB741.5 million. On 2 February 2021, the Board announced that there would be a change in the use of the net proceeds from the initial public offering of the Company. Please refer to the announcement of the Company dated 2 February 2021 for more details.

As at 31 December 2022, all the net proceeds were fully utilised and applied as follows:

Purpose	Planned amount as mentioned in the Prospectus RMB million	Revised allocation RMB million	Percentage of Total amount	**Actual usage up to 31 December 2022 RMB million**	**Remaining balance as at 31 December 2022 RMB million**	Expected timeline for fully utilising the remaining proceeds
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%	**389.0**	**—**	N/A
Reinforcing the market position and enhancing the sales, increasing the direct exposure in the mid-to-high end automobile manufacturing segment and market shares in North America and Europe	40.0	1.3	0.1%	**1.3**	**—**	N/A
Enhancing the product quality, product safety and R&D capabilities	42.3	42.3	5.7%	**42.3**	**—**	N/A
Enhancing the information technology and customer services systems	35.6	2.6	0.4%	**2.6**	**—**	N/A
Working capital and general corporate purposes	59.2	59.2	8.0%	**59.2**	**—**	N/A
Total	741.5	741.5	100.0%	**741.5**	**—**	

Dividend

The Board recommends the payment of a final dividend of HK$0.14 per Share for the year ended 31 December 2022, together with the interim dividend of RMB5.13 cents per Share paid, the effective dividend payout ratio was 40.7%, when calculating against the net profit of RMB428.5 million for FY2022.

EMPLOYEES

As at 31 December 2022, the Group had 6,059 employees (31 December 2021: 5,851 employees), among which, 4,456, 6, 18, 13, 1,566 employees were based in China, Hong Kong, the US, Germany and Mexico, respectively. The remuneration and staff cost for FY2022 were approximately RMB740.8 million (FY2021: RMB622.5 million).

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

The Directors and senior management of the Company receive compensation in the form of salaries, benefits in kind and/or discretionary bonuses based on 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 reviews and determines the remuneration and compensation packages of the Directors and senior management of the Company with reference to salaries paid by comparable companies, time commitment and responsibilities of the Directors and senior management of the Company and performance of the Group.

DEVELOPMENT & TRAINING

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

CAPITAL STRUCTURE

As at 31 December 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: RMB87.5 million).

SHARE OPTION SCHEME

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

On 14 August 2018, the Board granted share options ("**Share Option(s)**") to a group of eligible grantees (the "**Grantees**") to subscribe for up to 22,946,000 Shares, allowing the Grantees to exercise such Share Options starting from 15 August 2021 to 13 August 2028 (both days inclusive). The price per Share paid by the Grantees upon exercising the Share Options was determined pursuant to the Rules (the "**Listing Rules**") Governing the Listing of Securities on the Stock Exchange and with reference to the average closing prices of the Shares as stated in the daily quotation sheet of the Stock Exchange for the five trading days immediately preceding 14 August 2018 (i.e. the date of grant).

No Share Options were granted during FY2022.

MATERIAL LITIGATION AND ARBITRATION

The Group was not engaged in any litigation or arbitration of material importance during FY2022.

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions as set out in the Corporate Governance Code (the "**Governance Code**") as contained in Appendix 14 to the Listing Rules as its own code to govern its corporate governance practices.

The Company has complied with the code provisions set out in Part 2 of the Governance Code during FY2022.

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

DIRECTORS' AND SENIOR MANAGEMENT'S SECURITIES TRANSACTIONS

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

Upon specific enquiry, all the Directors confirmed that they have complied with the Model Code during FY2022. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group during FY2022.

THE BOARD OF DIRECTORS

Board Responsibilities

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

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

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

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

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

Functions and Duties of the Board

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

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

(b) deciding business plans and investment plans;

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

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

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

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

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

Composition

The composition of the Board during FY2022 and as at the date of the annual report is set out as follows:

Executive Directors

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

Independent Non-executive Directors

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

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

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

Independent Non-executive Directors

The Company complied with the requirement of Rule 3.10A of the Listing Rules, which requires an issuer's board of directors to have at least one-third of its members being independent non-executive directors, for FY2022. In addition, during FY2022, the Company has duly complied with Rule 3.10(1) and Rule 3.10(2) of the Listing Rules, which require the issuer's board must include at least three independent non-executive directors and at least one of the independent non-executive directors to have appropriate professional qualifications or accounting or related financial management expertise respectively.

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

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

The Board has established mechanisms to ensure independent views and inputs are available to the Board. A summary of which is set out below:

(i) Composition: the Board shall include at least three independent non-executive Directors and at least one-third of the members of Board are independent non-executive Directors;

(ii) Independence assessment: the Board assesses the independence of the independent non-executive Directors annually to ensure that they can continue to exercise independent judgement;

(iii) Compensation: no equity-based or performance-related remuneration has been granted to independent non-executive Directors, which can reduce the bias in their decision-making process and maintain their objectivity and independence; and

(iv) Board decision making: all Directors are entitled to obtain additional information from the management of the Company on matters to be discussed at Board meetings and, where necessary, seek independent advice from external professional advisers at the Company's expense. Furthermore, Director(s) who has or have material interest(s) in a transaction discussed in the Board meeting shall not vote on any Board resolution approving the same.

The Board had reviewed the implementation and effectiveness of the aforementioned mechanisms during FY2022 and considers that the above mechanisms are properly implemented and effective.

The current terms of the independent non-executive Directors shall last for three years from 6 June 2020.

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

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

Appointment, Re-election and Removal of Directors

Each of the Directors has entered into a service contract or a letter of appointment with the Company for a specific term. The current term of office for each Director is a term of three years from 6 June 2020 and is subject to retirement by rotation at an annual general meeting (the "**AGM**") at least once every three years. According to the articles of association of the Company (the "**Articles**"), one-third of the Directors for the time being shall retire from office by rotation at each AGM provided that every Director shall be subject to retirement by rotation at least once every three years. The retiring Directors shall be eligible for re-election at the relevant AGM. In addition, the Articles provide that any Director appointed by the Board to fill a casual vacancy or as an additional Director shall hold office only until the next following AGM of the Company and shall then be eligible for re-election at the meeting.

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

In accordance with the Company's Articles, Mr. TANG Chi Wai, Mr. GAN Weimin and Prof. CAO Lixin will retire from office as Directors by rotation at the forthcoming AGM to be held on 1 June 2023 ("**2023 AGM**") and, being eligible, offer themselves for re-election.

Directors' Continuing Professional Development

The Directors are aware of the requirement under the code provision C.1.4 of the Governance Code regarding continuous professional development. The Company encourages and supports all the Directors (i.e. Mr. Ma Xiaoming, Mr. Meng Jun, Mr. Zhang Yumin, Mr. Liu Jun, Mr. He Xiaolu, Mr. Jiang Wei, Mr. Tang Chi Wai, Mr. Gan Weimin and Prof. Cao Lixin) to receive training and encourages their continuous professional development, so as to develop and keep abreast of the latest development to refresh their knowledge and skills and serve the Company more efficiently. The Company offers training opportunities for all the Directors from time to time.

In compliance with the code provision C.1.4 of the Governance Code, all Directors had participated in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. The Directors had provided the relevant record to the Company during FY2022.

Board and Board Committees Meetings

The Board has met regularly in FY2022. For FY2022, at least 14 days' notice for all regular Board meetings has been given to all Directors and all Directors has been given the opportunity to include items or businesses for discussion in the agenda. For all other Board meetings, reasonable notice has been given. Relevant agenda and accompanying Board papers have been sent to all Directors at least three days in advance of every regular Board meeting.

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

During FY2022, the Board convened a total of four Board meetings, one Remuneration Committee meeting, one Nomination Committee meeting and two Audit Committee meetings.

During FY2022, the Company has compiled with code provision C.2.7 of the Governance Code. The chairman of the Board had held a meeting with the independent non-executive Directors without the presence of other Directors.

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

During FY2022, the Board considers that all Board and Board Committees meetings have been legally and properly convened in compliance with the relevant laws and regulations (including the Listing Rules and the Articles). With the assistance of the company secretary, the chairman of the Board takes the lead to ensure that Board meetings and Board Committees meetings are convened in accordance with the requirements set out in the Articles, the terms of reference of the respective Board Committees and the Listing Rules. The Directors' attendance record at the Board meetings is set out in the section headed "Attendance at Board meetings, Board Committee meetings and annual general meeting" below.

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

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

Attendance at Board meetings, Board Committee meetings and annual general meeting

	Meetings attended/meetings held during FY2022				
Members	Board meeting(s)	Audit Committee meeting(s)	Remuneration Committee meeting(s)	Nomination Committee meeting(s)	2022 annual general meeting
Executive Directors					
Mr. Ma Xiaoming	4/4		1/1	1/1	0/1
Mr. Meng Jun	4/4				1/1
Mr. Zhang Yumin	4/4				1/1
Mr. Liu Jun	4/4				1/1
Mr. He Xiaolu	4/4				1/1
Mr. Jiang Wei	4/4				1/1
Independent non-executive Directors					
Mr. Tang Chi Wai	4/4	2/2	1/1		1/1
Mr. Gan Weimin	4/4	2/2		1/1	1/1
Prof. Cao Lixin	4/4	2/2	1/1	1/1	1/1

Corporate Governance Responsibilities

The Board is responsible for fulfilling the following corporate governance responsibilities for FY2022:

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

CHAIRMAN AND CHIEF EXECUTIVE

Mr. Ma Xiaoming is the chairman of our Company. The Company has not appointed the role of a chief executive during FY2022, and the management of the Company are collectively responsible by all the executive Directors. Mr. Zhang Yumin, an executive Director, has been appointed as the chief executive officer of the Company with effect from 21 February 2023.

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

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

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

BOARD COMMITTEES

Delegation by the Board

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

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

Audit Committee

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

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

During FY2022, the Audit Committee has convened two meetings, with all members present in person or through telephonic conferencing, during which the following works were performed:

- Reviewed and discussed the audited annual results for the year ended 31 December 2021 with the senior management of the Company and external auditor;
- Reviewed and discussed the unaudited interim results for the six months ended 30 June 2022 with the senior management of the Company and external auditor;
- Assessed the independence of the Company's auditors;
- Discussed with external auditors about the audit planning and fees in respect of their audit work for FY2022;
- Met with the Company's external auditor to discuss the audit procedures and accounting issues;
- Reviewed the financial controls, internal control, risk management systems and effectiveness of internal audit function of the Group;
- Reviewed the accounting policies adopted by the Group and other issues related to the Company's accounting practice; and
- Appointment of external auditors (subject to approval in AGM) and arrangements for the employees to raise concerns about possible improprieties.

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

The attendance of the Audit Committee members at the above meetings is set out in the above section headed "Attendance at Board meetings, Board Committee meetings and annual general meeting".

The Board has not taken any view that is different from that of the Audit Committee nor rejected any recommendation presented by the Audit Committee in FY2022.

Remuneration Committee

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

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

The Remuneration Committee is also responsible for establishing a formal and transparent procedure for formulating a remuneration policy, and ensuring no Director or his/her associate is involved in deciding his/her own remuneration. The Remuneration Committee assesses the performance of executive Directors and approves the terms of executive Directors' service contracts. The Remuneration Committee also makes recommendations to the Board on remuneration package of individual executive Directors and senior management. In addition, the Remuneration Committee is responsible for reviewing and/or approving matters relating to share schemes of the Company under Chapter 17 of the Listing Rules.

The Remuneration Committee held one meeting in FY2022 to review and make recommendations to the Board on the existing remuneration packages of all Directors and senior management, and assess the performance of executive Directors. The terms of reference of the Remuneration Committee have been revised by the Board in FY2022 to comply with the relevant amendments to the Listing Rules. The attendance of the Remuneration Committee members at the said meeting is set out in the section headed "Attendance at Board meetings, Board Committee meetings and annual general meeting" above.

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

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

Nomination Committee

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

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

The Nomination Committee held one meeting in FY2022, during which the diversity, structure, size and composition of the Board, the independence of the independent non-executive Directors and the qualifications of the retiring Directors standing for re-election at the 2022 AGM were reviewed and considered, and relevant recommendation was made to the Board. The attendance of the Nomination Committee members at the said meeting is set out in the section headed "Attendance at Board meetings, Board Committee meetings and annual general meeting" above.

In selecting candidates for directorship of the Company, the Nomination Committee makes reference to certain criteria such as the Company's needs, the integrity, experience, skills and expertise of the candidate, board diversity aspects and the amount of time and effort that the candidate will devote to discharge his/her duties and responsibilities. External recruitment professionals might be engaged to carry out selection process when necessary. Details of the Board diversity policy are set out in the section headed "Board Diversity Policy" in this Corporate Governance Report.

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

AUDITORS' REMUNERATION

The remuneration paid or payable to the Company's external auditor, Ernst & Young, for FY2022 is set out below:

	Amount (RMB'000)
Audit services	1,915
Non-audit services	328
Total	2,243

The Audit Committee has expressed its views to the Board that the level of fees paid/payable to the Company's external auditors for annual audit and non-audit services is reasonable. There has been no major disagreement between the auditors and the management of the Company during FY2022.

The Audit Committee is responsible for making recommendations to the Board as to the appointment, reappointment and removal of the external auditors. There is no disagreement between the Board and the Audit Committee regarding the re-appointment of Ernst & Young as the Company's external auditors for the financial year ending 31 December 2023 which is subject to the approval by the Shareholders at the forthcoming 2023 AGM.

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

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

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

The statement of the auditors of the Company in respect of their reporting responsibilities on the Company's financial statements for FY2022 is set out in the "Independent Auditors' Report" contained in this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

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

The Company has formulated the inside information policies according to the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) (as amended from time to time) (the "**SFO**") and the Listing Rules. The Company's Directors, senior management and all other relevant employees are provided with the guidelines to ensure that the Company promptly discloses the inside information under reasonable and practicable circumstances. The guideline contains a series of procedure to ensure that the information is kept confidential before it is disclosed to the general public, and shall disclose such information to the public immediately if the Company considers that it is impossible to keep it confidential as required.

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

The Board is responsible for presenting a balanced and clear assessment of the Group's performance and prospects. The Board is primarily responsible for overseeing and managing the Company's affairs, including the responsibilities for the adoption of long-term strategies and appointing and supervising senior management to ensure that the operation of the Group is conducted in accordance with the objective of the Group. It delegates day-to-day operations of the Company to the management within the control and authority framework set by the Board. The management is also responsible for formulating and implementing policies for the business activities and administration of the Group. Management of the Company provides all relevant information to the Board, giving its members sufficient information and explanation that it needs to discharge their responsibilities.

During FY2022, the Audit Committee and the Board conducted a review of the effectiveness of the risk management and internal control systems of the Company and its subsidiaries, including the adequacy of resources, staff qualifications and experiences, training programs and budget of the Company's accounting and financial reporting function. The Board considers that there are no significant defects in the Company's risk management and internal control systems in terms of completeness, reasonableness and effectiveness. The Board considers the risk management and internal control systems of the Company effective and adequate.

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

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

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

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

DIVIDEND POLICY

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

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

BOARD DIVERSITY POLICY

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

The Board has considered measurable objectives based on the following focus areas: (i) professional skills, experience, knowledge and expertise; (ii) gender; (iii) age; and (iv) culture and ethnicity. Such objectives will be reviewed from time to time to ensure their appropriateness and the progress made towards achieving those objectives will be ascertained. The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time. As at the date of this annual report, the Board comprises nine Directors. Three of them are independent non-executive Directors, thereby promoting critical review and control of the management process. The Board is also characterised by significant diversity, in particular, in terms of professional expertise and experience, age, gender, and culture. The Company values the importance and benefits of gender diversity of the Board. The Company will continue to apply the principles of equal employment with reference to the Board Diversity Policy, and continue to promote diversity at all levels of its workforce to develop a pipeline of potential successors to the Board to achieve gender diversity.

As at the date of this annual report, the Board's composition from diversified perspectives was summarised as follow:

1) Designation: six of the Directors are executive Directors, and three of the Directors are independent non-executive Directors.

2) Gender: eight of the Directors are male, and one of the Directors is female.

3) Age group: four of the Directors are in the range of 41-50 years old, and five of the Directors are in the range of 51-60 years old.

For the gender ratio in the workforce of the Group, 51.7% of the Group's employees are male and 48.3% of them are female. In addition, one of the senior management (as disclosed in the section "Profile of Directors and Senior Management – Senior Management" in this annual report) is a female while the other two senior management are male. The Board is of the view that the gender diversity across the workforce (including senior management) is proper.

The Nomination Committee has reviewed the Board Diversity Policy to ensure its effectiveness and considered that the Group achieved the Board Diversity Policy.

POLICY FOR NOMINATION OF DIRECTORS

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

1) Reputation for integrity

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

3) Commitment in respect of available time and relevant interest

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

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

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

COMPANY SECRETARY

Mr. Au Wai Keung ("**Mr. Au**") served as the company secretary of the Company during FY2022. Mr. Au is a director of Arion & Associates Limited, a corporate secretarial services provider in Hong Kong. Mr. Au possesses the professional qualifications that the Stock Exchange has considered acceptable and has taken no less than 15 hours of professional training during FY2022.

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

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

SHAREHOLDERS' RIGHTS

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

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

To put forward proposals at a general meeting of the Company, a Shareholder should lodge a written notice of his/her/its proposal (the "**Proposal**") with his/her/its detailed contact information at the Company's principal place of business in Hong Kong at Unit 1503, 15/F, Midas Plaza, 1 Tai Yau Street, San Po Kong, Kowloon, Hong Kong, with a copy of the Proposal served to the Company's share registrar in Hong Kong at the address and contact details set out on page 2 of this annual report.

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

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

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

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

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

INVESTOR RELATIONS

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

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

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

There had been no changes in the constitutional documents of the Company during FY2022. An up-to-date version of the Articles is available on the websites of the Stock Exchange and the Company.

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

The Company has adopted a shareholders' communication policy (the "**Shareholder' Communication Policy**") with the objective of ensuring that the Shareholders of the Company and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company.

The Company has established several channels to communicate with the Shareholders as follows:

(i) corporate communications such as annual report, interim report and circulars are issued in printed form and are available on the website of Stock Exchange at www.hkexnews.hk and the Company's website at www.xinpoint.com;

(ii) periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;

(iii) corporate information is made available on the Company's website;

(iv) annual and extraordinary general meetings provide a forum for the Shareholders to make comments and exchange views with the Directors and senior management; and

(v) the Hong Kong share registrar of the Company serves the Shareholders in respect of share registration, dividend payments and related matters.

The Company keeps on promoting investor relations and enhancing communication with the existing Shareholders and potential investors. It welcomes suggestions from investors, Shareholders and the public. Enquires to the Board or the Company may be sent by post to the company secretary of the Company at the Company's principal place of business in Hong Kong as follows:

Unit 1503, 15/F
Midas Plaza
1 Tai Yau Street, San Po Kong
Kowloon
Hong Kong
(Attention: The Company Secretary)

The Board considers that the implementation and effectiveness of the Shareholders' Communication Policy conducted during FY2022 are achieved properly, as Company has published all the corporate communications and announcements on time as required by the Listing Rules, and also conducted the 2022 AGM properly.

REPORT OF DIRECTORS

The Board is pleased to present the annual report together with the audited consolidated financial statements of the Group for FY2022.

PRINCIPAL ACTIVITIES

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

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

RESULTS AND DIVIDEND

The consolidated results of the Group for FY2022 are set out on pages 60 to 132 of this annual report.

The Board is pleased to recommend the payment of a final dividend of HK$0.14 per Share (the "**Proposed Final Dividend**") for FY2022. Subject to the approval of the Proposed Final Dividend by the Shareholders at the Company's 2023 AGM, the Proposed Final Dividend is expected to be paid on or about 10 July 2023 to the Shareholders whose names are listed on the register of members of the Company on 15 June 2023.

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

BUSINESS REVIEW

The business review of the Group for FY2022 is set out in the section headed "Management Discussion and Analysis" from pages 19 to 29 of this annual report.

POSSIBLE RISKS AND UNCERTAINTIES FACING THE COMPANY

Description of possible financial risks and uncertainties facing the Company is set out in Note 38 to the financial statements in this annual report. A discussion of operational risks and uncertainties facing the Company is set out in the section headed "Management Discussion and Analysis" from pages 19 to 29 of this annual report.

FUTURE BUSINESS DEVELOPMENT

A discussion of the Group's future business development is set out in the "Chairman's Statement" from pages 4 to 12 and "Management Discussion and Analysis" from pages 19 to 29 of this annual report.

ENVIRONMENTAL PROTECTION AND COMPLIANCE WITH LAWS AND REGULATIONS

The Group is committed to supporting environmental sustainability. The Group is subject to various environmental laws and regulations set by the PRC national, provincial and municipal governments. Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations. During FY2022, the Group has complied with relevant laws and regulations that have significant impact on the operations of the Group. Further, any changes in applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

The Group was not subject to any major environmental claims, lawsuits, penalties, administrative or disciplinary actions during FY2022. For more information on our environmental policies, please refer to the 2022 Environmental, Social and Governance Report of our Company.

CLOSURE OF THE REGISTER OF MEMBERS

(A) For Determining the Entitlement to Attend and Vote at the 2023 AGM

The register of members of the Company will be closed from 29 May 2023 to 1 June 2023 (both days inclusive), during which period no transfer of Shares will be effected. In order to be entitled to attend and vote at the 2023 AGM, unregistered holders of Shares should ensure that all Share transfer documents accompanied by the relevant Share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration no later than 4:30 p.m. on 25 May 2023.

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

The payment of the Proposed Final Dividend is subject to the approval of the Shareholders at the 2023 AGM. The register of members of the Company will be closed from 12 June 2023 to 15 June 2023 (both days inclusive), during which period no transfer of Shares will be registered. In order to be entitled to the Proposed Final Dividend, unregistered holders of Shares should ensure that all Share transfer documents accompanied by the relevant Share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, 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 9 June 2023.

FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years is set out on page 3 of this annual report.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There were no material acquisitions or disposals of subsidiaries and associates during FY2022. Details of the investments in a joint venture and an associate are set out in Notes 17 and 18 to the financial statements in this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during FY2022 are set out in Note 13 to the financial statements in this annual report.

SHARE CAPITAL AND SHARES ISSUED

Details of the movements and issued in the Company's share capital during FY2022 are set out in Note 29 to the financial statements in this annual report.

PRE-EMPTIVE RIGHTS

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

DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company's reserves available for distribution amounted to approximately RMB655.9 million of which approximately RMB123.2 million has been proposed as the Proposed Final Dividend for FY2022.

RESERVES

Details of the movement in the reserves of the Group and of the Company during FY2022 are set out in Notes 31 and 39 to the financial statements in this annual report.

BANKING FACILITIES AND OTHER BORROWINGS

Details of the borrowings are set out in the paragraph headed "Management Discussion and Analysis - liquidity and financial resources" in this annual report and Note 28 to the financial statements in this annual report.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during FY2022.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout FY2022. The Company has maintained directors and officers liability insurance which provides appropriate cover for, among others, Directors and officers of the Company.

EQUITY-LINKED AGREEMENTS

There were no equity-linked agreements entered into by the Group, or existed during FY2022.

CHARITABLE DONATIONS

During FY2022, the Group did not make any charitable donations.

DIRECTORS

The Directors who held office during FY2022 and up to the date of this annual report are:

Executive Directors

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

Independent Non-executive Directors

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

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

Pursuant to the provisions in the Articles, Mr. Tang Chi Wai, Mr. Gan Weimin and Prof. Cao Lixin will retire from office as Directors by rotation at the forthcoming 2023 AGM and, being eligible, offer themselves for re-election. The Company's circular to be dispatched to Shareholders will contain detailed information of the Directors standing for re-election.

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

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

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND THE SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group as at the date of this annual report are set out in the section headed "Profile of Directors and Senior Management" from pages 13 to 18 of this annual report.

DIRECTORS' SERVICE CONTRACTS

As at 31 December 2022, none of the Directors (including those Directors proposed for re-election at the forthcoming 2023 AGM) has a service contract with the Company or any of its subsidiaries which is not determinable by the Company or its subsidiaries, as applicable, within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

There were no other transactions, arrangements and contracts of significance (as defined in Notes 15.2 and 15.3 of Appendix 16 to the Listing Rules), to which the Company, the Company's holding company, fellow subsidiaries or subsidiaries was a party and in which a Director or a connected entity of a Director had a material interest, whether directly or indirectly, subsisting during or at the end of the year ended 31 December 2022.

CONTRACTS WITH DIRECTORS AND CONTROLLING SHAREHOLDERS

No contract of significance (as defined under Notes 15.2 and 15.3 of Appendix 16 to the Listing Rules) has been entered into between the Company or any of its subsidiaries and a controlling Shareholder or any of its subsidiaries during FY2022.

No contract of significance (as defined under Notes 15.2 and 15.3 of Appendix 16 to the Listing Rules) which the Company or any of its subsidiaries was a party, and in which a Director had a material interest, whether directly or indirectly, subsisting at the end of the year ended 31 December 2022 or at any time during FY2022.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The emoluments of the Directors and senior management members of the Group are decided by the Board with reference to the recommendation given by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics. The Group's remuneration packages are in line with the current legislation in the relevant jurisdictions. Bonuses are linked to the Group's financial results as well as to individual performances. The Group ensures that adequate training and professional development opportunities are provided to all employees so as to satisfy their career development needs.

The remuneration (including fees, salaries and other benefits, retirement benefit scheme contribution) paid to the Company's Directors in aggregate for the years ended 31 December 2022 and 2021 were approximately RMB11,390,000 and RMB12,117,000 respectively.

The remuneration (including salaries and other benefits, retirement benefit scheme contribution) paid to our Group's five highest paid individuals in aggregate for the years ended 31 December 2022 and 2021 were approximately RMB10,605,000 and RMB11,432,000 respectively.

For FY2022, no emoluments were paid by our Group to any Director of the Company or any of the five highest paid individuals as an inducement to join or upon joining our Group or as compensation for loss of office. None of the Directors has waived any emoluments for FY2022.

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

Except as disclosed above, no other payments have been made or are payable, for FY2022 by our Group to or on behalf of any of the Directors.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During FY2022, none of the Directors nor the controlling Shareholders of the Company ("**Controlling Shareholders**") or their respective associates (as defined in the Listing Rules) had any interest in a business that competed or was likely compete with, either directly or indirectly, the business of the Group.

On 5 June 2017, the Controlling Shareholders of our Company executed the deed of non-competition (the "**Non-competition Deed**") in favour of the Company, pursuant to which each of our Controlling Shareholders has, among other matters, unconditionally and irrevocably given certain non-competition undertakings to the Company. Details of which are set out in the section headed "Relationship with Our Controlling Shareholders – Undertakings given by Our Controlling Shareholders" in the prospectus of the Company dated 16 June 2017.

The Controlling Shareholders declared that they have complied with the Non-competition Deed during FY2022. The independent non-executive Directors have conducted such review for FY2022 and also reviewed the relevant undertakings and are satisfied that the Non-competition Deed has been fully complied.

MANAGEMENT CONTRACTS

Other than the Directors' service contracts and appointment letters, no contract concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence as at the end of FY2022 or at any time during 2022.

LOAN OR GUARANTEE FOR LOAN GRANTED TO THE DIRECTORS

During FY2022, the Group had not made any loan or provided any guarantee for any loan, directly or indirectly, to the Directors, senior management, its Controlling Shareholders or their respective connected persons.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SECURITIES

As at 31 December 2022, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of the associated corporations, within the meaning of Part XV of the SFO, which (a) were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code are as follows:

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

Name of Directors	Capacity and nature of interest	Total number of Shares and underlying Shares	Approximate percentage of the total issued share capital of the Company (%)
Mr. Ma Xiaoming ("**Mr. Ma**")	Interest of controlled corporation	734,186,750 (Note 1)	
	Beneficial owner	7,463,000 (Note 2)	
	Total	741,649,750	73.95
Mr. Meng Jun	Beneficial owner	482,000 (Note 3)	0.05
Mr. Zhang Yumin	Beneficial owner	507,000 (Note 4)	0.05
Mr. Liu Jun	Beneficial owner	107,000 (Note 5)	0.01
Mr. He Xiaolu	Beneficial owner	96,000 (Note 5)	0.01
Mr. Jiang Wei	Beneficial owner	38,000 (Note 5)	0.01

Long positions in the shares of associated corporation:

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

Notes:

1. The 734,186,750 Shares are beneficially held by Green Pinnacle which is wholly owned by Mealth (PTC) Limited ("**Mealth PTC**"). Both Green Pinnacle and the Shares owned by it form part of the trust assets of the Mealth Discretionary Trust, which was established by Mr. Ma as settlor and whose trustee is Mealth PTC. The Mealth Discretionary Trust is a discretionary trust and its discretionary objects include Mr. Ma, Mr. Ma's family members, the Company's Directors, namely, Mr. He Xiaolu, Mr. Meng Jun, Mr. Liu Jun and Mr. Zhang Yumin and the other beneficiaries. By virtue of the SFO, Mr. Ma is deemed to be interested in the 734,186,750 Shares and the shares in Green Pinnacle held by Mealth PTC in his capacity of settlor of the Mealth Discretionary Trust.
2. Among the 7,463,000 Shares and underlying Shares, 7,335,000 Shares are beneficially held by Mr. Ma. The remaining 128,000 underlying Shares represent the maximum number of Shares which may be allotted and issued to Mr. Ma upon the exercise of the Share Options granted to him under the 2017 Share Option Scheme.
3. Among the 482,000 Shares and underlying Shares, 380,000 Shares are beneficially held by Mr. Meng Jun. The remaining 102,000 underlying Shares represent the maximum number of Shares which may be allotted and issued to Mr. Meng upon the exercise of the Share Options granted to him under the 2017 Share Option Scheme.
4. Among the 507,000 Shares and underlying Shares, 400,000 Shares are beneficially held by Mr. Zhang Yumin. The remaining 107,000 underlying Shares represent the maximum number of Shares which may be allotted and issued to Mr. Zhang upon the exercise of the Share Options granted to him under the 2017 Share Option Scheme.
5. These represent the maximum number of Shares which may be allotted and issued to such Directors upon the exercise of the Share Options granted to each of them under the 2017 Share Option Scheme.

Save as disclosed above and to the best knowledge of the Directors, as at 31 December 2022, none of the Directors or the chief executive of the Company has any interests and/or short positions in the shares, underlying shares or debentures of the Company and or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which each of them has taken or deemed to have taken under the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

At no time during FY2022 or the period following 31 December 2022 up to the date of this annual report, was the Company or any of its subsidiaries or holding company or any of the subsidiaries of the Company's holding company a party to any arrangement to enable the Directors or the chief executive of the Company or their respective associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the Directors and chief executive, or their spouse and children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during such period.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2022, so far as are known to the Board, the following parties (other than any Directors or chief executives of the Company) were recorded in the register, kept by the Company pursuant to Section 336 of the SFO, as being directly or indirectly interested or deemed to be interested in 5% or more of the issued share capital of the Company:

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

Name of Shareholders	Capacity and nature of Interest	Total number of Shares and underlying Shares	Approximate percentage of the total issued share capital of the Company (%)
Green Pinnacle (Note 1)	Beneficial owner	734,186,750	73.21
Mealth PTC (Note 1)	Interest of a controlled corporation and trustee	734,186,750	73.21
Zhu Junhua (Note 2)	Interest of spouse	741,649,750	73.95
Bull Capital China Growth Fund II, L.P. (Note 3)	Interest of a controlled corporation	63,500,000	6.33
Bull Capital GP II Limited (Note 3)	Interest of a controlled corporation	63,500,000	6.33
Bull Capital Partners Ltd. (Note 3)	Interest of a controlled corporation	63,500,000	6.33
Greater Talent Investments Limited ("Greater Talent") (Note 3)	Beneficial owner	63,500,000	6.33
Peace World Investments Limited (Note 3)	Interest of a controlled corporation	63,500,000	6.33
Wong Kun Kau (Note 3)	Interest of a controlled corporation	63,500,000	6.33

Notes:

1. 734,186,750 Shares are beneficially held by Green Pinnacle, which is wholly owned by Mealth PTC. Both Green Pinnacle and the Shares owned by it form part of the trust assets of the Mealth Discretionary Trust, which was established by Mr. Ma as settlor and whose trustee is Mealth PTC. By virtue of the SFO, Mealth PTC is deemed to be interested in the 734,186,750 Shares held by Green Pinnacle.

2. Ms. Zhu Junhua is the spouse of Mr. Ma and accordingly she is deemed to be interested in the aggregate of 741,649,750 Shares and underlying Shares by virtue of the SFO.

3. Greater Talent is wholly owned by Bull Capital China Growth Fund II, L.P. ("**Bull Capital LP**"). The general partner of Bull Capital LP is Bull Capital GP II Limited ("**Bull Capital GP**"). Bull Capital Partners Ltd. ("**Bull Capital Partners**") is the investment manager of Bull Capital LP. Bull Capital Partners and Bull Capital GP are held as to 46.69% and 80% respectively by Peace World Investment Limited ("**Peace World**"), which is wholly owned by Mr. Wong Kun Kau ("**Mr. Wong**"). Accordingly, by virtue of the SFO, Bull Capital LP, Bull Capital Partners, Bull Capital GP, Peace World and Mr. Wong are deemed to be interested in the Shares held by Greater Talent.

Save as disclosed above, as at 31 December 2022, our Directors are not aware that any other persons/entities (other than any Directors or chief executives of the Company) had an interest or short position in the Shares or underlying Shares of the Company, its members of the Group or associated corporations which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which had entered in the register required to be kept by the Company pursuant to section 336 of the SFO.

MAJOR SUPPLIERS AND CUSTOMERS

In FY2022, the Group's largest customer accounted for 7.9% of the Group's total revenue. The Group's five largest customers accounted for 30.3% of the Group's total revenue.

In FY2022, the Group's largest supplier accounted for 2.2% of the Group's total cost of sales. The Group's five largest suppliers accounted for 8.2% of the Group's total cost of sales.

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

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2022, the Group had 6,059 full-time employees, as compared to 5,851 employees as at 31 December 2021. The Group enters into employment contracts with its employees to cover matters such as position, term of employment, wage, employee benefits, liabilities for breaches and grounds for termination. Remuneration of the Group's employees includes basic salaries, allowances, bonus and other employee benefits and are determined with reference to their experiences, qualifications, competence and general market conditions.

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

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

RETIREMENT BENEFITS SCHEME

The Hong Kong subsidiary of the Company participates in the Mandatory Provident Fund Schemes ("**MPF Schemes**") registered under the Mandatory Provident Fund Schemes Ordinance (Chapter 485, Laws of Hong Kong). The contributions represent contributions payable to the MPF Schemes by the Hong Kong subsidiary in accordance with relevant loans and regulations.

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

Contributions paid or payable for these retirement benefits schemes for FY2022 are RMB111.7 million (2021: RMB42.7 million). No forfeited contributions are available to reduce the contribution payable by the Group in future years.

CONNECTED TRANSACTION

During FY2022, our Group has not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of chapter 14A of the Listing Rules.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for FY2022, which did not constitute connected transactions under chapter 14A of the Listing Rules are set out in Note 35 of the financial statements in this annual report.

CORPORATE GOVERNANCE

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

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

The Company has complied with the Governance Code in FY2022. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 30 to 43 of this annual report.

INDEPENDENCE OF EXTERNAL AUDITOR

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

RELATIONSHIPS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

The Group endeavours to maintain sustainable development in the long term, continuously create value for its employees and customers, and foster good relationships with its suppliers. The Group understands that employees are its valuable assets, and the realisation and enhancement of employees' values will facilitate the achievement of the Group's overall goals. For FY2022, the Group provided generous social security benefits to its employees to motivate them while heightening their sense of belonging. The Group also understands the importance of maintaining good relationships with its suppliers and customers to the overall development of the Group. The Group places emphasis on supplier selection and encourages fair and open competition to foster long-term relationships with quality suppliers on the basis of mutual trust. To maintain the competitiveness of its brand and products, the Group abides by the principles of honesty and trustworthiness and commits itself to consistently provide quality products to establish a reliable service environment for its customers. For FY2022, there was no significant and material dispute between the Group and its suppliers and/or customers.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Board, as at the date of this annual report, the Company has maintained the minimum public float of 25% as required by the Listing Rules.

COMPLIANCE WITH LAWS AND REGULATIONS

During FY2022, so far as known to the Directors, there was no non-compliance with any relevant laws and regulations which would have a material impact on the Group.

TAX RELIEF

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

SHARE OPTION SCHEME

The 2017 Share Option Scheme was adopted by the then Shareholders on 5 June 2017. The purpose of the 2017 Share Option Scheme is to enable our Group to grant options to selected participants as incentives or reward for their contribution to our Group. Under the scheme, the Directors may grant options to subscribe for the Shares to eligible participants, including without limitation employees of the Group, the directors of the Company and its subsidiaries. The maximum number of Shares which may be allotted and issued upon exercise of all Share Options to be granted under the 2017 Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the Shares in issue on the date of the listing of the Company. The 2017 Share Option Scheme will remain in force for a period of 10 years commenced on the date of its adoption. The maximum number of Shares issuable to each eligible participant under the 2017 Share Option Scheme within any 12-month period is limited to 1% of the Shares of the Company in issue at any time.

On 14 August 2018, the Company has granted an aggregate of 22,946,000 Share Options to eligible Grantees, including certain Directors, senior management and employees of the Group under the 2017 Share Option Scheme. The exercise price is HK$3.45 per Share Option, which is not lower than the highest of (i) the closing price of HK$3.34 per Share as stated in the Stock Exchange's daily quotation sheets on the date of grant; (ii) the average closing price of HK$3.44 per Share as stated in the Stock Exchange's daily quotation sheets for the five (5) trading days immediately preceding the date of grant; and (iii) the nominal value of HK$0.1 per Share. Subject to the terms of the 2017 Share Options Scheme, the Share Options granted to each Grantee are valid for a period of ten years commencing from the date of grant.

Movements of the Share Options granted under the 2017 Share Option Scheme during FY2022 were as follows:

	Outstanding at beginning of the year	Exercised during the year	Lapsed or cancelled during the year	Granted during the year	Outstanding at end of the year
Directors					
Mr. Ma Xiaoming	128,000	—	—	—	128,000
Mr. Meng Jun	102,000	—	—	—	102,000
Mr. Zhang Yumin	107,000	—	—	—	107,000
Mr. Liu Jun	107,000	—	—	—	107,000
Mr. He Xiaolu	96,000	—	—	—	96,000
Mr. Jiang Wei	38,000	—	—	—	38,000
Employees	15,131,000	—	(1,866,000)	—	13,265,000
Total	15,709,000	—	(1,866,000)	—	13,843,000

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

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

The fair value of equity-settled Share Options granted during FY2018 was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	FY2018
Dividend yield (%)	4.43
Expected volatility (%)	60.46
Historical volatility (%)	60.46
Risk-free interest rate (%)	2.09
Expected life of options (year)	10
Weighted average share price (HK$ per Share)	3.45

Subject to the following vesting dates, any options granted under the 2017 Share Option Scheme may be exercisable at any time commencing on the first date of the exercisable period and prior to the expiry of 10 years from that grant date:

	Grant date	Exercisable period
Directors		
Mr. Ma Xiaoming	14 August 2018	128,000 Share Options: from 30 April 2022 to 13 August 2028
Mr. Meng Jun	14 August 2018	102,000 Share Options: from 30 April 2022 to 13 August 2028
Mr. Zhang Yumin	14 August 2018	107,000 Share Options: from 30 April 2022 to 13 August 2028
Mr. Liu Jun	14 August 2018	107,000 Share Options: from 30 April 2022 to 13 August 2028
Mr. He Xiaolu	14 August 2018	96,000 Share Options: from 30 April 2022 to 13 August 2028
Mr. Jiang Wei	14 August 2018	38,000 Share Options: from 30 April 2022 to 13 August 2028
Employees	14 August 2018	13,265,000 Share Options: from 30 April 2022 to 13 August 2028

During FY2022, 1,866,000 Share Options lapsed. No Share Options have been granted or exercised during FY2022. The number of outstanding Share Options as at 31 December 2022 was 13,843,000, representing approximately 1.38% of the total issued share capital of the Company as at the date of this annual report. As at 31 December 2022, the remaining life of the 2017 Share Option Scheme was approximately four years and five months.

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

Under the amended Chapter 17 of the Listing Rules, which has come into effect on 1 January 2023, the Company will rely on the transitional arrangements provided for the existing 2017 Share Option Scheme and will only grant share options in compliance with the amended Chapter 17 of the Listing Rules (to the extent applicable).

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

For details of the use of proceeds from the initial public offering of the Company, please refer to paragraph headed "Management Discussion and Analysis - use of proceeds from the Initial Public Offering" on page 27 of this annual report.

AUDITORS

The consolidated financial statements of the Group for FY2022 have been audited by Ernst & Young.

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

MEMORANDUM AND ARTICLES OF ASSOCIATION

There had been no changes in the constitutional documents of the Company during FY2022.

EVENTS AFTER THE REPORTING PERIOD

There are no material subsequent events undertaken by the Company or by the Group after 31 December 2022.

On behalf of the Board

MA Xiaoming
Chairman

Hong Kong, 28 March 2023

INDEPENDENT AUDITOR'S REPORT

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌
英皇道979號
太古坊一座27樓

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

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

OPINION

We have audited the consolidated financial statements of Xin Point Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 60 to 132, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Provision for expected credit losses on trade and bills receivables	
As at 31 December 2022, trade and bills receivables amounted to RMB793,662,000, representing 20% of total assets. Significant management judgement and estimation were required in assessing the expected credit losses ("ECLs") for the trade and bills receivables using a provision matrix, with reference to the ageing of the balance, existence of disputes, recent historical payment patterns, forecast economic conditions and any other available information concerning the creditworthiness of customers. The significant accounting judgements and estimates and disclosure of the balance of trade and bills receivables are included in notes 3 and 24 to the consolidated financial statements, respectively.	We tested, on a sample basis, the ageing analysis of the Group's trade and bills receivable balances and obtained confirmations for selected trade receivables. We also checked the mathematical accuracy of the calculation of the provision for loss allowance. With the assistance of our internal specialist, we evaluated management's assumptions used to determine the ECLs by testing the historical default rates and assessing the repayment history of the debtors as well as the forward-looking factors with reference to the related publicly available information such as industrial data available online.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Chung Chi Ming.

Ernst & Young
Certified Public Accountants
Hong Kong
28 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
REVENUE	5	**2,882,866**	2,312,468
Cost of sales		**(2,000,753)**	(1,675,106)
Gross profit		**882,113**	637,362
Other income and gains	5	**80,277**	21,075
Selling and distribution expenses		**(77,280)**	(62,587)
Administrative expenses		**(353,065)**	(333,562)
Other expenses		**(3,772)**	—
Finance costs	7	**(11,136)**	(3,879)
Share of profit of an associate		**1,428**	1,999
Share of loss of a joint venture		**(3,983)**	(3,665)
PROFIT BEFORE TAX	6	**514,582**	256,743
Income tax expense	10	**(86,091)**	(43,707)
PROFIT FOR THE YEAR		**428,491**	213,036
Attributable to:			
Owners of the parent		**431,296**	215,240
Non-controlling interests		**(2,805)**	(2,204)
		428,491	213,036
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		**81,672**	(35,643)
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:			
Changes in fair value of a financial asset at fair value through other comprehensive income		**(3,104)**	(214)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**78,568**	(35,857)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**507,059**	177,179
Attributable to:			
Owners of the parent		**509,864**	179,383
Non-controlling interests		**(2,805)**	(2,204)
		507,059	177,179
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
– Basic		**RMB43 cents**	RMB21 cents
– Diluted		**RMB43 cents**	RMB21 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**1,591,392**	1,465,269
Right-of-use assets	14(a)	**164,106**	180,218
Goodwill	15	**—**	3,772
Intangible asset	16	**—**	670
Investment in an associate	17	**6,875**	5,447
Investment in a joint venture	18	**1,470**	2,023
Financial asset at fair value through other comprehensive income	19	**7,855**	10,520
Prepayments and deposits	20	**208,731**	186,765
Deferred tax assets	21	**4,726**	9,286
Total non-current assets		**1,985,155**	1,863,970
CURRENT ASSETS			
Inventories	22	**598,039**	566,151
Trade and bills receivables	24	**793,662**	612,466
Prepayments, deposits and other receivables	20	**244,780**	202,090
Derivative financial instruments	23	**—**	1,202
Tax recoverable		**959**	4,881
Cash and cash equivalents	25	**341,535**	148,660
Total current assets		**1,978,975**	1,535,450
CURRENT LIABILITIES			
Trade payables	26	**389,526**	359,021
Other payables and accruals	27	**264,373**	184,811
Interest-bearing bank borrowings	28	**75,616**	130,898
Lease liabilities	14(b)	**31,526**	31,098
Tax payable		**115,577**	105,787
Total current liabilities		**876,618**	811,615
NET CURRENT ASSETS		**1,102,357**	723,835
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,087,512**	2,587,805

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	28	**70,245**	—
Deferred tax liabilities	21	**184**	500
Lease liabilities	14(b)	**98,282**	111,974
Total non-current liabilities		**168,711**	112,474
Net assets		**2,918,801**	2,475,331
EQUITY			
Equity attributable to owners of the parent			
Issued capital	29	**87,485**	87,485
Reserves	31	**2,833,137**	2,390,691
		2,920,622	2,478,176
Non-controlling interests		**(1,821)**	(2,845)
Total equity		**2,918,801**	2,475,331

MA Xiaoming
Director

MENG Jun
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2022

		Attributable to owners of the parent										
	Notes	Issued capital RMB'000	Share option reserve RMB'000	Fair value reserve of a financial asset at fair value through other comprehensive income RMB'000	Capital reserve RMB'000	Merger reserve RMB'000	Exchange fluctuation reserve RMB'000	Surplus reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2021		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 year		–	–	–	–	–	–	–	215,240	215,240	(2,204)	213,036
Other comprehensive loss for the year:												
Changes in fair value of a financial asset at fair value through other comprehensive income		–	–	(214)	–	–	–	–	–	(214)	–	(214)
Exchange differences on translation of foreign operations		–	–	–	–	–	(35,643)	–	–	(35,643)	–	(35,643)
Total comprehensive income for the year		–	–	(214)	–	–	(35,643)	–	215,240	179,383	(2,204)	177,179
Contribution from a non-controlling interest		–	–	–	–	–	–	–	–	–	200	200
Equity-settled share option arrangements	30	–	3,202	–	–	–	–	–	–	3,202	–	3,202
Transfer of reserves		–	–	–	–	–	–	15,450	(15,450)	–	–	–
Final 2020 dividend		–	–	–	–	–	–	–	(107,511)	(107,511)	–	(107,511)
Interim 2021 dividend	11	–	–	–	–	–	–	–	(45,629)	(45,629)	–	(45,629)
At 31 December 2021 and 1 January 2022		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 year		–	–	–	–	–	–	–	431,296	431,296	(2,805)	428,491
Other comprehensive income/(loss) for the year:												
Changes in fair value of a financial asset at fair value through other comprehensive income		–	–	(3,104)	–	–	–	–	–	(3,104)	–	(3,104)
Exchange differences on translation of foreign operations		–	–	–	–	–	81,672	–	–	81,672	–	81,672
Total comprehensive income for the year		–	–	(3,104)	–	–	81,672	–	431,296	509,864	(2,805)	507,059
Contribution from a non-controlling interest		–	–	–	–	–	–	–	–	–	3,829	3,829
Equity-settled share option arrangements	30	–	2,384	–	–	–	–	–	–	2,384	–	2,384
Transfer of reserves		–	–	–	–	–	–	18,720	(18,720)	–	–	–
Final 2021 dividend	11	–	–	–	–	–	–	–	(18,353)	(18,353)	–	(18,353)
Interim 2022 dividend	11	–	–	–	–	–	–	–	(51,449)	(51,449)	–	(51,449)
At 31 December 2022		87,485	20,946*	(33,505)*	577,892*	828*	1,510*	153,681*	2,111,785*	2,920,622	(1,821)	2,918,801

* These reserve accounts comprise the consolidated reserves of RMB2,833,137,000 (2021: RMB2,390,691,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**514,582**	256,743
Adjustments for:			
Finance costs	7	**11,136**	3,879
Depreciation of property, plant and equipment	6	**152,047**	137,014
Depreciation of right-of-use assets	6	**36,743**	34,342
Amortisation of an intangible asset	6	**670**	671
Impairment of trade and bills receivables	6	**2,645**	2,636
Impairment of items of property, plant and equipment	6	**14,654**	—
Write-off of items of property, plant and equipment	6	**1,884**	10,081
Write-down of inventories to net realisable value	6	**77**	3,594
Loss/(gain) on disposal of items of property, plant and equipment, net	6	**3,010**	(592)
Loss on derecognition of right-of-use assets	6	**—**	1,187
Share of profit of an associate		**(1,428)**	(1,999)
Share of loss of a joint venture		**3,983**	3,665
Changes in fair value of derivative financial instruments	6	**(2,025)**	(4,505)
Interest income	5	**(586)**	(512)
Impairment of goodwill	6	**3,772**	—
Equity-settled share option expense	6	**2,384**	3,202
		743,548	449,406
Increase in inventories		**(7,063)**	(139,294)
Decrease/(increase) in trade and bills receivables		**(165,956)**	19,168
Increase in prepayments, deposits and other receivables		**(64,574)**	(78,433)
Increase/(decrease) in trade payables		**(48,806)**	23,577
Increase/(decrease) in other payables and accruals		**65,487**	(60,070)
Cash generated from operations		**522,636**	214,354
Interest received		**586**	512
Interest paid		**(6,427)**	(3,078)
Taxes paid		**(73,328)**	(76,514)
Tax refunded		**5,854**	—
Net cash flows from operating activities		**449,321**	135,274
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(118,471)**	(277,669)
Additions to deposits paid for property, plant and equipment		**(48,760)**	(145,981)
Proceeds from disposal of items of property, plant and equipment		**1,816**	3,354
Investment in a joint venture		**(3,430)**	(2,450)
Proceeds from disposal of derivative financial instruments		**3,396**	5,911
Net cash flows used in investing activities		**(165,449)**	(416,835)

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**70,865**	103,757
Repayment of bank loans		**(60,716)**	(20,023)
Principal portion of lease payments		**(33,895)**	(32,271)
Interest paid		**(4,709)**	(2,009)
Contribution from a non-controlling shareholder		**3,829**	200
Dividends paid		**(69,802)**	(153,140)
Net cash flows used in financing activities		**(94,428)**	(103,486)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**189,444**	(385,047)
Cash and cash equivalents at the beginning of year		**148,660**	538,978
Effect of foreign exchange rate changes, net		**3,431**	(5,271)
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	25	**341,535**	148,660
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statement of financial position and the statement of cash flows		**341,535**	148,660

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2022

1. CORPORATE AND GROUP INFORMATION

Xin Point Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

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

Information about subsidiaries

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

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

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

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

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

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2022

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Wuxi Keen Point Automobile Precision Molding Co., Ltd.^	PRC/Mainland China	US$20,000,000	—	100	Trading of automotive and electronic components
Huizhou Xin Point Precision Components Co., Ltd.^	PRC/Mainland China	RMB170,000,000	—	100	Trading of automotive and electronic components
Huizhou Keen Point Surface Decoration Co., Ltd.^	PRC/Mainland China	RMB10,000,000	—	100	Manufacture and sale of automotive and electronic components
Huizhou Xinsheng Technology Co., Ltd.^	PRC/Mainland China	RMB 5,000,000	—	100	Manufacture and sale of automotive and electronic components
Xin Point Mexico S.DE R.L. DE C.V.^	Mexico	US$34,000,000	—	100	Manufacture and sale of automotive and electronic components
Time Glory Trading Limited	Hong Kong	HK$100	—	100	Trading of automotive and electronic components
Changzhou Xinsheng Automobile Components Co., Ltd.^	PRC/Mainland China	US$66,500,000	—	100	Manufacture and sale of automotive and electronic components

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Bernd Lindecke Werkzeugbau GmbH	Germany	EUR25,000	—	100	Manufacture and sale of moulds
New Spring Limited	Hong Kong	HK$1,000,000	—	95	Investment holding
Huizhou Xinsheng Composites Technology Co., Ltd.^	PRC/Mainland China	RMB5,000,000	—	100	Research and development of carbon fiber materials
Huizhou Ronai Technology Co., Ltd.#	PRC/Mainland China	RMB1,000,000	—	51	Research and development of flexible copper clad laminate

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

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

2.1 BASIS OF PREPARATION

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

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

The nature and the impact of the revised HKFRSs that are applicable to the Group 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* (the "Conceptual Framework") 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 business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.

(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 as determined by HKAS 2 *Inventories*, 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 prior to the property, plant and equipment being available for use, 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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(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 from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[2]
HKFRS 17	*Insurance Contracts*[1]
Amendments to HKFRS 17	*Insurance Contracts*[1, 5]
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*[6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current* (the "2020 Amendments")[2, 4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments")[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to HKAS 8	*Definition of Accounting Estimates*[1]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2024
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion
5 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was for amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 annual periods beginning before 1 January 2023
6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17

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

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

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

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the HKICPA issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

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

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently revisiting the accounting policy disclosures to ensure consistency with the amendments.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in an associate and a joint venture

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

The Group's investments in an associate and a joint venture are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of the associate and the joint venture are included in profit or loss and other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate or joint venture are eliminated to the extent of the Group's investments in an associate and a joint venture, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of an associate or a joint venture is included as part of the Group's investments in an associate and a joint venture.

Business combinations and goodwill

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (continued)

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

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

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

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

Fair value measurement

The Group measures its derivative financial instruments and financial asset at fair value through other comprehensive income at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (continued)

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

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., office building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

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

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation

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

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

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

Freehold land	Not depreciated
Buildings	4.5% - 8% or over the lease terms, whichever rate is higher
Leasehold improvements	20% or over the lease terms, whichever rate is higher
Plant and machinery	5% to 33.3%
Furniture, fixtures and equipment	5% to 33.3%
Motor vehicles	10% to 25%
Computer equipment	10% to 33.3%

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (other than goodwill)

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

Research and development costs

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

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

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

Customer relationship

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

Leases

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

Group as a lessee

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

(a) Right-of-use assets

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

Properties	2 to 10 years
Equipment	3 to 4 years

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Group as a lessee (continued)

(b) Lease liabilities

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

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

(c) Short-term leases

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

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

Investments and other financial assets

Initial recognition and measurement

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

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

In order for a financial asset to be classified and measured at amortised cost or fair value through comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

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

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

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

General approach

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

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

General approach (continued)

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

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

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

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

Simplified approach

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

Financial liabilities

Initial recognition and measurement

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (continued)

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

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

Financial liabilities at amortised cost (loans and borrowings)

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments

Initial recognition and subsequent measurement

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

Inventories

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

Cash and cash equivalents

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

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

Provisions

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

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

Income tax

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government grants

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

Revenue recognition

Revenue from contracts with customers

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

Sale of industrial products

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

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

Other income

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

Contract liabilities

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments

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

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 30 to the financial statements.

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other employee benefits

Pension schemes

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

The employees of the Group's subsidiaries which operate in Mainland China and Mexico are required to participate in central pension schemes operated by the local governments. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension schemes. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension schemes.

Borrowing costs

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

Dividends

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

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

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

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

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty

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

Provision for expected credit losses on trade and bills receivables

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

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future. The information about the ECLs on the Group's trade and bills receivables is disclosed in note 24 to the financial statements.

Write-down of inventories to net realisable value

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

The identification of obsolete and slow-moving inventory items requires the use of judgements and estimates. Where the expectation is different from the original estimate, such difference will impact on the carrying values of inventories and the write-down of inventories recognised in the periods in which such estimates have been made. The carrying amount of inventories at 31 December 2022 was RMB598,039,000 (2021: RMB566,151,000).

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of value in use of the cash-generating unit to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the methodologies, assumptions and estimates adopted to arrive at the recoverable amount of the cash-generating units to which the goodwill is allocated are set out in note 15 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Leases — estimating the incremental borrowing rate

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

4. OPERATING SEGMENT INFORMATION

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

Geographical information

(a) Revenue from external customers

	2022 RMB'000	2021 RMB'000
China	**1,074,520**	989,548
North America	**1,263,074**	775,449
Europe	**434,995**	437,182
Other countries	**110,277**	110,289
	2,882,886	2,312,468

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

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information (continued)

(b) Non-current assets

	2022 RMB'000	2021 RMB'000
China	1,211,096	1,303,911
Other countries	761,478	542,966
	1,972,574	1,846,877

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

Information about a major customer

There were no sales to a single customer contributing over 10% of the total revenue of the Group in both years.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2022 RMB'000	2021 RMB'000
Revenue from contracts with customers	2,882,866	2,312,468

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information

The Group's entire revenue from the goods transferred is recognised at a point in time.

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

	2022 RMB'000	2021 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of goods	2,716	5,421

(ii) Performance obligations

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

Sale of industrial products

The performance obligation is satisfied upon delivery of the industrial products and payment is generally due within 30 to 120 days from delivery, except for new customers, where payment in advance is normally required.

An analysis of other income and gains is as follows:

	2022 RMB'000	2021 RMB'000
Other income		
Bank interest income	586	512
Government subsidies*	9,057	5,603
Sale of scraps	11,084	3,062
Sale of raw materials	999	835
Sale of samples	87	—
Testing fee income	2,051	1,212
Compensation from insurance companies	—	298
Others	5,465	5,048
	29,329	16,570
Gains		
Exchange gains	48,923	—
Fair value gain on derivative financial instruments, net	2,025	4,505
	50,948	4,505
	80,277	21,075

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

6. PROFIT BEFORE TAX

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

	Notes	2022 RMB'000	2021 RMB'000
Cost of inventories sold@		2,000,753	1,675,106
Write-down of inventories to net realisable value		77	3,594
Depreciation of property, plant and equipment	13	152,047	137,014
Depreciation of right-of-use assets	14(a)	36,743	34,342
Amortisation of an intangible asset*	16	670	671
Lease payments not included in the measurement of lease liabilities		4,365	3,304
Impairment of trade and bills receivables	24	2,645	2,636
Impairment of items of property, plant and equipment	13	14,654	—
Research and development costs#		73,159	68,703
Fair value gain on derivative financial instruments, net*	23	(2,025)	(4,505)
Auditor's remuneration		3,465	2,793
Employee benefit expense@ (including directors' and chief executive's remuneration (note 8))			
Wages and salaries		626,631	576,616
Equity-settled share option expense		2,384	3,202
Pension scheme contributions***		111,739	42,682
		740,754	622,500
Write-off of items of property, plant and equipment*		1,884	10,081
Loss on derecognition of right-of-use assets*		—	1,187
Loss/(gain) on disposal of items of property, plant and equipment, net*		3,010	(592)
Foreign exchange differences, net*		(48,923)	25,596
Impairment of goodwill**	15	3,772	—

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

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

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

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

*** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2022 RMB'000	2021 RMB'000
Interest on:		
Bank loans	4,709	2,009
Lease liabilities	6,427	3,078
Less: interest capitalised	—	(1,208)
	11,136	3,879

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	2022 RMB'000	2021 RMB'000
Fees	1,528	1,523
Other emoluments:		
Salaries, allowances and benefits in kind	5,125	5,402
Performance related bonuses	4,432	4,861
Equity-settled share option expense	173	206
Pension scheme contributions	132	125
	9,862	10,594
	11,390	12,117

(a) Independent non-executive directors

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

	2022 RMB'000	2021 RMB'000
Cao Lixin	104	99
Gan Weimin	102	102
Tang Chi Wai	122	122
	328	323

There were no other emoluments payable to the independent non-executive directors during the year (2021: Nil).

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

(b) Executive directors and the chief executive

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Equity-settled share option expense RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2022						
Executive directors:						
Ma Xiaoming	360	1,800	200	38	15	2,413
He Xiaolu	120	408	688	29	15	1,260
Meng Jun	120	535	1,888	31	15	2,589
Zhang Yumin	240	1,034	960	32	26	2,292
Liu Jun	240	1,093	660	32	26	2,051
Jiang Wei	120	255	36	11	35	457
	1,200	5,125	4,432	173	132	11,062
2021						
Executive directors:						
Ma Xiaoming	360	1,665	600	46	15	2,686
He Xiaolu	120	408	458	34	15	1,035
Meng Jun	120	535	1,838	36	15	2,544
Zhang Yumin	240	1,034	960	38	24	2,296
Liu Jun	240	1,505	960	38	21	2,764
Jiang Wei	120	255	45	14	35	469
	1,200	5,402	4,861	206	125	11,794

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2021: four) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining one (2021: one) highest paid employee who is neither a director nor chief executive of the Company are as follows:

	2022 RMB'000	2021 RMB'000
Salaries, allowances and benefits in kind	502	378
Performance related bonuses	564	660
Equity-settled share option expense	—	80
Pension scheme contributions	26	24
	1,092	1,142

The number of non-director and non-chief executive highest paid employee whose remuneration fell within the following band is as follows:

	Number of employees	
	2022	2021
RMB1,000,001 – RMB1,500,000	1	1

In previous years, share options were granted to a non-director and non-chief executive highest paid employee in respect of his services to the Group, further details of which are included in the disclosures in note 30 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employee's remuneration disclosures.

10. INCOME TAX

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

	2022 RMB'000	2021 RMB'000
Current:		
Charge for the year		
Hong Kong	40,699	26,354
Elsewhere	52,465	28,077
Overprovision in prior years	(11,317)	(4,021)
Deferred	4,244	(6,703)
Total tax charge for the year	86,091	43,707

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

	2022		2021	
	RMB'000	%	RMB'000	%
Profit before tax	514,582		256,743	
Tax at the statutory tax rate	128,646	25.0	64,186	25.0
Effect of different tax rates in other jurisdictions	(40,915)	(8.0)	(31,003)	(12.1)
Adjustments in respect of current tax of previous periods	(11,317)	(2.2)	(4,021)	(1.6)
Super-deduction of eligible research and development expenditures	(10,915)	(2.1)	(7,777)	(3.0)
Loss attributable to an associate and a joint venture	639	0.1	417	0.2
Income not subject to tax	(3,514)	(0.7)	(3,432)	(1.3)
Expenses not deductible for tax	19,630	3.8	5,039	2.0
Tax losses utilised from previous periods	(10,928)	(2.1)	(4,355)	(1.7)
Tax losses not recognised	13,210	2.6	23,726	9.2
Others	1,555	0.3	927	0.3
Tax charge at the Group's effective rate	86,091	16.7	43,707	17.0

11. DIVIDENDS

	2022 RMB'000	2021 RMB'000
Interim – RMB0.0513 (2021: RMB0.045) per ordinary share	**51,449**	45,629
Proposed final – HK$0.14 (2021: HK$0.0213) per ordinary share	**123,157**	18,353
	174,606	63,982

A final dividend of HK$0.14 per share amounting to approximately RMB123,157,000 in respect of the year ended 31 December 2022 (2021: HK$0.0213 per share amounting to approximately RMB18,353,000) has been proposed by the Directors and is subject to approval by the shareholders at the forthcoming annual general meeting.

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

Basic earnings per share is calculated by dividing the profit attributable to the ordinary equity holders of the parent by the weighted average number of shares in issue during the years ended 31 December 2022 and 2021.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to the ordinary equity holders of the parent and the total of (i) the weighted average number of ordinary shares as used in the basic earnings per share calculation, and (ii) the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

	2022 RMB'000	2021 RMB'000
Profit for the year attributable the ordinary equity holders of the parent for the purpose of basic and diluted earnings per share calculation	**431,296**	215,240

	2022 Number of shares	2021 Number of shares
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,002,905,000**	1,002,905,000
Effect of dilution – weighted average number of ordinary shares:		
Share options	**—**	719,000
	1,002,905,000	1,003,624,000

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RMB'000	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Computer equipment RMB'000	Total RMB'000
At 1 January 2021, net of accumulated depreciation	28,764	400,358	25,851	529,442	26,704	5,095	167,681	10,715	1,194,610
Additions	–	499	6,595	37,319	3,114	1,491	393,349	1,914	444,281
Transfers	–	157	4,818	57,444	–	–	(62,419)	–	–
Depreciation provided during the year	–	(21,148)	(14,908)	(89,825)	(6,857)	(1,739)	–	(2,537)	(137,014)
Disposals/write-off	–	(112)	(3,473)	(6,672)	(2,125)	(354)	–	(107)	(12,843)
Exchange realignment	(1,719)	(7,828)	(222)	(1,065)	(108)	(105)	(12,652)	(66)	(23,765)
At 31 December 2021 and 1 January 2022, net of accumulated depreciation	27,045	371,926	18,661	526,643	20,728	4,388	485,959	9,919	1,465,269
Additions	–	902	6,038	118,060	4,286	2,354	112,731	4,054	248,425
Transfers	–	11,242	–	156,684	–	–	(167,926)	–	–
Depreciation provided during the year	–	(21,713)	(8,804)	(109,278)	(6,349)	(1,912)	–	(3,991)	(152,047)
Disposals/write-off	–	(2,677)	–	(4,471)	(49)	(22)	–	–	(7,219)
Impairment	–	(3,735)	–	(10,729)	(165)	(25)	–	–	(14,654)
Exchange realignment	1,760	18,510	18	2,677	77	130	28,437	9	51,618
At 31 December 2022	28,805	374,455	15,913	679,586	18,528	4,913	459,201	9,991	1,591,392

	Freehold land RMB'000	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Computer equipment RMB'000	Total RMB'000
At 31 December 2021 and 1 January 2022:									
Cost	27,045	464,561	132,842	963,938	58,609	18,994	485,959	22,296	2,174,244
Accumulated depreciation	–	(92,635)	(114,181)	(437,295)	(37,881)	(14,606)	–	(12,377)	(708,975)
Net carrying amount	27,045	371,926	18,661	526,643	20,728	4,388	485,959	9,919	1,465,269
At 31 December 2022:									
Cost	28,805	492,795	136,215	1,205,403	61,752	21,099	459,201	26,442	2,431,712
Accumulated depreciation	–	(118,340)	(120,302)	(525,817)	(43,224)	(16,186)	–	(16,451)	(840,320)
Net carrying amount	28,805	374,455	15,913	679,586	18,528	4,913	459,201	9,991	1,591,392

At 31 December 2021, certain of the Group's property, plant and equipment with a net carrying amount of approximately RMB1,163,000 were pledged to secure bank loans of RMB511,000 granted to the Group (note 28).

During the year ended 31 December 2022, the Group recognised an impairment loss of RMB14,654,000 on certain items of property, plant and equipment as management assessed that these items were no longer suitable for the production of a manufacturing plant and the recoverable amount of these items of property, plant and equipment was assessed based on fair value less costs of disposal.

14. LEASES

The Group as a lessee

The Group has lease contracts for various properties and equipment. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of properties generally have lease terms between 2 and 10 years (2021: 2 and 10 years), while equipment generally has lease terms between 3 and 4 years (2021: 4 and 5 years). Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

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

	Leasehold land RMB'000	Properties RMB'000	Equipment RMB'000	Total RMB'000
At 1 January 2021	45,994	88,845	916	135,755
Additions	—	80,093	—	80,093
Depreciation charge	(1,093)	(33,140)	(109)	(34,342)
Derecognition	—	(1,193)	(95)	(1,288)
At 31 December 2021 and 1 January 2022	44,901	134,605	712	180,218
Additions	—	19,482	1,020	20,502
Depreciation charge	(1,103)	(35,551)	(89)	(36,743)
Exchange realignment	—	129	—	129
At 31 December 2022	**43,798**	**118,665**	**1,643**	**164,106**

At 31 December 2022, certain of the Group's right-of-use assets with a net carrying amount of approximately RMB13,720,000 (2021: nil) were pledged to secure bank loans of RMB70,245,000 (2021: nil) granted to the Group (note 28).

14. LEASES (CONTINUED)

The Group as a lessee (continued)

(b) *Lease liabilities*

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

	2022 RMB'000	2021 RMB'000
Carrying amount at 1 January	**143,072**	95,351
New leases	**20,502**	80,093
Accretion of interest recognised during the year	**6,427**	3,078
Payments	**(40,322)**	(35,349)
Derecognition	**—**	(101)
Exchange realignment	**129**	—
Carrying amount at 31 December	**129,808**	143,072
Analysed into:		
Current portion	**31,526**	31,098
Non-current portion	**98,282**	111,974

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

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

	2022 RMB'000	2021 RMB'000
Interest on lease liabilities	**6,427**	3,078
Depreciation charge of right-of-use assets	**36,743**	34,342
Expense relating to short-term leases (included in administrative expenses)	**4,365**	3,304
Loss on derecognition of right-of-use assets	**—**	1,187
Total amount recognised in profit or loss	**47,535**	41,911

(d) The total cash outflow for leases is disclosed in note 32(c) to the financial statements.

15. GOODWILL

	RMB'000
At 1 January 2021:	
Cost	19,098
Accumulated impairment	(14,937)
Net carrying amount	4,161
Cost at 1 January 2021, net of accumulated impairment	4,161
Exchange realignment	(389)
At 31 December 2021	3,772
At 31 December 2021:	
Cost	17,314
Accumulated impairment	(13,542)
Net carrying amount	3,772
At 31 December 2021 and 1 January 2022:	
Cost	**17,314**
Accumulated impairment	**(13,542)**
Net carrying amount	**3,772**
Cost at 1 January 2022, net of accumulated impairment	**3,772**
Impairment during the year	**(3,772)**
At 31 December 2022	**—**
At 31 December 2022:	
Cost	**17,314**
Accumulated impairment	**(17,314)**
Net carrying amount	**—**

15. GOODWILL (CONTINUED)

Impairment testing of goodwill

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

- Industrial products cash-generating unit

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

  The recoverable amount of the industrial products cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 14.17% (2021: 14.17%). The growth rate used to extrapolate the cash flows of the industrial products cash-generating unit beyond the five-year period is 2.0% (2021: 2.0%). The senior management of the industrial products cash-generating unit believes that this growth rate is justified, considering the industry average of the relevant unit.

Assumptions were used in the value-in-use calculation of the industrial products cash-generating unit for 31 December 2022 and 2021. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

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

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

During the year ended 31 December 2022, due to the lower-than-expected financial performance of the Group's BLW operation, management re-assessed the outlook and future performance of BLW and determined the recoverable amount based on value-in-use of this cash-generating unit is minimal. Accordingly, an impairment of RMB3.8 million was recognised in the consolidated statement of profit or loss and other comprehensive income for the year.

16. INTANGIBLE ASSET

	Customer relationship RMB'000
At 31 December 2021	
Cost at 1 January 2021, net of accumulated amortisation	1,341
Amortisation provided during the year	(671)
At 31 December 2021	670
At 31 December 2021:	
Cost	3,352
Accumulated amortisation	(2,682)
Net carrying amount	670
At 31 December 2022	
Cost at 1 January 2022, net of accumulated amortisation	**670**
Amortisation provided during the year	**(670)**
At 31 December 2022	**—**
At 31 December 2022:	
Cost	**3,352**
Accumulated amortisation	**(3,352)**
Net carrying amount	**—**

17. INVESTMENT IN AN ASSOCIATE

	2022 RMB'000	2021 RMB'000
Share of net assets	6,875	5,447

Particulars of the material associate are as follows:

Name	Particulars of registered capital	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activities
Wuxi JingXing Precision Mould Company Limited (formerly known as "Suzhou City Keen Point Precision Molding Co., Ltd.")	RMB2,000,000	PRC/ Mainland China	30	Manufacture and sale of automotive and electronic products

Wuxi JingXing Precision Mould Company Limited, which is considered a material associate of the Group, is a strategic partner of the Group engaged in the manufacture and sale of automotive and electronic products and is accounted for using the equity method.

The following table illustrates the summarised financial information in respect of Wuxi JingXing Precision Mould Company Limited adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2022 RMB'000	2021 RMB'000
Current assets	20,812	15,718
Non-current assets	4,522	5,143
Current liabilities	(2,418)	(2,705)
Net assets	22,916	18,156
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	30%	30%
Group's share of net assets of the associate and carrying amount of the investment	6,875	5,447
Revenue	19,196	26,618
Profit for the year	4,760	6,663
Total comprehensive income for the year	4,760	6,663

18. INVESTMENT IN A JOINT VENTURE

	2022 RMB'000	2021 RMB'000
Share of net assets	**1,470**	2,023

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

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

The above investment is indirectly held by the Company.

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

	2022 RMB'000	2021 RMB'000
Share of the joint venture's loss for the year	**(3,983)**	(3,665)
Share of the joint venture's total comprehensive loss for the year	**(3,983)**	(3,665)
Aggregate carrying amount of the Group's investment in the joint venture	**1,470**	2,023

19. FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2022 RMB'000	2021 RMB'000
Listed equity investment, at fair value	**7,855**	10,520

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

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022 RMB'000	2021 RMB'000
Prepayments	240,013	224,838
Deposits and other receivables	213,498	164,017
	453,511	388,855
Non-current portion	(208,731)	(186,765)
Current portion	244,780	202,090

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2022 and 2021, the loss allowance was assessed to be minimal.

Included in other receivables is an amount due from the Group's associate of RMB55,000 (2021: RMB3,966,000), which is unsecured, interest-free and repayable on demand.

21. DEFERRED TAX

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

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation RMB'000	Fair value adjustment arising from acquisition of a subsidiary RMB'000	Total RMB'000
At 1 January 2021	96	504	600
Deferred tax charged/(credited) to profit or loss during the year (note 10)	151	(251)	(100)
At 31 December 2021 and at 1 January 2022	247	253	500
Deferred tax credited to profit or loss during the year (note 10)	(63)	(253)	(316)
At 31 December 2022	184	—	184

21. DEFERRED TAX (CONTINUED)

Deferred tax assets

	Depreciation charges of right-of-use assets RMB'000	Unrealised profits on inventories RMB'000	Other deductible temporary differences RMB'000	Tax losses RMB'000	Total RMB'000
At 1 January 2021	1,410	1,100	173	—	2,683
Deferred tax credited to profit or loss during the year (note 10)	211	27	705	5,660	6,603
At 31 December 2021 and at 1 January 2022	1,621	1,127	878	5,660	9,286
Deferred tax credited/(charged) to profit or loss during the year (note 10)	390	(124)	661	(5,487)	(4,560)
At 31 December 2022	2,011	1,003	1,539	173	4,726

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

	2022 RMB'000	2021 RMB'000
Deferred tax assets	4,726	9,286
Deferred tax liabilities	(184)	(500)
	4,542	8,786

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

	2022 RMB'000	2021 RMB'000
Tax losses	181,882	177,882

The Group had tax losses arising in Mainland China of RMB112,259,000 (2021: RMB130,751,000) that are available for offsetting against future taxable profits of subsidiaries in Mainland China for five years in which the losses arose, in Mexico of RMB40,263,000 (2021: RMB45,007,000) that are available for offsetting against future taxable profits of a subsidiary in Mexico in which the losses arose, in Germany of RMB29,013,000 (2021: RMB17,891,000) and in Malaysia of RMB1,041,000 (2021: RMB955,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

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

21. DEFERRED TAX (CONTINUED)

Deferred tax assets (Continued)

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

At 31 December 2022, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings of RMB1,244.3 million (31 December 2021: RMB985.4 million) that are subject to withholding taxes of subsidiaries of the Group established in China. In the opinion of the directors, it is not probable that those subsidiaries will distribute such earnings in the foreseeable future.

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

22. INVENTORIES

	2022 RMB'000	2021 RMB'000
Raw materials	160,938	129,197
Work in progress	146,163	120,560
Finished goods	290,938	316,394
	598,039	566,151

23. DERIVATIVE FINANCIAL INSTRUMENTS

	2022		2021	
	Assets RMB'000	Liability RMB'000	Assets RMB'000	Liability RMB'000
Metal forward contracts	—	—	11	—
Currency forward contract	—	—	1,191	—
	—	—	1,202	—

The Group has entered into various forward metal contracts to manage its commodity price exposures. These forward metal contracts are not designated for hedge purposes and are measured at fair value through profit or loss. The gain arising from changes in the fair value of non-hedging derivatives amounting to RMB1,560,000 (2021: gain of RMB976,000) was credited to profit or loss during the year ended 31 December 2022.

The foreign currency forward contract is not designated for hedge purposes and is measured at fair value through profit or loss. The gain arising from changes in the fair value of non-hedging derivatives amounting to RMB465,000 (2021: gain of RMB3,529,000) was credited to profit or loss during the year ended 31 December 2022.

24. TRADE AND BILLS RECEIVABLES

	2022 RMB'000	2021 RMB'000
Trade and bills receivables	798,268	614,176
Impairment	(4,606)	(1,710)
	793,662	612,466

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.

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

	2022 RMB'000	2021 RMB'000
Within 1 month	348,287	362,730
1 to 2 months	247,729	129,885
2 to 3 months	119,346	64,256
Over 3 months	78,300	55,595
	793,662	612,466

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

	2022 RMB'000	2021 RMB'000
At beginning of year	1,710	1,395
Impairment losses (note 6)	2,645	2,636
Amount recovered in respect of brought forward balance	251	—
Amount written off as uncollectible	—	(2,321)
At end of year	4,606	1,710

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

The Group's bills receivable of RMB32,203,000 (2021: RMB25,286,000) at 31 December 2022 are due within 90 days (2021: 90 days) from the date of billing. There was no recent history of default from bills receivable and the Group estimated that the expected loss rate for bills receivable is minimal.

24. TRADE AND BILLS RECEIVABLES (CONTINUED)

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

As at 31 December 2022

		Past due			
Mainland China	**Current**	**Less than 1 month**	**1 to 3 months**	**Over 3 months**	**Total**
Expected credit loss rate	**0.29%**	**0.31%**	**0.34%**	**17.64%**	**0.43%**
Gross carrying amount (RMB'000)	**358,408**	**54,164**	**8,417**	**3,419**	**424,408**
Expected credit losses (RMB'000)	**1,035**	**170**	**29**	**603**	**1,837**

		Past due			
Other geographical regions	**Current**	**Less than 1 month**	**1 to 3 months**	**Over 3 months**	**Total**
Expected credit loss rate	**0.17%**	**0.35%**	**0.49%**	**17.34%**	**0.74%**
Gross carrying amount (RMB'000)	**258,597**	**68,110**	**36,122**	**11,031**	**373,860**
Expected credit losses (RMB'000)	**441**	**238**	**177**	**1,913**	**2,769**

As at 31 December 2021

		Past due			
Mainland China	Current	Less than 1 month	1 to 3 months	Over 3 months	Total
Expected credit loss rate	0.28%	0.30%	3.02%	3.42%	0.34%
Gross carrying amount (RMB'000)	339,027	36,884	7,586	351	383,848
Expected credit losses (RMB'000)	939	112	229	12	1,292

		Past due			
Other geographical regions	Current	Less than 1 month	1 to 3 months	Over 3 months	Total
Expected credit loss rate	0.07%	0.07%	0.71%	6.33%	0.18%
Gross carrying amount (RMB'000)	189,482	30,262	7,155	3,429	230,328
Expected credit losses (RMB'000)	129	21	51	217	418

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

25. CASH AND CASH EQUIVALENTS

At 31 December 2022, the Group's cash and bank balances denominated in RMB amounted to RMB114,760,000 (2021: RMB82,622,000). The RMB is not freely convertible into other currencies, however, under China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

26. TRADE PAYABLES

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

	2022 RMB'000	2021 RMB'000
Within 1 month	**267,208**	213,592
1 to 2 months	**53,322**	53,432
2 to 3 months	**14,091**	25,112
Over 3 months	**54,905**	66,885
	389,526	359,021

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

Included in trade payables is an amount due to an associate of RMB3,745,000 (2021: RMB10,609,000), which is unsecured, interest-free and repayable on demand.

27. OTHER PAYABLES AND ACCRUALS

	Notes	2022 RMB'000	2021 RMB'000
Contract liabilities	(a)	**2,038**	2,716
Other payables	(b)	**71,232**	39,787
Accruals		**191,103**	142,308
		264,373	184,811

Notes:

(a) Details of contract liabilities are as follows:

	31 December 2022 RMB'000	31 December 2021 RMB'000	1 January 2021 RMB'000
Short-term advances received from customers			
Sale of goods	**2,038**	2,716	5,421

Contract liabilities include short-term advances received to deliver industrial products. The decrease in contract liabilities in 2022 and 2021 was mainly due to the decrease in short-term advances received from customers in relation to the sale of industrial products at the end of the year.

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

28. INTEREST-BEARING BANK BORROWINGS

	2022			2021		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Current portion of long term bank loans – secured	—	—	—	1.2 - 1.3	2022	511
Unsecured bank loan which contains a repayment on demand clause	—	—	—	LIBOR +2.65% p.a.	2022	28,408
Unsecured bank loan which contains a repayment on demand clause	HIBOR +1.75% p.a.	2023	75,616	HIBOR +1.75% p.a.	2022	101,979
			75,616			130,898
Non-current						
Secured bank loans	1.8	2025	70,245	—	—	—
			145,861			130,898

	2022 RMB'000	2021 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	75,616	130,898
In the second year	—	—
In the third to fifth years, inclusive	70,245	—
After the fifth year	—	—
	145,861	130,898

Notes:

(a) Certain bank loans of the Group are secured by right-of-use assets which had a net carrying amount of approximately RMB13,720,000 (2021: items of property, plant and equipment which had a net carrying amount of approximately RMB1,163,000) at 31 December 2022 (note 13).

(b) Borrowings of the Group are denominated in HK$ and EUR (2021: HK$, US$ and EUR).

29. SHARE CAPITAL

	2022 RMB'000	2021 RMB'000
Issued and fully paid:		
1,002,905,000 ordinary shares of HK$0.1 each	**87,485**	87,485

There was no movement in the Company's share capital during the year.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 30 to the financial statements.

30. SHARE OPTION SCHEME

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

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

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

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

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

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

30. SHARE OPTION SCHEME (CONTINUED)

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

	2022		2021	
	Weighted average exercise price HK$ per share	Number of options '000	Weighted average exercise price HK$ per share	Number of options '000
At the beginning of the year	3.45	15,709	3.45	18,374
Forfeited during the year	3.45	(1,866)	3.45	(2,665)
At the end of the year	3.45	13,843	3.45	15,709

No share options were exercised during the year.

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

2022

Number of options '000	Exercise price* HK$ per share	Exercise period
13,843	3.45	30-04-22 to 13-08-28

2021

Number of options '000	Exercise price* HK$ per share	Exercise period
15,709	3.45	30-04-22 to 13-08-28

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

During the years ended 31 December 2022 and 2021, there was no share option granted and the Group recognised a share option expense of RMB2,384,000 (2021: RMB3,202,000).

30. SHARE OPTION SCHEME (CONTINUED)

At the end of the reporting period, the Company had 13,843,000 share options outstanding under the Scheme which represented approximately 1.4% of the Company's shares in issue as at that date. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 13,843,000 additional ordinary shares of the Company and additional share capital of RMB1,218,000 (before issue expenses).

31. RESERVES

The amounts of the Group's reserves and the movements therein for the reporting period are presented in the consolidated statement of changes in equity on page 63 of the Annual Report.

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB20,502,000 (2021: RMB80,093,000) and RMB20,502,000 (2021: RMB80,093,000), respectively, in respect of lease arrangements for properties and equipment.

(b) Changes in liabilities arising from financing activities

2022

	Lease liabilities RMB'000	Bank loans RMB'000
As at 1 January 2022	143,072	130,898
Changes from financing cash flows	(33,895)	10,149
New leases	20,502	—
Interest expense	6,427	—
Interest paid classified as operating cash flows	(6,427)	—
Exchange realignment	129	4,814
As at 31 December 2022	129,808	145,861

2021

	Lease liabilities RMB'000	Bank loans RMB'000
As at 1 January 2021	95,351	50,227
Changes from financing cash flows	(32,271)	83,734
New leases	80,093	—
Interest expense	3,304	—
Interest paid classified as operating cash flows	(3,304)	—
Derecognition	(101)	—
Exchange realignment	—	(3,063)
As at 31 December 2021	143,072	130,898

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

(c) Total cash outflow for leases

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

	2022 RMB'000	2021 RMB'000
Within operating activities	**6,427**	3,078
Within financing activities	**33,895**	32,271
	40,322	35,349

33. PLEDGE OF ASSETS

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

34. COMMITMENTS

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

	2022 RMB'000	2021 RMB'000
Contracted, but not provided for:		
Plant and equipment	**82,416**	152,266
Capital contributions to a joint venture	**35,121**	37,081
	117,537	189,347

35. RELATED PARTY TRANSACTIONS

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

	Notes	2022 RMB'000	2021 RMB'000
Purchase of tooling:			
Wuxi JingXing Precision Mould Company Limited	(i), (ii)	**2,055**	25,411

Notes:

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

(ii) Wuxi JingXing Precision Mould Company Limited is an associate of the Group.

35. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	2022 RMB'000	2021 RMB'000
Short term employee benefits	14,637	15,749
Post-employment benefits	526	511
Total compensation paid to key management personnel	15,163	16,260

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

36. FINANCIAL INSTRUMENTS BY CATEGORY

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

2022

Financial assets

	Financial asset at fair value through other comprehensive income		
	Equity investment RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Trade and bills receivables	—	793,662	793,662
Financial assets included in prepayments, deposits and other receivables	—	16,093	16,093
Financial asset at fair value through other comprehensive income	7,855	—	7,855
Cash and cash equivalents	—	341,535	341,535
	7,855	1,151,290	1,159,145

36. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2022

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	389,526
Financial liabilities included in other payables and accruals	40,030
Interest-bearing bank borrowings	145,861
Lease liabilities	129,808
	705,225

2021

Financial assets

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

36. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2021

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	359,021
Financial liabilities included in other payables and accruals	19,841
Interest-bearing bank borrowings	130,898
Lease liabilities	143,072
	652,832

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amount		Fair value	
	2022 RMB'000	2021 RMB'000	**2022 RMB'000**	2021 RMB'000
Financial assets				
Financial asset at fair value through other comprehensive income	**7,855**	10,520	**7,855**	10,520
Derivative financial instruments	**—**	1,202	**—**	1,202
	7,855	11,722	**7,855**	11,722
Financial liabilities				
Interest-bearing bank borrowings	**145,861**	130,898	**145,861**	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 largely due to the short term maturities of these instruments.

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

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

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

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

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

Derivative financial instruments, including a currency forward 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 currency forward contracts and forward metal contracts are the same as their fair values.

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

Fair value hierarchy

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

Assets measured at fair value:

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial asset at fair value through other comprehensive income	7,855	—	—	7,855

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

Assets measured at fair value: (Continued)

As at 31 December 2021

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

The Group did not have any financial liabilities measured at fair value as at 31 December 2022 and 2021.

During the year, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2021: Nil).

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

Interest rate risk

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

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

	Increase/ (decrease) in basis points	**Increase/(decrease) in profit before tax**	
		2022 RMB'000	2021 RMB'000
RMB	100	**1,082**	757
HK$	100	**(670)**	(943)
US$	100	**1,925**	176
RMB	(100)	**(1,082)**	(757)
HK$	(100)	**670**	943
US$	(100)	**(1,925)**	(176)

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales by operating units in currencies other than the units' functional currencies. Approximately 63% (2021: 57%) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sale.

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

	Change in foreign currency rate %	Increase/ (decrease) in profit before tax RMB'000
2022		
If RMB weakens against US$	1	13,627
If RMB strengthens against US$	(1)	(13,627)
If RMB weakens against EUR	1	4,314
If RMB strengthens against EUR	(1)	(4,314)
2021		
If RMB weakens against US$	1	8,738
If RMB strengthens against US$	(1)	(8,738)
If RMB weakens against EUR	1	4,430
If RMB strengthens against EUR	(1)	(4,430)

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

Maximum exposure and year-end staging

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

At 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	—	—	—	766,065	766,065
Bills receivable					
– Not yet past due	32,203	—	—	—	32,203
Financial assets included in prepayments, deposits and other receivables					
– Normal**	16,093	—	—	—	16,093
Cash and cash equivalents					
– Not yet past due	341,535	—	—	—	341,535
	389,831	—	—	766,065	1,155,896

At 31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	—	—	—	588,890	588,890
Bills receivable					
– Not yet past due	25,286	—	—	—	25,286
Financial assets included in prepayments, deposits and other receivables					
– Normal**	14,989	—	—	—	14,989
Cash and cash equivalents					
– Not yet past due	148,660	—	—	—	148,660
	188,935	—	—	588,890	777,825

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

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

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

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and financial assets included in prepayments, deposits and other receivables, arises from default of the counterparty with a maximum exposure equal to the carrying amounts of these instruments.

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

At the end of the reporting period, the Group had certain concentrations of credit risk as 9% and 8% of the Group's trade and bills receivables were due from the Group's largest customer for the years ended 31 December 2021 and 2022, respectively. Concentrations of credit risk are managed by establishing credit verification procedures. Management determines that there are minimal concentrations of credit risk within the Group as the customers of the Group's trade and bills receivables are recognised and creditworthy.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables are disclosed in note 24 to the financial statements.

Liquidity risk

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

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

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

	On demand or no later than 1 year RMB'000	1 to 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
2022				
Trade payables	389,526	—	—	389,526
Other payables and accruals	40,030	—	—	40,030
Interest-bearing bank borrowings	78,878	72,156	—	151,034
Lease liabilities	36,363	105,587	900	142,850
	544,797	177,743	900	723,440
2021				
Trade payables	359,021	—	—	359,021
Other payables and accruals	19,841	—	—	19,841
Interest-bearing bank borrowings	130,898	—	—	130,898
Lease liabilities	36,173	112,648	12,206	161,027
	545,933	112,648	12,206	670,787

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

The Group manages its capital structure and makes adjustment to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made to the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 2022.

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

	2022 RMB'000	2021 RMB'000
Total debt	145,861	130,898
Total equity	2,918,801	2,475,331
Gearing ratio	5.0%	5.3%

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS		
Investment in a subsidiary	680	828
Financial asset at fair value through other comprehensive income	7,855	10,520
Total non-current assets	8,535	11,348
CURRENT ASSETS		
Deposits and other receivables	1,302	9
Derivative financial instrument	—	1,191
Due from subsidiaries	1,287,157	1,019,984
Cash and cash equivalents	5,099	4,287
Total current assets	1,293,558	1,025,471
CURRENT LIABILITIES		
Other payables and accruals	116	118
Due to subsidiaries	391,817	225,088
Interest-bearing bank borrowings	75,616	130,387
Total current liabilities	467,549	355,593
NET CURRENT ASSETS	826,009	669,878
TOTAL ASSETS LESS CURRENT LIABILITIES	834,544	681,226
NON-CURRENT LIABILITY		
Interest-bearing bank borrowing	70,245	—
NET ASSETS	764,299	681,226
EQUITY		
Issued capital	87,485	87,485
Reserves (note)	676,814	593,741
Total equity	764,299	681,226

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

Note:

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

	Capital reserve RMB'000	Share option reserve RMB'000	Fair value reserve of a financial asset at fair value through other comprehensive income RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2021	577,892	15,360	(30,187)	46,547	609,612
Total comprehensive income for the year	—	—	(214)	134,281	134,067
Equity-settled share option arrangements	—	3,202	—	—	3,202
Final 2020 dividend	—	—	—	(107,511)	(107,511)
Interim 2021 dividend	—	—	—	(45,629)	(45,629)
At 31 December 2021	577,892	18,562	(30,401)	27,688	593,741
Total comprehensive income for the year	—	—	(3,104)	153,595	150,491
Equity-settled share option arrangements	—	2,384	—	—	2,384
Final 2021 dividend	—	—	—	(18,353)	(18,353)
Interim 2022 dividend	—	—	—	(51,449)	(51,449)
At 31 December 2022	577,892	20,946	(33,505)	111,481	676,814

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2023.