



Xin Point Holdings Limited 信邦控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1571



INTERIM REPORT 2018



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CORPORATE INFORMATION

Board of Directors

Executive Directors

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

Independent Non-Executive Directors

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

Company Secretary

Mr. Au Wai Keung, *FCPA*

Auditor

Ernst & Young
 Certified Public Accountants
 22/F, CITIC Tower
 1 Tim Mei Avenue
 Central, Hong Kong

Legal Advisor

Chiu & Partners
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 Central, Hong Kong

Principal Share Registrar

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 KY1-1111
 Cayman Islands

Hong Kong Share Registrar

Computershare Hong Kong Investor
 Services Limited
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 Wanchai
 Hong Kong

Principal Place of Business in Hong Kong

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 Hong Kong

Registered Office

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Investor and Media Relations

Porda Havas International Finance
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Ticker Symbol

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

Website

<http://www.xinpoint.com>

FINANCIAL HIGHLIGHTS

- Xin Point Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) recorded an unaudited revenue of approximately RMB973.0 million for the six months ended 30 June 2018 (“**1H 2018**”), representing an increase of approximately 9.7% compared to the same period of the previous year (six months ended 30 June 2017 (“**1H 2017**”): RMB886.9 million). In the first half of 2018, the Group’s business was affected by the uncertainties in the automotive industry, and its business growth was lower than last year.
- The Company recorded an unaudited profit attributable to the owners of the Company of approximately RMB198.3 million for 1H 2018, which was approximately 12.7% higher than that of the corresponding period in 2017 (1H 2017: RMB176.0 million).
- The basic and diluted earnings per share for 1H 2018 were RMB20 cents (1H 2017: RMB 23 cents).
- Net cash flows from operations for 1H 2018 were RMB182.8 million (1H 2017: RMB174.2 million).
- The directors of the Company (the “**Directors**”) recommend the payment of an interim dividend of RMB6 cents per share for 1H 2018 (1H 2017: RMB5 cents).
- In this report, “we”, “us”, “our” refer to the Company and where the context otherwise requires, the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

The automotive industry faced challenging times in 1H 2018: the growth in global automotive demand remained low, and we take a conservative position on the outlook because of rising interest rates and escalation of trade conflicts between China and the US. Automotive manufacturers and suppliers are also facing margin pressure resulting from rising commodity costs and lower sales volumes. Tighter credit availability and rising interest rates brought uncertainties to consumers that may have impacts on customers' demands.

While there are uncertainties ahead, the market believes global automotive demand is likely to remain stable and China's outlook remaining stable to positive, but the US market showed some signs of softening, and European markets continuing a moderate growth trend. Market belief is that the global automotive industry is nearing a major crossroad - at present, there are accelerating technological transformation and changing consumer tastes and demands, which are likely to result in increasing demands or opportunities in automotive decorative components and technologies.

Business Review

In 1H 2018, the Group's total number of sales units increased from approximately 179.1 million in 1H 2017 to 182.6 million in 1H 2018, representing a growth of approximately 2.0%, while total revenue of the Group rose to approximately RMB973.0 million, representing an increase of approximately 9.7% as compared with the corresponding period of last year (1H 2017: approximately RMB886.9 million). As our revenue increased at a proportion less than that of our cost of sales increased for 1H 2018, as a result, the Group's total gross profit only increased by approximately 1.6% from approximately RMB372.8 million in 1H 2017 to approximately RMB378.7 million in 1H 2018.

Electro-plating production capacity and utilization rate

In 1H 2018, we set up a new production line, our annualized electro-plating production capacity is increased from approximately 3.18 million sq.m. by the end of 2017 to approximately 3.54 million sq.m. by the end of June 2018 as planned.

The average utilisation rate of our electro-plating production capacity for 1H 2018 was approximately 74.9% when compared with the rate of 84.0% for 1H 2017; the average utilization rate decreased because of the increase in the total production capacities of the Group and a lower-than-expected growth in customers' orders.

Production yield

During 1H 2018, our average production yield rate was approximately 88.0%, around 1.4 percentage point lower as compared with the average production yield rate of approximately 89.4% in 2017, as a result of new production facilities ramp-ups.

Order book

Our order book remained stable and we have secured orders on hand to drive our expansion in the next few years. Continual efforts to penetrate into the global market and global models will remain our important business objective. The Group had total backlog orders ended in 2022 of approximately RMB9.1 billion as at 30 June 2018.

Outlook

We have completed the acquisition of a tool making company located in Germany at a total consideration of EUR5.8 million. This tool making company specializes in the production of tools for plastics injection die moulding and the management of the Group expects that this acquisition will expedite the Group's plans to enhance its capabilities and technical know-hows for developing new products for the Group's customers. In addition, the acquisition will also be beneficial to the Group's continuing efforts of expanding business relationships with its existing premium customers. Due to the scale and considerate of this acquisition, we do not expect this acquisition will have significant impacts to the 2018 full year results on our financial position.

Despite a growing economy around the globe, the automobile industry outlook is still unclear at the moment. On 10 July 2018, the United States Trade Representative released a third proposed list ("**Third List**") covering over 6,000 tariff items that, if implemented, would subject these goods to additional custom duty. Our products currently exporting to the US are on the Third List. Although the Third List does not have an implementation date yet and is still subject to public comment, it will be challenging for companies whose products are on the Third List once the additional custom duty is imposed.

The Group is paying full attention to the latest developments of the implementation of Third List and is proactively communicating with our customers and currently reviewing our new quotations for potential new orders.

Revenue

Our revenue increased by approximately RMB86.1 million or approximately 9.7% to approximately RMB973.0 million for 1H 2018. The total number of units of automotive decorative components sold in 1H 2018 increased by approximately 182.6 million or approximately 2.0% from the same period in 2017, while the average selling price increased by approximately RMB0.4 per unit or approximately 8.2% to RMB5.3 per unit in 1H 2018.

The increase in the sales was mainly due to (i) the steady growth in the PRC's automobile production and sales, which led to the increased local demands for our products; the revenue from the PRC market increased by approximately RMB69.6 million or approximately 18.1% to approximately RMB454.8 million for 1H 2018; the total number of units of automotive decorative components sold in the PRC for 1H 2018 also increased by approximately 5.4 million units or approximately 5.2% from the same period in 2017; (ii) the increase in average selling price from RMB4.9 per unit for 1H 2017 to RMB5.3 per unit for 1H 2018, which was primarily due to new contracts entered into with customers with a higher unit selling price in PRC, North America and Europe; and (iii) the increase in quantity sold in the European market by 1.3 million units or 4.7% for 1H 2018 as a result of our continued sales efforts in the European market.

Revenue by geographic segment:

	For the six months ended 30 June			
	2018		2017	
	RMB'000	%	RMB'000	%
China	454,784	47	385,156	43
North America	256,967	26	251,248	28
Europe	230,377	24	219,188	25
Others	30,855	3	31,297	4
	972,983	100	886,889	100

Cost of sales

	Six months ended 30 June			
	2018		2017	
	RMB'000	%	RMB'000	%
Direct materials	166,623	28.0	144,979	28.2
Staff costs	178,178	30.0	141,008	27.4
Overheads	249,494	42.0	228,142	44.4
– Depreciation	26,850	4.5	25,049	4.9
– Processing fees	38,368	6.5	41,337	8.0
– Consumables	44,288	7.5	34,087	6.6
– Mold cost	38,388	6.5	37,589	7.3
– Utilities	46,776	7.9	38,312	7.5
– Shipping and delivery	14,275	2.4	13,423	2.6
– Others	40,549	6.7	38,345	7.5
	594,295	100.0	514,129	100.0

Cost of sales increased by approximately RMB80.2 million or approximately 15.6% to approximately RMB594.3 million for 1H 2018. Such increase was mainly due to (i) the increase in cost of raw materials by approximately RMB21.6 million or 14.9% from RMB145.0 million for the 1H 2017 to approximately RMB166.6 million for 1H 2018. The increase was mainly driven by an increase in the number of products produced during the period together with an increase in raw material price level for 1H 2018; (ii) the increase in staff cost of approximately RMB37.2 million or approximately 26.4% as a result of an increase in the number of front line staff for our new factories (including the two new injection factories in Huizhou and Wuxi) and also in their compensation levels; and (iii) the increase in other variable overheads from approximately RMB228.1 million for the 1H 2017 to approximately RMB249.5 million for 1H 2018, which was directly related to higher number of units of products being manufactured.

Gross Profit

Resulted from the factors discussed above, the gross profit increased to approximately RMB378.7 million for 1H 2018 (approximately RMB372.8 million for 1H 2017), representing an increase of approximately 1.6%.

Our gross profit margin decreased by 3.1 percentage points to 38.9% for 1H 2018 as compared to 42.0% for 1H 2017, the drop in gross profit margin was the combined effects of the followings:

1. revenue increased at a proportion less than that for our cost of sales for 1H 2018;
2. increased staff cost/materials for 1H 2018 in connection with the operation of new production facilities;
3. increase in power and waste water treatment costs; and
4. increase in raw material prices for 1H 2018 as compared to 1H 2017, especially from the increased prices in metals.

Other income and gains

Other income and gains mainly represented bank interest income, income from sale of scraps, testing fee income and foreign exchange gain. Other income and gains for 1H 2018 increased by approximately RMB15.3 million or approximately 1.18 time as compared to 1H 2017. The increase was mainly due to increase of interests earned from the proceeds from IPO deposited into our bank accounts.

Sales and distribution expenses

Sales and distribution expenses increased by approximately RMB3.1 million or approximately 13.1% to approximately RMB26.4 million for 1H 2018 from approximately RMB23.3 million for 1H 2017. The increase was primarily due to the combined effects of the increase in staff costs, as well as travelling expenses to cope with our business growth.

Administrative expenses

The table below summarizes the components of our administrative expenses:

	Six months ended 30 June			
	2018		2017	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Staff costs	71,467	51.3	58,013	46.0
Research and development expenses	30,800	22.1	24,161	19.2
Listing expenses	—	0.0	16,633	13.2
Travel and transportation expenses	3,168	2.3	2,955	2.3
Office supplies	5,376	3.9	4,854	3.9
Legal and professional fees	10,514	7.5	4,612	3.7
Depreciation and amortisation	6,963	5.0	3,705	2.9
Rental expenses	3,184	2.3	2,774	2.2
Stamp duties and local government surcharges	325	0.2	1,129	0.9
Business development expenses	530	0.4	740	0.6
Loss on disposal of property, plant and equipment	151	0.1	171	0.1
Others	6,819	4.9	6,330	5.0
	139,297	100.0	126,077	100.0

Administrative expenses increased by approximately RMB13.2 million or approximately 10.5% to approximately RMB139.3 million for 1H 2018 from approximately RMB126.1 million for 1H 2017. The increase was primarily due to: (i) the increase in staff costs by approximately RMB13.5 million, which is attributable to an increase in the overall headcount of the Group and also increase in the salary level of the PRC administrative staff in order to retain talents in respect of the highly competitive human resources market in the PRC; (ii) the increase in research and development (“R&D”) expenses by approximately RMB 6.6 million in relation to new models and new surface treatment technologies as requested by our customers; (iii) the increase of legal and professional fees by RMB5.9 million for the professional advice and supports for various compliance requirements; and (iv) there was an amount of RMB1.8 million for the depreciation charged for the temporarily non-revenue generating plant and equipment in relation to our Changzhou production base which is pending reconstruction.

For 1H 2018, no listing expenses were incurred, whereas approximately RMB16.6 million was recorded in 1H 2017.

Profit for the period

Profit for the period increased by approximately 12.7% from approximately RMB176.0 million for 1H 2017 to approximately RMB198.3 million for 1H 2018. This was primarily due to the followings:

- (i) the Group experienced slowdown in the growth of the revenue from the sales of automotive decorative components for all regions, however, we still recorded a revenue growth from approximately RMB886.9 million for 1H 2017 to approximately RMB973.0 million or 9.7% growth for 1H 2018;
- (ii) the gross profit also increased from approximately RMB372.8 million for 1H 2017 to approximately RMB378.7 million or approximately 1.6% increase for 1H 2018;
- (iii) the increase of 13.1% in sales and distribution expenses during 1H 2018;
- (iv) the increase in administrative expenses, partly due to the increase in R&D expenditures to cope with increased demands for processing technology from our customers and the increase in salaries and benefits of our administrative and support staffs, directors and senior management, and provision for social insurance and housing provident funds. In addition, no listing expenses was recorded in 1H 2018; and
- (v) the decrease in our effective tax rate from 25.6% for 1H 2017 to 18.0% for 1H 2018 as a result of written-back of over-provisions in the past year.

Basic earnings per share attributable to owners of the Company for 1H 2018 was approximately RMB20 cents (1H 2017: approximately RMB23 cents).

Liquidity and Financial Resources

For 1H 2018, the Group's net cash inflow from operating activities amounted to approximately RMB182.8 million, as compared to approximately RMB174.2 million in 1H 2017.

The Group did not have any borrowings or debt securities as at 30 June 2018, while the Group had a finance lease payable of approximately RMB0.8 million as at 31 December 2017.

As at 30 June 2018, the gearing ratio, being total bank borrowings divided by total equity was 0% (31 December 2017: 0.04%).

The annual interest rate of the bank and other borrowings during 1H 2018 was 7.0% (1H 2017: 7.0%).

Interim Dividend

The Board resolved to pay an interim dividend of RMB0.06 per share for 1H 2018 (1H 2017: RMB0.05 per share). The exchange rate adopted for conversion of the interim dividend in Hong Kong dollars was the middle rate of RMB to Hong Kong dollars published by the People's Bank of China of one business day of the PRC prior to the declaration of interim dividend (i.e. 3 August 2018) (HK\$1 = RMB0.87042). Accordingly, the amount of interim dividend payable in Hong Kong dollars will be HK\$0.0689 per share.

The interim dividend will be distributed on or around 12 October 2018 to shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company as at the close of business on 19 September 2018.

Closure of Register of Members

The register of members of the Company will be closed from 17 September 2018 to 19 September 2018, both days inclusive, during which period no transfer of the Shares will be registered. In order to qualify for the interim dividend payable on or around 12 October 2018, all transfers of the Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share register in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on 14 September 2018.

Share Options

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

No share option was granted, exercised, cancelled or had lapsed under the Scheme during 1H 2018. No share option was outstanding under the Scheme as at 30 June 2018.

Subsequent to 30 June 2018, the Company has offered to grant an aggregate of 22,946,000 share options to eligible grantees, including certain directors, senior management and employees of the Group under the Scheme, representing approximately 2.28% of the total share capital of the Company as at 14 August 2018 with an exercise price of HK\$3.45 on 14 August 2018.

Capital Structure

As at 30 June 2018, the Company's issued share capital was approximately RMB87.8 million, equivalent to HK\$100.6 million and divided into 1,006,487,000 Shares of HK\$0.1 each (31 December 2017: RMB87.8 million).

Significant Investments Held and Future Plans for Material Investments and Capital Assets

During 1H 2018, the principal capital expenditures of the Group were attributable to the additions of equipment at its existing production facilities. As part of the Group's future strategies, the Group's planned capital expenditures for its business operations will be primarily related to the construction and commencement of operations of its new production facilities. The Group anticipates that its capital expenditures will be financed by cash generated from its operations and the utilization of the net proceeds from the issue of the shares of the Company from the initial public offer (the "**Listing**") as set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 16 June 2017 (the "**Prospectus**").

There were no significant investments held as at 30 June 2018 nor are there other plans for material investments on capital assets as at the date of this announcement.

Use of Proceeds from the Initial Public Offering

The net proceeds from the Listing amounted to approximately HK\$855.0 million (equivalent to approximately RMB741.5 million). Such proceeds are intended to be applied in accordance with the proposed applications as set out in the section headed "Future Plans and Use of Proceed" in the Prospectus.

As at 30 June 2018, the net proceeds were applied as follows:

	Percentage of total amount %	Net proceeds from the Company's IPO RMB million	Amount Utilized RMB million	Amount un-utilized RMB million
Purpose				
Expanding and improving the production facilities in the PRC:				
i) Set up the Huizhou New Production Base (note 1)	20.9	155.0	102.4	52.6
ii) Construct the Wuxi New Production Base (note 2)	10.3	76.4	41.5	34.9
iii) Construct a new electroplating production line	3.1	23.0	23.0	—
iv) Invest in plastic injection equipment	1.6	11.9	11.9	—
Constructing the new production base in Mexico and investing in production facilities and equipment (note 3)	40.2	298.1	98.7	199.4
Reinforcing the market position and enhancing the sales, increasing the direct exposure in the mid-to-high end automobile manufacturing segment and market shares in North America and Europe	5.4	40.0	1.2	38.8
Enhancing the product quality, product safety and R&D capabilities	5.7	42.3	8.7	33.6
Enhancing the information technology and customer services systems	4.8	35.6	2.5	33.1
Working capital and general corporate purposes	8.0	59.2	44.4	14.8
Total	100.0	741.5	334.3	407.2

Note (1): Phase one of the Huizhou New Production Base was completed in early 2018 and phase two development also commenced in early 2018 which include the construction of one spray printing production lines, a new tooling workshop and a new centralised warehouse.

Note (2): Our Wuxi New Production Base was completed in 1H 2018, and we plan to install more plastic injection machines in our Wuxi New Production Base in 2H 2018.

Note (3): The new production base in Mexico is still under construction and we expect its operations will commence in the first six months of 2019.

Material Acquisitions and Disposals of Subsidiaries

During 1H 2018, the Group did not have any material acquisitions and disposals of subsidiaries.

Pledge of Assets

As at 30 June 2018, the Group did not have any mortgage or charge over its assets. As at 31 December 2017, the Group's certain equipment with carrying value of RMB6.6 million were pledged as security for bank borrowings.

Foreign Exchange Exposure

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

Treasury Policies

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

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

Capital Commitment and Contingencies

Capital commitment of the Group as at 30 June 2018 and 31 December 2017 were approximately RMB184.6 million and approximately RMB112.2 million, respectively, which were both attributable to the construction and acquisition of our new production bases and facilities. The Group did not have any significant contingent liabilities as at 30 June 2018 and 31 December 2017.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Notes	Six months ended 30 June	
		2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
REVENUE	3	972,983	886,889
Cost of sales		(594,295)	(514,129)
Gross profit		378,688	372,760
Other income and gains	3	28,261	12,946
Sales and distribution expenses		(26,362)	(23,303)
Administrative expenses		(139,297)	(126,077)
Finance costs		(13)	(166)
Share of profits of an associate		704	425
PROFIT BEFORE TAX	4	241,981	236,585
Income tax expense	5	(43,652)	(60,608)
PROFIT FOR THE PERIOD		198,329	175,977
OTHER COMPREHENSIVE INCOME:			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations		11,679	2,180
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		11,679	2,180
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		210,008	178,157
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	6	RMB20 cents	RMB23 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	8	795,199	612,965
Prepaid land lease payments		46,140	40,204
Investment in an associate		2,214	1,510
Prepayments, deposits and other receivables		89,399	72,077
Deferred tax assets		5,547	10,890
Total non-current assets		938,499	737,646
CURRENT ASSETS			
Inventories		413,571	327,303
Trade and bills receivables	9	519,990	538,256
Prepayments, deposits and other receivables		155,205	120,042
Derivative financial instruments		4,736	3,750
Prepaid land lease payments		1,014	951
Cash and cash equivalents		676,491	812,108
Total current assets		1,771,007	1,802,410
CURRENT LIABILITIES			
Trade payables	10	216,452	193,506
Other payables and accruals	11	219,222	202,498
Interest-bearing bank and other borrowings	12	—	844
Tax payable		176,554	182,640
Total current liabilities		612,228	579,488
NET CURRENT ASSETS		1,158,779	1,222,922
TOTAL ASSETS LESS CURRENT LIABILITIES		2,097,278	1,960,568
NON-CURRENT LIABILITIES			
Deferred tax liabilities		96	141
Total non-current liabilities		96	141
Net assets		2,097,182	1,960,427
EQUITY			
Equity attributable to owners of the parent			
Share capital	14	87,800	87,800
Reserves		2,009,382	1,872,627
Total equity		2,097,182	1,960,427

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to owners of the parent						
	Share capital 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
At 31 December 2017 and 1 January 2018	87,800	647,771	828	(16,920)	84,708	1,156,240	1,960,427
Profit for the period	—	—	—	—	—	198,329	198,329
Other comprehensive income for the period:							
Exchange differences on translation of foreign operations	—	—	—	11,679	—	—	11,679
Total comprehensive income for the period	—	—	—	11,679	—	198,329	210,008
Final 2017 dividend declared	—	—	—	—	—	(73,253)	(73,253)
At 30 June 2018	<u>87,800</u>	<u>647,771</u>	<u>828</u>	<u>(5,241)</u>	<u>84,708</u>	<u>1,281,316</u>	<u>2,097,182</u>
At 31 December 2016 and 1 January 2017	79	—	828	26,852	65,884	934,293	1,027,936
Profit for the period	—	—	—	—	—	175,977	175,977
Other comprehensive income for the period:							
Exchange differences on translation of foreign operations	—	—	—	2,180	—	—	2,180
Total comprehensive income for the period	—	—	—	2,180	—	175,977	178,157
Capitalization issue of shares	65,352	—	—	—	—	—	65,352
Issuance of shares for initial public offering ("IPO")	21,813	658,779	—	—	—	—	680,592
Share issue expenses	—	(28,780)	—	—	—	—	(28,780)
Transfer of surplus reserve	—	—	—	—	1,298	(1,298)	—
Final 2016 dividend declared	—	—	—	—	—	(100,000)	(100,000)
At 30 June 2017	<u>87,244</u>	<u>629,999</u>	<u>828</u>	<u>29,032</u>	<u>67,182</u>	<u>1,008,972</u>	<u>1,823,257</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Net cash flows from operating activities	182,781	174,232
Purchases of items of property, plant and equipment	(230,190)	(112,412)
Proceeds from disposal of items of property, plant and equipment	7,305	1,273
Additions of prepaid land lease payments	(6,522)	—
(Additions)/deductions to deposit paid for property, plant and equipment	(17,322)	(9,536)
Dividend received from an associate	892	—
Net cash flows used in investing activities	(245,837)	(120,675)
Repayment of bank loan	—	(1,813)
Interest paid	(13)	(166)
Dividends paid	(73,255)	(100,000)
Proceeds from issue of shares for the IPO	—	723,243
Payment of listing expenses	—	(14,813)
Capital element of finance lease rental payments	(844)	—
Net cash flows (used in)/from financing activities	(74,112)	606,451
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(137,168)	660,008
Cash and cash equivalents at beginning of period	812,108	229,648
Effect of foreign exchange rate changes, net	1,551	(3,946)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	676,491	885,710

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

1. Basis of Preparation

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

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2017.

2. Changes in Significant Accounting Policies

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2017, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA for the first time for the current period's condensed consolidated financial statements:

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i>
HKFRS 9	<i>Financial Instruments</i>
HKFRS 15	<i>Revenue from Contracts with Customers</i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i>
Amendments to HKAS 40	<i>Transfers of Investment Property</i>
HK (IFRIC) - Int 22	<i>Foreign Currency Transactions and Advance Consideration</i>

The adoption of these revised HKFRSs has had no significant financial effect on these condensed consolidated financial statements and there have been no significant changes to the accounting policies applied in these condensed consolidated financial statements.

3. Revenue, Other Income and Gains

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

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

	Six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Revenue		
Sale of non-automotive components	4,394	8,081
Sale of automotive decorative components	968,589	878,808
	972,983	886,889

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

3. Revenue, Other Income and Gains (Continued)

	Six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Other income		
Bank interest income	7,459	188
Government subsidies	2,358	3,027
Sale of scraps	5,355	4,096
Sale of raw materials	1,305	1,337
Sale of samples	69	255
Testing fee income	463	488
Compensation from insurance companies	2,363	203
Others	1,152	1,330
	20,524	10,924
Gains		
Fair value gain on derivative financial instruments, net	417	—
Foreign exchange gain, net	7,320	2,022
	28,261	12,946

4. Profit Before Tax

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

	Six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Cost of inventories sold	594,295	514,129
Depreciation	34,046	30,273
Amortisation of land lease payments	524	392
Fair value (gain)/loss on derivative financial instruments, net	(417)	332
Loss on disposal of items of property, plant and equipment, net	151	171
Foreign exchange differences, net	(7,320)	(2,022)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

5. Income Tax Expense

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. For the Group's subsidiary established in the United States of America ("U.S."), income tax is calculated at the rate of 27.0% (six months ended 30 June 2017: 34.0%). For the Group's subsidiary established in the Germany, income tax is calculated at the rate of 28.0% (six months ended 30 June 2017: 28.0%). Tax on profits assessable in Mainland China has been calculated at the applicable Mainland China corporate income tax ("CIT") rate of 25% (six months ended 30 June 2017: 25%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Current – China		
Charge for the year	29,866	48,506
Overprovision in prior years	(14,428)	(9,236)
Current – Hong Kong	14,021	4,580
Current – Germany	4,415	6,156
Current – U.S.	4,636	7,265
Deferred tax	5,142	3,337
Total tax charge for the Period	<u>43,652</u>	<u>60,608</u>

6. 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 six months ended 30 June 2018 and 2017.

	Six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Profit for the period and earnings for the purpose of basic and diluted earnings per share	<u>198,329</u>	<u>175,977</u>
	Number of shares	Number of shares
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculation	<u>1,006,487,000</u>	<u>754,109,589</u>

6. Earnings Per Share Attributable to Ordinary Equity Holders of the Parent (Continued)

	Six months ended 30 June	
	2018 RMB (Unaudited)	2017 RMB (Unaudited)
Earnings per share Basic and diluted	20 cents	23 cents

For the period ended 30 June 2017, the weighted average number of ordinary shares used to calculate the basic earnings per share included 1,000,000 ordinary shares, and 749,000,000 shares in connection with the capitalisation issue, which were deemed to have been issued as of 1 January 2017.

The weighted average number of ordinary shares used to calculate the basic earnings per share for the period ended 30 June 2017 included the weighted average number of 250,000,000 ordinary shares issued in connection with the Company's initial public offering on 28 June 2017 and the aforesaid 750,000,000 ordinary shares.

No adjustment has been made to the basic earnings per share amount for the periods ended 30 June 2018 and 2017 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those periods.

7. Dividends

During the six months ended 30 June 2018, a final dividend of RMB7 cents per share, amounting to approximately RMB73,253,000 in aggregate, for the year ended 31 December 2017 was paid to the shareholders of the Company.

8. Property, Plant and Equipment

During the period, the Group acquired items of property, plant and equipment of RMB230,190,000 (six months ended 30 June 2017: RMB112,412,000). In addition, the Group disposed of certain items of property, plant and equipment with an aggregate carrying amount of RMB7,456,000 (six months ended 30 June 2017: RMB1,444,000) for cash proceeds of RMB7,305,000 (six months ended 30 June 2017: RMB1,273,000), resulting in a loss on disposal of RMB151,000 (six months ended 30 June 2017: RMB171,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

9. Trade and Bills Receivables

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

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Trade and bills receivables:		
Within 1 month	357,505	387,492
1 to 2 months	85,201	98,773
Over 2 months	77,284	51,991
	<u>519,990</u>	<u>538,256</u>

The Group's trading terms with its customers are mainly on credit. The credit period is generally 90 days. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

10. Trade Payables

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

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Trade payables:		
Within 1 month	151,413	144,378
1 to 2 months	25,164	25,423
2 to 3 months	16,607	10,605
Over 3 months	23,268	13,100
	<u>216,452</u>	<u>193,506</u>

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

11. Other Payables and Accruals

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Other payables	39,928	29,337
Accruals	174,735	165,960
Receipts in advance	4,559	7,201
Current portion	<u>219,222</u>	<u>202,498</u>

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

12. Interest-Bearing Bank and Other Borrowings

	30 June 2018			31 December 2017		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Finance lease payables (Note 13)	—	—	<u>—</u>	7	2018	<u>844</u>

Notes:

- (a) Certain of the Group's bank loans were secured by property, plant and equipment situated in China, which had net carrying amounts of approximately RMB 6.6 million at 31 December 2017.
- (b) Borrowings of the Group were denominated in HK\$.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

13. Finance Lease Payables

The Group leased certain of its plant and machinery for its automotive decorative components business. These leases were classified as finance leases and have been fully repaid in 1H 2018.

At 31 December 2017, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments		Present value of minimum lease payments	
	30 June 2018 RMB'000	31 December 2017 RMB'000	30 June 2018 RMB'000	31 December 2017 RMB'000
Amounts payable: Within one year	—	854	—	844

	Minimum lease payments		Present value of minimum lease payments	
	30 June 2018 RMB'000	31 December 2017 RMB'000	30 June 2018 RMB'000	31 December 2017 RMB'000
Total minimum finance lease payments	—	854	—	844
Future finance charges	—	(10)		
Total net finance lease payables	—	844		
Portion classified as current liabilities (note 12)	—	(844)		
Non-current portion	—	—		

14. Share Capital

	Number of shares	Nominal value of ordinary shares in HK\$'000	Nominal value of ordinary shares in RMB'000
Authorised: At 30 June 2018 and 31 December 2017	20,000,000,000	2,000,000	1,737,619
Issued and fully paid: At 30 June 2018 and 31 December 2017		1,006,487,000	87,800

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

15. Commitments

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Contracted but not provided for:		
Plant and equipment	184,627	112,249

16. Related Party Transactions

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

	Notes	Six months ended 30 June	
		2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Purchase of tooling:			
Suzhou City Keen Point Precision Molding Co., Ltd.	(i), (ii)	14,562	15,000
Sales of goods:			
Suzhou City Keen Point Precision Molding Co., Ltd.	(i), (ii)	422	748

Notes:

- (i) The transactions were conducted in accordance with the terms and conditions mutually agreed by both parties.
- (ii) Suzhou City Keen Point Precision Molding Co., Ltd. is an associate of the Group.
- (b) Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Short term employee benefits	11,694	8,804
Post-employment benefits	—	—
Total compensation paid to key management personnel	11,694	8,804

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

17. Financial Instruments by Category

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

As at 30 June 2018

Financial assets

	Loans and receivables RMB'000 (Unaudited)	Financial assets At fair value through profit or loss RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Trade and bills receivables	519,990	—	519,990
Financial assets included in prepayments, deposits and other receivables	135,696	—	135,696
Derivative financial instruments	—	4,736	4,736
Cash and cash equivalents	676,491	—	676,491
	<u>1,332,177</u>	<u>4,736</u>	<u>1,336,913</u>

Financial liabilities

	Financial liabilities at amortised cost RMB'000 (Unaudited)
Trade payables	216,452
Financial liabilities included in other payables and accruals	83,978
Interest-bearing bank and other borrowings	—
	<u>300,430</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

17. Financial Instruments by Category (Continued)

As at 31 December 2017

Financial assets

	Loans and receivables RMB'000 (Audited)	Financial assets at fair value through profit or loss RMB'000 (Audited)	Total RMB'000 (Audited)
Trade and bills receivables	538,256	—	538,256
Financial assets included in prepayments, deposits and other receivables	70,183	—	70,183
Derivative financial instruments	—	3,750	3,750
Cash and cash equivalents	812,108	—	812,108
	<u>1,420,547</u>	<u>3,750</u>	<u>1,424,297</u>

Financial liabilities

	Financial liabilities at amortised cost RMB'000 (Audited)
Trade payables	193,506
Financial liabilities included in other payables and accruals	78,936
Interest-bearing bank and other borrowings	844
	<u>273,286</u>

18. Fair Value and Fair Value Hierarchy of Financial Instruments

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

	Carrying amounts	
	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Financial liability		
Interest-bearing bank and other borrowings	—	844

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

18. Fair Value and Fair Value Hierarchy of Financial Instruments (Continued)

	Fair values	
	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Financial liability		
Interest-bearing bank and other borrowings	—	854

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

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

The fair values of the derivative financial instruments are based on quoted market prices.

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

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

Fair value hierarchy

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

Assets measured at fair value

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Derivative financial instruments		
– Fair value measurement using quoted prices in active markets (Level 1)	4,736	3,750

The Group did not have any financial liabilities measured at fair value as at 31 December 2017 and 30 June 2018.

During the six months ended 30 June 2018, 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

19. Events After the Reporting Period

The Company offered to grant an aggregate of 22,946,000 share options to eligible directors and employees on 14 August 2018 (details please refer to the section "Share Options" on page 10 above). Save as disclosed in this section, there were no material events undertaken by the Company or by the Group after 30 June 2018.

20. Approval of the Condensed Consolidated Financial Statements

The condensed consolidated financial statements were approved and authorised for issue by the board of directors on 6 August 2018.

Directors' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As at 30 June 2018, the Directors and/or any of their respective associates had the following interests and short positions in the Shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

Long positions in the Shares and underlying shares of the Company and associated corporation:

Name of directors	Capacity and nature of interest	Total number	Approximate percentage of the total issued share capital of the Company (%)
Mr. Ma Xiaoming ("Mr. Ma") (Note 1)	Interest of controlled corporation	718,596,750	71.40

Name of associated corporation	Capacity and nature of interest	Total number	Approximate percentage of the total issued share capital of the associated corporation (%)
Green Pinnacle Holdings Limited ("Green Pinnacle") (Note 1)	Interest of controlled corporation	1,000	100

Notes:

- 718,596,750 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 718,596,750 Shares and the shares in Green Pinnacle held by Mealth PTC in his capacity of settlor of the Mealth Discretionary Trust.

Save as disclosed above, as at 30 June 2018, none of the Directors and/or any of their respective associates had any interest and short position in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or to the Model Code of the Listing Rules.

Directors' Rights to Acquire Shares or Debentures

At no time during the period ended 30 June 2018 was the Company, or any of its subsidiaries or associated corporations, a party to any arrangement to enable the Directors and chief executives of the Company (including their respective spouse and children under 18 years of age) to acquire benefits by means of the acquisition of the Shares or underlying shares in, or debentures of, the Company or any of its associated corporations.

Substantial Shareholders' Interests in the Shares and Underlying Shares of the Company

As at 30 June 2018, the substantial shareholders (not being the Directors of the Company) had the following interests in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

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

Name of shareholders	Capacity and nature of Interest	Total number	Approximate percentage of the total issued share capital of the Company (%)
Green Pinnacle (Note 1)	Beneficial owner	718,596,750	71.40
Mealth PTC (Note 1)	Interest in a controlled corporation and trustee	718,596,750	71.40
Zhu Junhua (Note 2)	Interest of spouse	718,596,750	71.40
Bull Capital China Growth Fund II, L.P. (Note 3)	Interest in a controlled corporation	63,500,000	6.31
Bull Capital GP II Limited (Note 3)	Interest in a controlled corporation	63,500,000	6.31
Bull Capital Partners Ltd. (Note 3)	Interest in a controlled corporation	63,500,000	6.31
Greater Talent Investments Limited ("Greater Talent") (Note 3)	Beneficial owner	63,500,000	6.31
Peace World Investments Limited (Note 3)	Interest in a controlled corporation	63,500,000	6.31
Wong Kun Kau (Note 3)	Interest in a controlled corporation	63,500,000	6.31

Notes:

1. 718,596,750 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 718,596,750 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 718,596,750 Shares by virtue of the SFO.
3. Greater Talent is wholly owned by Bull Capital China Growth Fund II, L.P. ("**Bull Capital LP**"). The general partners of Bull Capital LP are Bull Capital Partners Ltd. ("**Bull Capital Partners**") Bull Capital GP II Limited ("**Bull Capital GP**"). Bull Capital Partners and Bull Capital GP are held as to 43.99% and 47% 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, Bull Capital Partners, Bull GP, Peace World and Mr. Wong are deemed to be interested in the Shares held by Greater Talent.

Save as disclosed above, the Directors are not aware that there was any party (not being the Directors of the Company) who, as at 30 June 2018, had an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

Employees and Remuneration Policies

As at 30 June 2018, the Group had 5,416 employees (31 December 2017: 4,638 employees), among which 5,379, 3, 19, 15 staff members employed in China, Hong Kong, the United States and Germany, respectively. The remuneration and staff cost for 1H 2018 were approximately RMB261.2 million (1H 2017: RMB209.7 million).

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

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

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

Purchase, Sale or Redemption of Listed Securities

The Company and any of its subsidiaries did not purchase, sell or redeem any of its listed securities for 1H 2018.

Compliance with the Corporate Governance Code

The Board and the Company's management are committed to maintaining high standards of corporate governance. The Board firmly believes that conducting the Group's business in a transparent and responsible manner and following good corporate governance practices serve the Group's long-term interests and those of the Shareholders. The Board considers the Company had complied with all the code provisions of the Corporate Governance Code (the "**CG Code**") as contained in Appendix 14 to the Listing Rules for 1H 2018.

Compliance with the Model Code

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. In response to a specific enquiry made by the Company, all Directors confirmed that they had complied with the Model Code for 1H 2018.

Change of Particulars of the Directors

As at the latest practicable date for the purpose of ascertaining certain information contained in this report, none of the Director nor their respective biographical information had been changed since the published date of the 2017 annual report of the Company, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Audit Committee Review

The Company has established an audit committee of the Board (the "**Audit Committee**") with written terms of reference in compliance with the CG Code. The Audit Committee comprises all the three independent non-executive Directors, namely Mr. Tang Chi Wai (committee chairman), Mr. Gan Weimin and Prof. Cao Lixin. The Audit Committee has reviewed the Group's unaudited condensed consolidated interim financial information for 1H 2018. Based on this review and discussions with the management, the Audit Committee was satisfied that the financial information was prepared in accordance with applicable accounting standards and fairly presented the Group's financial position and results for 1H 2018.