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Xin Point Holdings Limited

信邦控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1571)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue	817,256	1,022,469
Profit attributable to owners of the parent	62,649	51,467
Basic and diluted earnings	RMB6.2 cents per share	RMB5.1 cents per share
Interim dividend	RMB3.40 cents per share	RMB3.08 cents per share
	As at 30 June 2020	As at 31 December 2019
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Property, plant and equipment	1,171,742	1,207,085
Cash and cash equivalents	517,434	462,814
Working capital (Current assets less current liabilities)	984,764	913,207

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Xin Point Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2020 (the “**Period**” or “**1H 2020**”) together with selected explanatory notes and the relevant comparative figures.

In this announcement, “we”, “us”, “our” refer to the Company and where the context otherwise requires, the Group.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June	
	Notes	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
REVENUE	3	817,256	1,022,469
Cost of sales		(574,644)	(763,892)
Gross profit		242,612	258,577
Other income and gains		9,887	16,904
Selling and distribution expenses		(28,868)	(31,577)
Administrative expenses		(158,186)	(180,052)
Finance costs		(2,119)	(2,021)
Share of profit of an associate		760	679
Share of loss of a joint venture		(5)	—
PROFIT BEFORE TAX	4	64,081	62,510
Income tax expense	5	(1,916)	(11,046)
PROFIT FOR THE PERIOD		62,165	51,464
Attributable to:			
Owners of the parent		62,649	51,467
Non-controlling interests		(484)	(3)
		62,165	51,464
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		(28,471)	(3,852)
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		(23,730)	—
OTHER COMPREHENSIVE LOSS FOR THE PERIOD		(52,201)	(3,852)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		9,964	47,612
Attributable to:			
Owners of the parent		10,448	47,527
Non-controlling interests		(484)	85
		9,964	47,612
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	7	RMB6.2 cents	RMB5.1 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2020 <i>RMB'000</i> <i>(Unaudited)</i>	As at 31 December 2019 <i>RMB'000</i> <i>(Audited)</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		1,171,742	1,207,085
Right-of-use assets		150,485	144,719
Goodwill		9,441	9,441
Intangible asset		1,676	2,011
Investment in an associate		3,165	3,005
Investment in a joint venture		4,387	—
Financial asset at fair value through other comprehensive income		19,636	—
Prepayments		103,054	150,180
Deferred tax assets		1,311	2,324
Total non-current assets		<u>1,464,897</u>	<u>1,518,765</u>
CURRENT ASSETS			
Inventories		457,546	443,252
Trade and bills receivables	8	442,454	603,897
Prepayments, deposits and other receivables		138,741	153,406
Derivative financial instruments		3,912	4,215
Cash and cash equivalents		517,434	462,814
Total current assets		<u>1,560,087</u>	<u>1,667,584</u>
CURRENT LIABILITIES			
Trade payables	9	213,176	266,772
Other payables and accruals		199,139	241,856
Interest-bearing bank and other borrowings		1,527	1,489
Lease liabilities		32,154	30,286
Tax payable		129,327	213,974
Total current liabilities		<u>575,323</u>	<u>754,377</u>
NET CURRENT ASSETS		<u>984,764</u>	<u>913,207</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,449,661</u>	<u>2,431,972</u>

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
<i>Notes</i>		
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	921	1,662
Deferred tax liabilities	765	903
Lease liabilities	76,275	71,026
Total non-current liabilities	77,961	73,591
Net assets	2,371,700	2,358,381
EQUITY		
Equity attributable to owners of the parent		
Issued capital	87,485	87,485
Reserves	2,284,596	2,270,585
	2,372,081	2,358,070
Non-controlling interests	(381)	311
Total equity	2,371,700	2,358,381

NOTES TO INTERIM FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Dox 2681, Grand Cayman, KY1-111, Cayman Islands.

During the period, the Group was involved in the manufacture and sale of automotive and electronic components.

2.1 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 2019.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the current period’s financial information.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

- (a) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.
- (c) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

3. REVENUE

An analysis of revenue is as follows:

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<i>Revenue from contracts with customers</i>		
Sale of automotive decorative components	817,256	1,019,457
Sale of non-automotive components	—	3,012
	<u>817,256</u>	<u>1,022,469</u>

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2020

<u>Segments</u>	Non- automotive components <i>RMB'000</i> <i>(Unaudited)</i>	Automotive components <i>RMB'000</i> <i>(Unaudited)</i>	Total <i>RMB'000</i> <i>(Unaudited)</i>
Type of goods			
Sale of goods	—	817,256	817,256
Total revenue from contracts with customers	<u>—</u>	<u>817,256</u>	<u>817,256</u>
Geographical markets			
China	—	345,626	345,626
North America	—	262,921	262,921
Europe	—	174,087	174,087
Other countries	—	34,622	34,622
Total revenue from contracts with customers	<u>—</u>	<u>817,256</u>	<u>817,256</u>
Timing of revenue recognition			
Goods transferred at a point in time	—	817,256	817,256
Total revenue from contracts with customers	<u>—</u>	<u>817,256</u>	<u>817,256</u>
Revenue from contracts with customers			
External customers	—	817,256	817,256
Total revenue from contracts with customers	<u>—</u>	<u>817,256</u>	<u>817,256</u>

3. REVENUE (continued)

For the six months ended 30 June 2019

<u>Segments</u>	Non- automotive components <i>RMB'000</i> <i>(Unaudited)</i>	Automotive components <i>RMB'000</i> <i>(Unaudited)</i>	Total <i>RMB'000</i> <i>(Unaudited)</i>
Type of goods			
Sale of goods	3,012	1,019,457	1,022,469
Total revenue from contracts with customers	<u>3,012</u>	<u>1,019,457</u>	<u>1,022,469</u>
Geographical markets			
China	3,012	415,002	418,014
North America	—	332,116	332,116
Europe	—	232,145	232,145
Other countries	—	40,194	40,194
Total revenue from contracts with customers	<u>3,012</u>	<u>1,019,457</u>	<u>1,022,469</u>
Timing of revenue recognition			
Goods transferred at a point in time	3,012	1,019,457	1,022,469
Total revenue from contracts with customers	<u>3,012</u>	<u>1,019,457</u>	<u>1,022,469</u>
Revenue from contracts with customers			
External customers	3,012	1,019,457	1,022,469
Total revenue from contracts with customers	<u>3,012</u>	<u>1,019,457</u>	<u>1,022,469</u>

4. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	574,644	763,892
Depreciation of property, plant and equipment	67,054	60,635
Depreciation of right-of-use assets	27,230	24,438
Amortisation of other intangible asset*	335	335
Reversal of impairment of trade and bills receivables	(417)	—
Fair value loss/(gain) on derivative financial instruments, net*	303	(458)
Loss on disposal of items of property, plant and equipment, net*	493	—
Foreign exchange differences, net*	13,402	8,155
Equity-settled share option expense	3,649	3,470

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

5. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (six months ended 30 June 2019: Nil) of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. For the Group's subsidiary established in the United States of America ("U.S."), income tax is calculated at the rate of 31.0% (six months ended 30 June 2019: 31.0%). For the Group's subsidiary established in Germany, income tax is calculated at the rate of 31.7% (six months ended 30 June 2019: 31.7%). Tax on profits assessable in China has been calculated at the applicable China corporate income tax rate of 25% (six months ended 30 June 2019: 25%) during the period, except for two subsidiaries of the Group which are qualified as a High and New Technology Enterprise in Mainland China and a lower PRC corporate income tax rate of 15% (six months ended 30 June 2019: 15%) has been applied for the period.

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current – China		
Charge for the period	6,140	11,290
Overprovision in prior periods	(22,052)	(17,862)
Current – Hong Kong	11,414	14,417
Current – Germany	4,908	2,380
Current – US	631	2,361
Deferred tax	875	(1,540)
Total tax charge for the period	<u>1,916</u>	<u>11,046</u>

6. INTERIM DIVIDEND

The Board has resolved that an interim dividend of RMB0.0340 (six months ended 30 June 2019: RMB0.0308) per share amounting to approximately RMB34.1 million in aggregate, for six months ended 30 June 2020 shall be paid to the shareholders of the Company whose names appeared on the register of members on 8 October 2020.

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

Basic earnings per share are calculated by dividing the profit attributable to the ordinary equity holders of the parent by the weighted average number of shares in issue during the six months ended 30 June 2020 and 2019.

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Profit for the period and earnings for the purpose of basic and diluted earnings per share	<u>62,649</u>	<u>51,467</u>
	Number of	Number of
	shares	shares
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculation	<u>1,002,905,000</u>	<u>1,002,905,000</u>
	Six months ended 30 June	
	2020	2019
	<i>RMB</i>	<i>RMB</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Earnings per share		
Basic and diluted	<u>6.2 cents</u>	<u>5.1 cents</u>

No adjustment has been made to the basic earnings per share amounts presented for the periods ended 30 June 2020 and 2019 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

8. TRADE AND BILLS RECEIVABLES

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

	30 June	31 December
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Within 1 month	247,777	344,949
1 to 2 months	94,370	125,146
2 to 3 months	51,069	75,798
Over 3 months	49,238	58,004
	442,454	603,897

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

9. TRADE PAYABLES

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

	30 June	31 December
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Within 1 month	148,005	189,755
1 to 2 months	29,752	35,915
2 to 3 months	6,889	16,469
Over 3 months	28,530	24,633
	213,176	266,772

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

10. EVENTS AFTER THE REPORTING PERIOD

There are no material subsequent events undertaken by the Company or by the Group after 30 June 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

The world awoke to the devastating challenge it faced in 2020 as the World Health Organisation declared COVID-19 a global pandemic on 11 March 2020. Lockdowns came into effect in waves around the world over 1H 2020 and governments across all major economies mandated the shutdown of all businesses except those deemed essential and sent their people home. This set off a recurring cycle of demand-and-supply shocks throughout the global economy as consumption and production have abruptly halted.

With the restrictions on the movement of people and the sudden stoppage of economic activity, the automotive industry is facing a sharp fall in demand and investment. It is estimated that factory closures in Europe and North America have caused some 2.5 million passenger vehicles to be removed from production schedules, representing a huge loss of revenue for automotive and parts manufacturing companies. However, China is showing encouraging signs of a possible recovery. Based on recent numbers released by the China Association of Automobile Manufacturers, sales in China showed an encouraging recovery trend in April, May and July, the easing in the coronavirus pandemic allowing buyers to gradually return to showrooms. Sales of passenger cars increased 9 percent in July 2020 from July 2019 to 1.7 million units; however, from January to July 2020, vehicle sales still declined by 18 percent and there was a drop recorded in June, hinting that thus may still be a bumpy ride ahead.

Business Review

COVID-19 continues to have a profound impact on the global passenger vehicle (“PV”) industry and the market estimated that the global PV demand will decline over 20% this year. Even as China was showing encouraging signs of a possible V-shaped recovery, domestic sales in June dropped. Despite showing some encouraging numbers in May 2020, the sales in US dropped by 26% for June 2020 on a year-over-year basis. Sales in Europe and the United Kingdom remained sluggish, with sales volumes expected to decrease period-on-period by over 25%.

The COVID-19 outbreak had a huge impact on the Group's business for 1H 2020. The total sales unit declined by 44.1 million units from approximately 183.2 million units for the six months ended 30 June 2019 (“**1H 2019**”) to 139.1 million units in 1H 2020, representing a decrease of approximately 24.1%, while total revenue of the Group's shrank to approximately RMB817.3 million, representing an decrease of approximately 20.1% when compared with the corresponding period of last year (1H 2019: approximately RMB1,022.5 million). In 1H 2020, the Group faced difficult times and experienced declining revenue in all regions, as the automobile industry has been struggling with a widespread stoppage of economic activity and temporary closure of factories.

Due to the outbreak of COVID-19, the Group has been stepping up to the challenges posed and is constantly striving to improve our operational efficiencies. Xin Point implemented certain initiatives to minimise those impacts from the pandemic in 1H 2020. As a result, the Group recorded only a 6.2% decrease of its gross profit while the gross profit margin increased to 29.7% for 1H 2020 as compared to 25.3% in 1H 2019.

Electro-plating production capacity and utilization rate

During 1H 2020, no new production line came into operation and our annualized electro-plating production capacity as of 30 June 2020 remained the same at approximately 4.19 million sq.m.

As there were large scale manufacturing interruptions across China and Europe, and the closure of assembly plants in the United States, demands of our products declined during 1H 2020. As a result, the Group recorded a significant decrease of the utilization rate of our electro-plating production capacity. Our capacity utilization rate for 1H 2020 further dropped to approximately 50.5% as compared with the rate of 66.3% for 1H 2019.

Production yield

The Group's product yield rate was approximately 88.9% for 1H 2020, recording no material change when compared with the average product yield rate of approximately 88.6% for the financial year ended 2019.

Order book

Our order book remains healthy and we have secured orders on hand to drive our expansion in the next few years. Continual efforts to penetrate into the global market and global models will remain our primary business objective. The Group had total backlog orders of approximately RMB9.4 billion as at 30 June 2020.

Outlook

COVID-19 continues to have significant impacts on the global PV industry. As the world moves into the second half of 2020, we note that there are certain signs of recovery, as well as further uncertainties ahead. It is reported that the number of COVID-19 infections are still rising in several countries of Asia and South America, and, most alarmingly, in the US.

Both China and the US market showed some encouraging numbers and a sign of a possible recovery in May and July 2020. Our level of orders from the US market has resumed to pre-pandemic levels.

Even though there are encouraging signs of a possible recovery, the vehicle sales are expected to underperform as compared to last year's sales volumes. With the risks of further spread of COVID-19 and lockdowns measures in place over the rest of the year, together with the worsening relationship between the world's two largest economies, all of which may impact the recovery of customers' confidence and the tariff war between the US and China, Xin Point continues to remain cautious in prospects for meaningful global recovery in the automobile industry.

On the other hand, some suggest that the electric vehicles market is likely to fare better in 2020 than the rest of the auto industry. In China, although the decline in sales was largest in February, electric car sales rebounded strongly in April; in the US, electric car sales in April more than halved from a year earlier; electric car sales in European countries bucked the trend of the overall car market for a variety of reasons: 2020 is the target year of the European Union's CO₂ emissions standards, which aim at limiting average CO₂ emissions from vehicles, Germany increased electric car purchase subsidies in February, and the impacts of the policies introduced in Italy in 2019 to encourage electric cars began to affect the market. During 1H 2020, Xin Point has received approximately RMB588.9 million of new orders for a globally renowned electric vehicle brand for the next five years.

Xin Point has also engaged in the internet of vehicle business in 1H 2020. Due to the COVID-19 pandemic, the formation of a joint venture company with Wanka Online Inc. ("**Wanka**", HKEx: 1762) was delayed, and the new joint venture company has commenced its new operations in Shenzhen in June 2020. Since its commencement of operations, this new joint venture company has been communicating with some local OEM manufacturers to have a better understanding on their expectations on the internet of vehicles concepts. At the same time, it has also started the compilation and debugging works and other research and development ("**R&D**") works on its first QCAR Solution Platform by using Android simulators. The Group expects its operations are still in early development stage and we do not expect there will be significant contributions from this new joint venture company in short term, but Xin Point believes that the internet of vehicle business will have great market potential and it will take some time for the new joint venture company to develop its business.

Revenue

Our revenue decreased by approximately RMB205.2 million in 1H 2019 or approximately 20.1% to approximately RMB817.3 million in 1H 2020 due to outbreak of the COVID-19, mirroring the timing and stringency of the lockdowns across many countries. Market demand in major automobile markets experienced heaviest declines, the overall units of automotive decorative components sold in 1H 2020 having decreased by approximately 44.1 million units or approximately 24.1% as compared with the same period in 2019. The Group recorded negative growth in revenue in all regions: revenue from European market plummeted by 25.0%; US market shrunk by 20.8%; and the China market dropped by 17.3% as compared with 1H 2019. However, the Group's overall average selling price per unit still recorded an increase by approximately RMB0.29 per unit or approximately 5.2% to RMB5.87 per unit in 1H 2020 as compared to 1H 2019.

The coronavirus outbreak has heavily impacted the manufacturing industry: the pandemic continues to take its toll on the global auto industry as plants remain shut and consumers stay sheltered at home. OEMs and parts suppliers have yet to return to full production capacity, which dampened vehicle sales in the first half of 2020 in China, US and European markets with unfulfilled order deliveries due to production slowdowns. Xin Point's sales for 1H 2020 was heavily affected and the Group recorded an overall drop of 20.1% in its revenue as compared to 1H 2019.

Revenue by geographic segment:

	For the six months ended 30 June			
	2020		2019	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
China	345,626	42%	418,014	41%
North America	262,921	32%	332,116	32%
Europe	174,087	22%	232,145	23%
Others	34,622	4%	40,194	4%
	<u>817,256</u>	<u>100%</u>	<u>1,022,469</u>	<u>100%</u>

Cost of sales

	Six months ended 30 June 2020		Six months ended 30 June 2019	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Direct materials	151,890	26.4%	186,862	24.5%
Staff costs	151,409	26.3%	234,869	30.7%
Overheads	271,345	47.3%	342,161	44.8%
– Depreciation	76,334	13.3%	72,874	9.6%
– Processing fees	30,928	5.4%	42,724	5.6%
– Consumables	37,717	6.6%	56,046	7.3%
– Mold cost	56,291	9.8%	59,390	7.8%
– Utilities	43,800	7.6%	59,051	7.7%
– Shipping and delivery	13,723	2.4%	19,398	2.5%
– Repairs and maintenance	9,070	1.6%	13,729	1.8%
– Others	3,482	0.6%	18,949	2.5%
	<u>574,644</u>	<u>100.0%</u>	<u>763,892</u>	<u>100.0%</u>

Due to the lockdowns coming into effect in waves around the world in 1H 2020 lowering production levels, cost of sales decreased by approximately RMB189.2 million in 1H 2019 or approximately 24.8% to approximately RMB574.6 million for 1H 2020. Therefore, the Group recorded a higher decrease in cost when compared to the decrease of our revenue. Such decrease in cost was mainly due to (i) our factories implementing flexible production schedules in order to cope with the lowered product demands due to the shutdowns of the Group's customers caused by the COVID-19 global pandemic, hence, there was a decrease of approximately 20.7% in the factory overheads for 1H 2020 as compared with the same period in 2019; (ii) a significant decrease of 35.5% in staff costs partially due to the decrease in our headcount for 1H 2020 as compared to headcount in 2019, and the flexible production schedules implemented by our factories as well as overwhelming supports from our staff for a temporary and voluntary salary reduction scheme, where our senior management and mid-level staff agreed to a 30% and 20% reductions of their salaries for the second quarter of 2020, respectively. With this temporary and voluntary salary reduction, Xin Point was able to control the staff cost during the midst of current situation. In addition, reduced payments of social insurance contribution policies introduced by local authorities during the pandemic also helped reduce the staff costs in 1H 2020; and (iii) our Wuxi production base's operations were affected by the disruptions and suspensions of the water treatment services in 1H 2019 and hence higher production costs were recorded in 1H 2019.

Gross Profit

Even through our revenue decreased by 20.1% during 1H 2020, the Group only recorded a decrease in gross profit of 6.2% to approximately RMB242.6 million for 1H 2020 (approximately RMB258.6 million for 1H 2019).

On the other hand, the gross profit margin improved by 4.4 percentage points to 29.7% for 1H 2020 as compared to 25.3% for 1H 2019, due to the combined effects of the followings:

1. the decline in sales revenue was proportionally less than the decrease in cost of sales for 1H 2020 as a result of the efforts implemented by the management to reduce our production overheads for 1H 2020 as the result of the decrease in our customers' demands;
2. significant decrease in the staff cost as the result of a temporary and voluntary salary reduction program implemented as discussed above during the second quarter of 2020; and
3. our Wuxi production bases operations returned to normal in 1H 2020 while its operations were still affected by disruptions and suspensions of the water treatment services in 1H 2019.

Other income and gains

Other income and gains mainly represented bank interest income, income from sale of scraps, and testing fee income. Our other income and gains decreased from RMB16.9 million in 1H 2019 to RMB9.9 million in 1H 2020 as a result of lower bank interest incomes received due to ongoing utilization of fund and the distributions of dividends to shareholders.

Sales and distribution expenses

Sales and distribution expenses also decreased by approximately RMB2.7 million or approximately 8.5% to approximately RMB28.9 million in 1H 2020 from approximately RMB31.6 million in 1H 2019. The decrease was mainly due to the decrease in the amount of meetings and traveling during the ongoing COVID-19 pandemic and the continued border closures and quarantines affecting local and international travels.

Administrative expenses

The table below summarizes the components of our administrative expenses:

	Six-months ended 30 June 2020		Six-months ended 30 June 2019	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Staff costs	64,476	40.8%	80,972	45.0%
Research and development expenses	30,337	19.2%	42,757	23.7%
Travel and transportation expenses	1,652	1.0%	3,952	2.2%
Office supplies	5,686	3.6%	5,486	3.0%
Legal and professional fees	8,834	5.6%	9,943	5.5%
Depreciation and amortisation	12,785	8.1%	8,782	4.9%
Exchange losses	13,402	8.5%	8,151	4.5%
Rental expenses	1,999	1.3%	2,209	1.2%
Stamp duties and local government surcharges	1,583	1.0%	1,536	0.9%
Equity-settled share option expense	3,649	2.3%	3,478	1.9%
Insurance	1,004	0.6%	851	0.5%
Business development expenses	341	0.2%	819	0.5%
Loss on disposal of property, plant and equipment	493	0.3%	—	—
Others	11,945	7.5%	11,116	6.2%
	<u>158,186</u>	<u>100.0%</u>	<u>180,052</u>	<u>100.0%</u>

Administrative expenses decreased by approximately RMB21.9 million or approximately 12.1% to approximately RMB158.2 million for 1H 2020 from approximately RMB180.1 million for 1H 2019. The decrease was primarily due to: (i) the decrease in staff costs of approximately RMB16.5 million, primarily due to the temporary and voluntary salary reduction program implemented during the second quarter of 2020; (ii) the decrease in R&D expenses of approximately RMB12.4 million as some of R&D projects were delayed and tightened cost controls due to the coronavirus outbreak, and customer demands; (iii) decrease in travel and transportation expenses of 58.2% and lower business development expenses as a result of fewer client visits during the lockdown periods; and (iv) the exchange loss of RMB13.4 million incurred by our Mexico subsidiary as there was a devaluation of Mexican peso against RMB.

Profit attributable to owners of the Company

Profit attributable to owners of the Company for the period increased by approximately 21.7% from approximately RMB51.5 million in 1H 2019 to approximately RMB62.6 million in 1H 2020. This was attributable to the effects of the followings:

- i. the Group recorded an overall decrease of approximately 20.1% in our revenue for 1H 2020 as the demands of major car markets declined due to the COVID-19 crisis; we experienced negative growth in our revenue from the sales of automotive decorative components in all regions;
- ii. while there was an improvement of the Group's gross profit margin as compared with the same period in 2019; the gross profit still decreased from approximately RMB258.6 million in 1H 2019 to approximately RMB242.6 million or approximately 6.2% decrease in 1H 2020;
- iii. the Group recorded a decrease in the sales and distribution expenses during 1H 2020 as discussed above;

- iv. there was a decrease in other income and gains as less bank interests and an exchange loss of RMB13.4 million was recorded in 1H 2020;
- v. a 12.1% reduction of administrative expenses was recorded in 1H 2020 as discussed above; and
- vi. the overall effective tax rate for 1H 2020 was lower as a result of the reduction of profits of some of our operating subsidiaries.

Basic earnings per share attributable to owners of the Company for 1H 2020 was approximately RMB6.2 cents (1H 2019: approximately RMB5.1 cents).

Total Comprehensive Expenses

Total comprehensive income for the Period was RMB10.0 million (1H 2019: RMB 47.6 million), which comprised (a) profit for the Period of RMB62.2 million (1H 2019: RMB51.5 million); and (b) other comprehensive loss for the Period of RMB52.2 million (1H 2019: RMB3.9 million) which mainly included unrealised loss on fair value changes of listed equity investment at fair value through other comprehensive income (“**FVTOCI**”) of approximately RMB23.7 million (1H 2019: nil), details are disclosed in the sub-paragraph headed Significant Investments Held — (b) Implication on Other Comprehensive Expenses for the Period” below.

LIQUIDITY AND FINANCIAL RESOURCES

For the Period, the Group’s net cash inflow from operating activities amounted to approximately RMB161.4 million, as compared to approximately RMB224.9 million in 1H 2019.

The bank borrowings of RMB2.4 million as at 30 June 2020 relates to the working capital loans in relation to the German tool company acquired in July 2018 and were consolidated into the Group’s financial statements (31 December 2019: RMB3.2 million).

As at 30 June 2020, the gearing ratio, being total bank borrowings divided by total equity was 0.10% (31 December 2019: 0.13%).

The annual interest rate of bank and other borrowings during 1H 2020 was 1.2% (1H 2019: 1.2%).

INTERIM DIVIDEND

The Board resolved to pay an interim dividend of RMB0.0340 per share for 1H 2020 (1H 2019: RMB0.0308 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. 26 August 2020) (HK\$1 = RMB0.8913). Accordingly, the amount of interim dividend payable in Hong Kong dollars will be HK\$0.0381 per share.

The interim dividend will be distributed on or around 31 October 2020 to shareholders of the Company (the “**Shareholders**”) whose names appear on the register of members of the Company as at the close of business on 8 October 2020.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 5 October 2020 to 8 October 2020, 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 31 October 2020, all transfers of the Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share register in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on 30 September 2020.

SHARE OPTIONS SCHEME

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

Details of the movement in the share options granted under the 2017 Share Option Schemes of the Company during 1H 2020 are set out below:

Category of participants	Options held at 1 January 2020	Options granted during the reporting period	Options exercised during the reporting period	Options lapsed during the reporting period	Options held at 30 June 2020
Directors					
Mr. Ma Xiaoming	128,000	—	—	—	128,000
Mr. Meng Jun	102,000	—	—	—	102,000
Mr. Zhang Yumin	107,000	—	—	—	107,000
Mr. Liu Jun	107,000	—	—	—	107,000
Mr. He Xiaolu	96,000	—	—	—	96,000
Mr. Jiang Wei	38,000	—	—	—	38,000
Others	19,228,000	—	—	(558,000)	18,670,000
	<u>19,806,000</u>	<u>—</u>	<u>—</u>	<u>(558,000)</u>	<u>19,248,000</u>

Note: During 1H 2020, no share option was vested. As at 30 June 2020, there was a total of 19,248,000 share options, of which none of the share option was vested.

CAPITAL STRUCTURE

As at 30 June 2020, the Company's issued share capital was approximately RMB87.5 million, equivalent to HK\$100.3 million and divided into 1,002,905,000 Shares of HK\$0.1 each (31 December 2019: RMB87.5 million).

SIGNIFICANT INVESTMENTS HELD

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

(a) Implication on Profit or Loss for the Period

Dividend income (if any), other investment income and relevant finance costs of holding listed equity investments at FVTOCI were recognised in profit or loss for the Period. During the Period, no dividend income was recorded from holding of 25,789,000 shares of Wanka. Hence no income or expense from the Financial Assets at FVTOCI recorded (1H 2019: Nil)

(b) Implication on Other Comprehensive Expenses for the Period

During the Period, the share price of Wanka had dropped to HK\$0.84 as at 30 June 2020 (being the last trading day for the Period), hence an unrealised loss on fair value changes of the Financial Assets at FVTOCI of approximately RMB 23.7 million (1H 2019: Nil) was recognised as other comprehensive expenses. Unrealised fair value change is a non-cash item and will not affect the cash flow of the Group.

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

			Recorded in unaudited condensed consolidated statement of financial position		Recorded in unaudited condensed consolidated statement of comprehensive income	
			Financial assets measured at fair value through other comprehensive income <i>HK\$</i> <i>RMB'000</i>	Financial assets measured at fair value through other comprehensive income reserve <i>RMB'000</i>	Profit for the Period <i>RMB'000</i>	Other comprehensive expenses for the Period <i>RMB'000</i>
As at 1 January 2020	—					
Allotment on 20 January 2020	25,789,000	1.90	43,366	—	—	—
Unrealised fair value changes	—		(23,730)	(23,730)	—	(23,730)
As at 30 June 2020	<u>25,789,000</u>	0.84	<u>19,636</u>	<u>(23,730)</u>	<u>—</u>	<u>(23,730)</u>
Percentage to total assets						
As at 30 June 2020			<u>0.6%</u>			
As at 31 December 2019			<u>—</u>			

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

During the Period, the principal capital expenditures of the Group were attributable to the additions of equipment at its existing production facilities. As part of the Group's future strategies, the Group's planned capital expenditures for its business operations will be primarily related to the construction and commencement of operations of its new production facilities. The Group anticipates that its capital expenditures will be financed by cash generated from its operations and the 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 are no 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 2020, the net proceeds were applied as follows:

Purpose	Percentage of total amount	Net proceeds from the Company's IPO	Amount Utilized	Amount un-utilized	Expected timeline of full utilization of the remaining proceeds as at 30 June 2020
		<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	
Expanding and improving the production facilities in the PRC:					
i) Set up the Huizhou New Production Base	20.9%	155.0	155.0	—	—
ii) Construct the Wuxi New Production Base	10.3%	76.4	57.2	19.2	by end of 2020
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	40.2%	298.1	277.6	20.5	by end of 2021
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	1.3	38.7	by end of 2021
Enhancing the product quality, product safety and R&D capabilities	5.7%	42.3	32.4	9.9	by end of 2020
Enhancing the information technology and customer services systems	4.8%	35.6	2.6	33.0	by end of 2021
Working capital and general corporate purposes	8.0%	59.2	59.2	—	—
Total	100.0%	741.5	620.2	121.3	

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

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

PLEDGE OF ASSETS

One of the Group's subsidiary in Germany pledged its machinery with a net book value of approximately RMB4.2 million to secure general banking facilities (31 December 2019: RMB 4.6 million).

FOREIGN EXCHANGE EXPOSURE

Certain assets of the Group are denominated in foreign currencies such as United States dollars, Euros and Hong Kong dollars. The Group has not implemented any foreign currency hedging policy at the moment. However, continuous monitoring on the foreign exchange exposure is 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 2020 and 31 December 2019 was approximately RMB102.9 million and approximately RMB64.7 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 2020 and 31 December 2019.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2020, the Group had 4,843 employees (31 December 2019: 5,324 employees), among which 4,674, 6, 16, 32, 115 staff members were employed in China, Hong Kong, the United States, Germany and Mexico, respectively. The remuneration and staff cost for the Period were approximately RMB231.1 million (1H 2019: RMB329.4 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 or any of its subsidiaries did not purchase, sell or redeem any of its listed securities for the Period.

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 that the Company had complied with all the code provisions of the Corporate Governance Code (the "**CG Code**") as contained in Appendix 14 to the Rules Governing The Listing of Securities on the Stock Exchange (the "**Listing Rules**") for the Period.

COMPLIANCE WITH THE MODEL CODE

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 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 the Period.

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 2020. 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 2020.

PUBLICATION OF INFORMATION ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The results announcement is required to be published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company at www.xinpoint.com, respectively. The interim report of the Company for the Period will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

By Order of the Board
Xin Point Holdings Limited
Ma Xiaoming
Chairman

Hong Kong, 27 August 2020

As at the date of this announcement, the Board comprises Mr. MA Xiaoming, Mr. MENG Jun, Mr. ZHANG Yumin, Mr. LIU Jun, Mr. HE Xiaolu and Mr. JIANG Wei as executive directors; and Mr. TANG Chi Wai, Mr. GAN Weimin and Prof. CAO Lixin as independent non-executive directors.