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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 2023

FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Revenue	**1,515,355**	1,309,075
Profit attributable to owners of the parent	**263,674**	172,215
Basic and diluted earnings	**RMB26.3 cents per share**	RMB17.2 cents per share
Interim dividend	**HK10.0 cents per share**	RMB5.13 cents per share

	As at 30 June 2023	As at 31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Property, plant and equipment	**1,717,905**	1,591,392
Cash and cash equivalents	**641,025**	341,535
Working capital (current assets less current liabilities)	**1,278,043**	1,102,357

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Xin Point Holdings Limited (the "**Company**") is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2023 (the "**Reporting Period**" or "**1H 2023**") together with selected explanatory notes and the relevant comparative figures.

In this announcement, "we", "us", "our" and "Xin Point" refer to the Company and where the context otherwise requires, the Group.

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

	Notes	**Six months ended 30 June 2023**	Six months ended 30 June 2022
		RMB'000	*RMB'000*
		(Unaudited)	*(Unaudited)*
REVENUE	3	**1,515,355**	1,309,075
Cost of sales		**(1,009,652)**	(924,821)
Gross profit		**505,703**	384,254
Other income and gains		**60,041**	26,121
Selling and distribution expenses		**(45,055)**	(38,385)
Administrative expenses		**(193,266)**	(157,980)
Finance costs		**(5,284)**	(4,707)
Share of profit of an associate		**179**	237
Share of loss of a joint venture		**(2,264)**	(2,023)
PROFIT BEFORE TAX	4	**320,054**	207,517
Income tax expense	5	**(57,704)**	(36,553)
PROFIT FOR THE PERIOD		**262,350**	170,964
Attributable to:			
Owners of the parent		**263,674**	172,215
Non-controlling interests		**(1,324)**	(1,251)
		262,350	170,964
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**182,358**	22,713
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Changes in fair value of a financial asset at fair value through other comprehensive income		**(3,623)**	(1,236)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		**178,735**	21,477
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**441,085**	192,441
Attributable to:			
Owners of the parent		**442,409**	193,692
Non-controlling interests		**(1,324)**	(1,251)
		441,085	192,441
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	7	**RMB26.3 cents**	RMB17.2 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at 30 June 2023** ***RMB'000*** ***(Unaudited)***	As at 31 December 2022 *RMB'000* *(Audited)*
NON-CURRENT ASSETS			
Property, plant and equipment		**1,717,905**	1,591,392
Right-of-use assets		**147,930**	164,106
Goodwill		**—**	—
Intangible asset		**—**	—
Investment in an associate		**7,054**	6,875
Investment in a joint venture		**1,656**	1,470
Financial asset at fair value through other comprehensive income		**4,679**	7,855
Prepayments and deposits		**224,209**	208,731
Deferred tax assets		**6,738**	4,726
Total non-current assets		**2,110,171**	1,985,155
CURRENT ASSETS			
Inventories		**574,994**	598,039
Trade and bills receivables	8	**783,768**	793,662
Prepayments, deposits and other receivables		**268,292**	244,780
Tax recoverable		**948**	959
Cash and cash equivalents		**641,025**	341,535
Total current assets		**2,269,027**	1,978,975
CURRENT LIABILITIES			
Trade payables	9	**403,497**	389,526
Other payables and accruals		**235,799**	264,373
Dividend payable		**129,965**	—
Interest-bearing bank borrowings		**70,348**	75,616
Lease liabilities		**30,853**	31,526
Tax payable		**120,522**	115,577
Total current liabilities		**990,984**	876,618
NET CURRENT ASSETS		**1,278,043**	1,102,357
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,388,214**	3,087,512

	Notes	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**74,182**	70,245
Deferred tax liabilities		**267**	184
Lease liabilities		**83,844**	98,282
Total non-current liabilities		**158,293**	168,711
Net assets		**3,229,921**	2,918,801
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**87,485**	87,485
Reserves		**3,145,581**	2,833,137
		3,233,066	2,920,622
Non-controlling interests		**(3,145)**	(1,821)
Total equity		**3,229,921**	2,918,801

NOTES

1. CORPORATE INFORMATION

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

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

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("**HKAS 34**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022.

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 2022, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") for the first time for the current period's financial information.

HKFRS 17	*Insurance Contracts*
Amendments to HKFRS 17	*Insurance Contracts*
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*

Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform – Pillar Two Model Rules*

The nature and impact of the new and revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

(b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments on temporary differences related to leases and decommissioning obligations as at 1 January 2022, with any cumulative effect recognised as an adjustment to the balance of retained profits or other component of equity as appropriate at that date. In addition, the Group has applied the amendments prospectively to transactions other than leases and decommissioning obligations that occurred on or after 1 January 2022, if any. The amendments did not have any significant impact on the financial position or performance of the Group.

(d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact on the Group.

3. REVENUE

An analysis of revenue is as follows:

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Revenue from contracts with customers		
Sale of automotive decorative components	**1,515,355**	1,309,075

Disaggregated revenue information for revenue from contracts with customers

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Type of goods		
Sale of goods	**1,515,355**	1,309,075
Total revenue from contracts with customers	**1,515,355**	1,309,075
Geographical markets		
China	**523,805**	463,420
North America	**731,487**	569,922
Europe	**216,778**	224,788
Other countries	**43,285**	50,945
Total revenue from contracts with customers	**1,515,355**	1,309,075
Timing of revenue recognition		
Goods transferred at a point in time	**1,515,355**	1,309,075
Total revenue from contracts with customers	**1,515,355**	1,309,075
Revenue from contracts with customers		
External customers	**1,515,355**	1,309,075
Total revenue from contracts with customers	**1,515,355**	1,309,075

4. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Cost of inventories sold	**1,009,652**	924,821
Depreciation of property, plant and equipment	**91,754**	63,814
Depreciation of right-of-use assets	**16,891**	19,112
Amortisation of other intangible asset*	**—**	335
Impairment/(reversal of impairment) of trade and bills receivables	**7,206**	(2,563)
Impairment of items of property, plant and equipment	**7,722**	—
Write-down/(reversal of write-down) of inventories to net realisable value	**390**	(49)
Fair value gain on derivative financial instruments, net*	**—**	(2,151)
Loss/(gain) on disposal of items of property, plant and equipment, net*	**3,177**	(3,785)
Foreign exchange differences, net*	**(44,313)**	(5,642)

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

5. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2022: 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 2022: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (six months ended 30 June 2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (six months ended 30 June 2022: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, except for two subsidiaries of the Group which qualified as High and New Technology Enterprise in Mainland China and a lower corporate income tax rate of 15% (six months ended 30 June 2022: 15%) has been applied for the period.

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Current:		
Charge for the period		
Hong Kong	**23,480**	14,176
Elsewhere	**37,779**	18,773
Overprovision in prior years	**(1,626)**	(4,399)
Deferred	**(1,929)**	8,003
Total tax charge for the period	**57,704**	36,553

6. DIVIDENDS

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
2022 final dividend declared - HK$0.14 (2021 final dividend declared : RMB0.0183) per ordinary share	**129,965**	18,353

On 17 August 2023, the board of directors declared an interim dividend of HK$0.10 (six months ended 30 June 2022: RMB0.0513 or equivalent to HK$0.0589) per ordinary share, amounting to a total of approximately RMB93,611,000 (six months ended 30 June 2022: RMB51,449,000).

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

Basic earnings per share are calculated by dividing the profit attributable to the ordinary equity holders of the parent by the weighted average number of shares in issue during the six months ended 30 June 2023 and 2022 respectively.

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Profit for the period attributable to the ordinary equity holders of the parent for the purpose of basic and diluted earnings per share calculation	**263,674**	172,215
	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	1,002,905,000	1,002,905,000

	Six months ended 30 June	
	2023	2022
	RMB	*RMB*
	(Unaudited)	*(Unaudited)*
Earnings per share		
Basic and diluted	**26.3 cents**	17.2 cents

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2023 and 2022 respectively in respect of a dilution as the impact of share options outstanding had no dilutive effect on the basic earnings per share amount presented.

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
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Within 1 month	**448,594**	348,287
1 to 2 months	**171,184**	247,729
2 to 3 months	**106,239**	119,346
Over 3 months	**57,751**	78,300
	783,768	793,662

The Group's trading terms with its customers are mainly on credit. The credit period is generally one to four months. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a large number of customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade and bills receivable balances. Trade and bills receivables are non-interest-bearing.

9. TRADE PAYABLES

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

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Within 1 month	**285,537**	267,208
1 to 2 months	**53,931**	53,322
2 to 3 months	**28,791**	14,091
Over 3 months	**35,238**	54,905
	403,497	389,526

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

Included in trade payables is an amount due to an associate of RMB1,375,000 (31 December 2022: RMB3,745,000), which is unsecured, interest-free and repayable on demand.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

The automotive industry has encountered significant challenges in recent years. In addition to supply chain disruptions, in particular the shortage of semiconductor chips that put pressure on the supply side, the surging inflation rates, which limited consumers' purchasing power and made it more difficult for them to purchase new vehicles, have had a noticeable impact. As a result, the demand side of the industry has come under greater pressure.

Based on available market data, the automotive industry is expected to gradually recover in 2023. Despite prevailing macroeconomic concerns, one market research firm expected the overall vehicle sales will increase by 5.1%, reaching a sales volume of 85.5 million units this year. Furthermore, vehicle sales are projected to grow by 3.3% in 2024, with the industry expected it to surpass its previous peak and exceed 90 million units by 2025.

In addition to short-term prospects, the long-term outlook for the industry remains highly promising. The automotive sector is undergoing a significant transformation driven by various factors, including the emergence of electric vehicles ("**EV(s)**"), advancements in autonomous driving technologies, and the growing popularity of ride-hailing services. These factors contribute to a positive development of the industry in the foreseeable future.

According to the International Energy Agency, global sales of EVs exceeded 10 million units in 2022. Forecasts suggested that sales of EVs will increase by a further 35% this year, reaching an impressive figure of a total of 14 million units. This remarkable surge in demand has led to a substantial expansion of EVs' market share within the automotive industry. In 2020, EVs accounted for only approximately 4% of the entire vehicle market, but in 2022, their market share had surged to 14%. It is anticipated that this growth trajectory will persist, with EVs projected to capture 18% of the total market share in the current year.

This rapid increase in the market share of EVs is predominantly driven by emerging markets such as China, India and Thailand. The main reasons contributing to the uptake of EVs include government incentives, declining battery prices and a heightened consumer awareness of the environmental advantages associated with EVs.

China has emerged as a prominent player in the automotive sector, as evidenced by its remarkable increase in exports. In 2022, China overtook Germany to become the second largest exporter of vehicles, with a total of 3.32 million vehicles exported. This positive trajectory continued in 2023, with China overtaking Japan and securing the top position in the industry during the first quarter.

Although the domestic demand for new vehicles in China declined in the first half of 2023, the robust growth in export markets has kept the local automotive industry highly engaged. It is worth noting that Chinese automakers, unlike their overseas counterparts, have been relatively unaffected by significant supply chain disruptions and semiconductor shortages. This advantageous situation has enabled Chinese automakers to thrive amidst these challenging circumstances. Leading the pack are SAIC Motor and Chery, while BYD and Geely show promising potential for future exports.

Business Review

In the first half of 2023, global automobile sales headed to different directions in April and May respectively, with an overall growth in sales in May following a period of generally weaker sales across most regions in April. The pace of automobile sales improved significantly in May, particularly in western Europe, where sales rose in 13 of the region's 15 countries. Major markets such as Germany and France experienced a rebound in sales, recovering from the lower sales figures in April.

The automobile sales in the Asia Pacific region improved significantly during the first half of 2023, primarily driven by an increase in sales in China, which accounts for two-thirds of the market share in the region. Additionally, increases in sales were also observed in India and Australia, further contributing to the positive performance of the region.

In the United States (the "**US**"), automobile sales have been on an upward trend, bolstered by higher inventory levels. Throughout the first half of 2023, US automobile sales continued their recovery trend, posting a 12.9% year-to-date increase compared to the previous year. However, it is important to note that despite this recovery, vehicle sales during the first six months of 2023 remain 8.9% lower than that in the same period in 2019. Nevertheless, sales figures have shown a consistent upward trend on a quarterly basis since the third quarter of 2022, when adjusted for seasonal fluctuations.

By aligning our operations with the prevailing tailwinds of the global automobile market, Xin Point has again achieved period-on-period revenue growth in 1H 2023.

The total revenue of the Group further increased to approximately RMB1,515.4 million for 1H 2023, representing an increase of approximately 15.8% when compared with the corresponding period of last year (the six months ended 30 June 2022 ("**1H 2022**"): approximately RMB1,309.1 million).

Xin Point is off to a solid start in the year 2023 and recorded a 15.8% increase in revenue in 1H 2023, supported by strong pricing and product mix effects, and total sales unit slightly increased by about half a million units from approximately 192.9 million units in 1H 2022 to approximately 193.5 million units in 1H 2023. This was the result of a change in product mix in the North American market, as explained below.

The Group's gross profit increased to approximately RMB505.7 million (gross profit margin: 33.4%) for 1H 2023 as compared to approximately RMB384.3 million (gross profit margin: 29.4%) for 1H 2022. The results demonstrate that Xin Point has a strong financial foundation to build on in year 2023, with strong margins and a very solid net liquidity.

Electroplating production capacity and utilisation rate

During 1H 2023, a brand-new electroplating production line in Huizhou has commenced trial operations, while production lines at Huizhou headquarters and Wuxi completely ceased to operate. Hence, there has been no significant changes in our overall electroplating production capacity and our annualised electroplating production capacity slightly increased to approximately 3.6 million sq.m. as of 30 June 2023 (as of 31 December 2022: approximately 3.5 million sq.m.).

As there was an increase in the Group's revenue for 1H 2023, the utilisation rate of our electroplating production capacity was approximately 83.0% for 1H 2023 as compared with the utilisation rate of approximately 76.1% for 1H 2022.

Production yield

The Group achieved a higher average production yield figure of approximately 90.1% for 1H 2023 when compared with the average production yield of approximately 88.5% for the year 2022, by increasing the automation rates and eliminating obsolete production facilities.

Order book

Our order book remained strong, providing a solid foundation for our future business. Continual efforts to penetrate additional local and overseas markets will remain our priority. The Group had total backlog orders of approximately RMB11.0 billion as of 30 June 2023.

Outlook

Xin Point anticipates sustained growth in the automotive industry in 2023 and beyond, driven by several factors. Firstly, the overall economic recovery and increased purchasing power, accompanied by the expected easing of inflationary pressure, will contribute to this growth. Secondly, while conflicts between the US and China regarding technology access may lead to periodic chip shortages throughout 2023, the higher investments in production capacity in the US, Germany, and Japan will result in increased output. As a result, the semiconductor supply issues are expected to alleviate in the near future. Thirdly, government initiatives aimed at stimulating demand for battery EVs will continue to bolster the market. Lastly, the introduction of new models and manufacturers' efforts to meet government support requirements, particularly in the EV sector, will further strengthen the market.

However, despite the expected easing of supply chain problems, new challenges have surfaced. These include the potential for a recession, persistent high inflation, and the impact of the conflict in Ukraine on financial markets. These factors might cause consumers to hesitate when it comes to spending money on both new and used vehicles.

In China, we have also seen Chinese automobile brands on track to account for just over 50% of the cars sold in its home market this year thanks to a growing dominance in EVs. Unlike in the past when China's automobile market has been dominated by established global brand names such as Volkswagen and Toyota operating in joint ventures with Chinese partners, competitive pricing, faster rollouts of new models and the rise of domestic electric carmakers like BYD, Nio and Xpeng Motors are changing the dynamic for made-in-China automobile brands.

The global automotive market is expected to exhibit a compounded annual growth rate of 4.5%. This growth trajectory is poised to continue in the near future driven by various contributing factors. Notably, the rising demand for both private and commercial vehicles, coupled with the emergence of innovative technologies such as electric and self-driving cars, substantiate this outlook. Furthermore, growing consumer awareness of safety and environmental concerns further bolsters the market's expansion.

Xin Point has demonstrated commendable performance during the first half of 2023, driven by its unwavering commitment to the "1.5-Tier Supplier" and "Technology Diversity" strategies. Capitalising on the favourable tailwinds in the EV segment within the global automobile market, along with the nascent growth of export automobile business in China, Xin Point identifies further opportunities within the automotive industry. Nonetheless, it is prudent to exercise caution given the inherent uncertainties in the economy, particularly in emerging markets, which may impact car demand and consequently cause sales and profitability to fluctuate. Moreover, potential disruptions to the global supply chain, as exemplified by the challenges posed by the COVID-19 pandemic, have the capacity to trigger production delays, inventory shortages, and elevated price levels.

Revenue

Our revenue increased by approximately RMB206.3 million or approximately 15.8% to approximately RMB1,515.4 million for 1H 2023.

A recent analysis has shown that the impact of COVID-19 pandemic on semiconductor chip availability had a substantial effect on all sectors of the automotive industry, leading to significant repercussions for the global economy. However, as we enter 2023, signs of recovery have emerged, indicating that the worst effects of this crisis have subsided and the automobile industry has adapted to a new normal. The shortage of semiconductor chips, which severely hampered vehicle production throughout 2021 and 2022, has now receded into the background.

In the first half of 2023, the US new-vehicle market has been surprisingly strong, with sales volume increasing more quickly than forecast as the industry's inventory issues eased. Sales in June, as we have seen in many months prior this year, surprised to the upside, with volume beating the original market forecast. In the Chinese market, automobile sales rose 8.8% in the first half of 2023 when compared to the same period last year as EV purchases surged, due to the end of anti-pandemic control measures.

Leveraging on the improved market sentiment and the moderate recovery in the broad economy, the Group's revenue generated from China increased by RMB60.4 million or 13.0% for 1H 2023 when compared to 1H 2022, as there were still lockdowns in China last year. The revenue from the North American market continued to increase by approximately RMB161.6 million or approximately 28.3% as compared with 1H 2022.

In addition, the Group continued to record a growth in the average selling prices for all regions. The average selling price increased from RMB6.78 per unit in 1H 2022 to RMB7.83 per unit in 1H 2023, representing an approximately 15.5% increase. Such increase in the average selling prices affirms that Xin Point shall continue with its strategy of moving into more advanced assembly projects which involve more skillful and complicated processes than electroplating, and such increase in the average selling prices was partly due to the result of exchange rate effects resulting from the appreciation of US dollar against Renminbi ("**RMB**").

Revenue by geographic segment:

	Six months ended 30 June 2023		Six months ended 30 June 2022	
	RMB'000	***%***	*RMB'000*	*%*
	(unaudited)		*(unaudited)*	
China	**523,805**	**35%**	463,420	35%
North America	**731,487**	**48%**	569,922	44%
Europe	**216,778**	**14%**	224,788	17%
Others	**43,285**	**3%**	50,945	4%
	1,515,355	**100%**	1,309,075	100%

Cost of sales

	Six months ended 30 June 2023		Six months ended 30 June 2022	
	RMB'000	***%***	*RMB'000*	*%*
	(unaudited)		*(unaudited)*	
Direct materials	**311,081**	**30.8%**	264,891	28.6%
Staff costs	**265,653**	**26.3%**	251,370	27.2%
Overheads	**432,918**	**42.9%**	408,560	44.2%
– Depreciation	96,062	9.5%	71,969	7.8%
– Mould cost	57,868	5.7%	74,181	8.0%
– Utilities	87,666	8.7%	77,716	8.4%
– Shipping and delivery	49,195	4.9%	61,775	6.7%
– Others	142,127	14.1%	122,919	13.3%
	1,009,652	**100.0%**	924,821	100.0%

The cost of sales increased by approximately RMB84.9 million or approximately 9.2% from approximately RMB924.8 million for 1H 2022 to approximately RMB1,009.7 million for 1H 2023. Such increase was mainly due to the combined effects of the following:

i. During the first half of 2023, raw material prices demonstrated stability. Market statistics indicated that the demand for plastic resins remained sluggish due to reduced manufacturing activity and slower consumer spending. Moreover, the trading prices for nickel experienced a decline, primarily due to concerns surrounding increased output from Indonesia;

ii. The management's proactive measures to enhance staff efficiency and implement automation led to a minor increase in staff costs. These initiatives have effectively alleviated Xin Point's cost pressure in previous years and contributed to maintaining the percentage increase in both raw material prices and staff costs below that of the Group's revenue growth in the first half of 2023;

iii. Overheads amounted to approximately RMB432.9 million for 1H 2023, representing an increase of approximately RMB24.3 million or approximately 5.9% from approximately RMB408.6 million for 1H 2022. The increase was mainly due to the business growth in 1H 2023 as compared to 1H 2022. The depreciation charge for 1H 2023 was approximately RMB96.1 million, representing an increase of 33.5% when compared with 1H 2022, mainly attributable to additional depreciation provided for our Mexico production facilities for the Reporting Period as most plant and equipment met the acceptance criteria in early 2023; and

iv. During the first half of 2023, there was a notable decrease in both mould and logistics costs, with reductions of 22.0% and 20.4%, respectively, which partially offset the increase in cost of sales. These results were achieved through our continued efforts to exercise rigorous control over mould expenses by strategically focusing on enhancing production efficiency and optimising headcount growth; whereas the global freight rates now returning to normal levels helped to lower our logistics cost from elevated levels in past years.

Gross profit

Our Group recorded an improved gross profit margin of 33.4% for the Reporting Period when compared with 29.4% in 1H 2022. The gross profit was approximately RMB505.7 million and approximately RMB384.3 million for 1H 2023 and 1H 2022 respectively, representing an increase of approximately 31.6%. The increase was due to the combined effects of the following:

i. During 1H 2023, the Group recorded an increase in sales revenue of 15.8%, while cost of sales only increased by approximately 9.2% as compared to 1H 2022. The Group benefited from the external decreases in price levels of commodities and services and implemented strict cost and head count controls, hence, the Group recorded an overall increase in its gross profit and improved gross profit margin for 1H 2023 as compared to 1H 2022;

ii. There was an increase in the automation rates within our injection processes, together with the elimination of some obsolete production facilities which had positive effects on our yield rate and streamlining department headcounts during the Reporting Period; and

iii. The operating results of Xin Point's factory in Mexico have been improving since last year and our Mexico factory has been steadily progressing and contributing positively to the Group's consolidated results.

Other income and gains

Other income and gains mainly represented bank interest income, exchange gains, income from sale of scraps and testing fee income. There was a significant increase in other income and gains due to the fact that Xin Point recorded an exchange gain of approximately RMB44.3 million for the Reporting Period (1H 2022: RMB5.6 million) as there was an appreciation of US dollar against RMB.

Selling and distribution expenses

Selling and distribution expenses increased by approximately RMB6.7 million or approximately 17.4% to approximately RMB45.1 million for 1H 2023 from approximately RMB38.4 million for 1H 2022. The increase was mainly due to increased bonus for our marketing team attributable to an increase in the Group's revenue and the fact that there were more travelling and visits to our customers for sourcing new programs/businesses and promoting our products.

Administrative expenses

The table below summarises the components of our administrative expenses:

	Six months ended 30 June 2023		Six months ended 30 June 2022	
	RMB'000 (unaudited)	***%***	*RMB'000 (unaudited)*	*%*
Staff costs	**82,851**	**42.9%**	74,718	47.3%
Research and development expenses	**41,065**	**21.2%**	37,806	23.9%
Legal and professional fees	**11,366**	**5.9%**	9,435	6.0%
Depreciation and amortisation	**11,748**	**6.1%**	12,188	7.7%
Impairment of property, plant and equipment	**7,722**	**4.0%**	—	—
Others	**38,514**	**19.9%**	23,833	15.1%
	193,266	**100.0%**	157,980	100.0%

Administrative expenses increased by approximately RMB35.3 million or by approximately 22.3% to approximately RMB193.3 million for 1H 2023 from approximately RMB158.0 million for 1H 2022. The increase was primarily due to the combined effects of: (i) an increase in the staff costs of approximately RMB8.1 million or 10.9% in relation to retention of talents (bonus and salary increases) for improved profitability of the Group; (ii) the increase in research and development expenses of approximately RMB3.3 million for new projects in relation to surfacing decorative technology catering customers' needs; (iii) provision of approximately RMB7.7 million for the obsolete auxiliary parts in relation to electroplating production lines in the Wuxi production bases; and (iv) an increase in others expenses, which mainly related to payments of feasibility studies on upgrading the Group's enterprise resource planning systems.

Profit attributable to owners of the Company

Profit attributable to owners of the Company for the Reporting Period increased significantly by around 53.1% from approximately RMB172.2 million for 1H 2022 to approximately RMB263.7 million for 1H 2023. The increase was due to the combined effects of the following:

i. An increase of approximately 15.8% in our revenue for 1H 2023 as compared with 1H 2022. Xin Point achieved a continuous growth in revenue from the sales of automotive decorative components within the North American and China regions during 1H 2023;

ii. An increase in our gross profit from approximately RMB384.3 million for 1H 2022 to approximately RMB505.7 million for 1H 2023, as a result of the increase in the Group's revenue and improved operating efficiencies;

iii. The Group recorded approximately 2.3 times increases in other income and gains, mainly caused by the net exchange gains of RMB44.3 million recorded as a result of the appreciation of US dollar against RMB during the Reporting Period;

iv. Increases in the administrative expenses during 1H 2023 as discussed above, which partially offset the increase in profit;

v. An increase in income tax expenses by approximately 57.9% for 1H 2023 due to the increase in taxable profits of certain subsidiaries, which partially offset the increase in profit; and

vi. Basic earnings per share attributable to owners of the Company for 1H 2023 was approximately RMB26.3 cents (1H 2022: approximately RMB17.2 cents).

Total comprehensive income

Total comprehensive income for the Reporting Period attributable to owners of the Company was approximately RMB442.4 million (1H 2022: approximately RMB193.7 million), which comprised (a) profit for the Reporting Period attributable to owners of the Company of approximately RMB263.7 million (1H 2022: RMB172.2 million); and (b) other comprehensive gain for the Reporting Period attributable to owners of the Company of approximately RMB178.7 million (1H 2022: approximately RMB21.5 million) which included unrealised loss on fair value changes of listed equity investment at fair value through other comprehensive income ("**FVTOCI**") of approximately RMB3.6 million (1H 2022: loss of approximately RMB1.2 million).

LIQUIDITY AND FINANCIAL RESOURCES

For the Reporting Period, the Group's net cash inflow from operating activities amounted to approximately RMB476.3 million, as compared to approximately RMB221.5 million in 1H 2022.

The bank borrowings of approximately RMB144.5 million as at 30 June 2023 relate to two working capital loans incurred by the Company (31 December 2022: approximately RMB145.9 million). Subsequently, the Company fully repaid a short term bank loan amounted to RMB70.3 million in July 2023.

As at 30 June 2023, the gearing ratio, being total bank borrowings divided by total equity, decreased to 4.5% (as at 31 December 2022: 5.0%).

The annual interest rates of bank borrowings during 1H 2023 ranged from 1.8%-6.7% (1H 2022: 1.2%-2.4%).

INTERIM DIVIDEND

The Board resolved to pay an interim dividend of HK$0.1 per share of the Company ("**Share(s)**") for 1H 2023 (1H 2022: RMB0.0513 per Share or equivalent to HK$0.0589 per Share).

The interim dividend will be distributed on or around 27 October 2023 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 6 October 2023.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 3 October 2023 to 6 October 2023, 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 27 October 2023, 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 29 September 2023.

SHARE OPTION SCHEME

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

Details of the movement in the share options granted under the 2017 Share Option Scheme during 1H 2023 are set out below:

Category of participants	Options held at 1 January 2023	Options granted during the Reporting Period	Options exercised during the Reporting Period	Options lapsed during the Reporting Period	Options held at 30 June 2023
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	13,265,000	—	—	(697,000)	12,568,000
	13,843,000	—	—	(697,000)	13,146,000

Note: During 1H 2023, 3,921,300 share options were vested. As at 30 June 2023, there was a total of 13,146,000 share options, of which 8,440,200 of the share options were vested.

CAPITAL STRUCTURE

As at 30 June 2023, the issued share capital of the Company was approximately RMB87.5 million, equivalent to HK$100.0 million and divided into 1,002,905,000 Shares of HK$0.1 each (31 December 2022: approximately RMB87.5 million).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

During the Reporting Period, the principal capital expenditures of the Group were attributable to the additions of equipment at its existing production facilities. As part of the Group's future strategies, the Group's planned capital expenditures for its business operations will be primarily related to the construction and commencement of operations of its new production facilities. The Group anticipates that its capital expenditures will be financed by cash generated from its operations and bank borrowings.

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

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

PLEDGE OF ASSETS

As at 30 June 2023, certain buildings, right-of-use assets and machineries with a net book value in aggregate of approximately RMB13.5 million were pledged to financial institutions to secure general banking facilities (31 December 2022: RMB13.7 million).

FOREIGN EXCHANGE EXPOSURE

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

TREASURY POLICIES

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

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

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

The Company fully repaid a bank loan of RMB70.3 million in July 2023.

CAPITAL COMMITMENT AND CONTINGENCIES

Capital commitments of the Group as at 30 June 2023 and 31 December 2022 were approximately RMB132.5 million and approximately RMB117.5 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 2023 and 31 December 2022 respectively.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2023, the Group had 5,670 employees (31 December 2022: 6,059 employees), among which 4,497, 6, 11, 19 and 1,137 staff members were employed in China, Hong Kong, the US, Germany and Mexico, respectively. The remuneration and staff costs for the Reporting Period were approximately RMB371.6 million (1H 2022: approximately RMB334.8 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 jurisdictions, 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 which 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 Reporting Period.

COMPLIANCE WITH THE CG 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 has complied with all the code provisions of the Corporate Governance Code (the "**CG Code**") as contained in Part 2 of Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") for the Reporting 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 Reporting 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 interim condensed consolidated financial information for 1H 2023. 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 2023.

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 Reporting 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, 17 August 2023

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.