



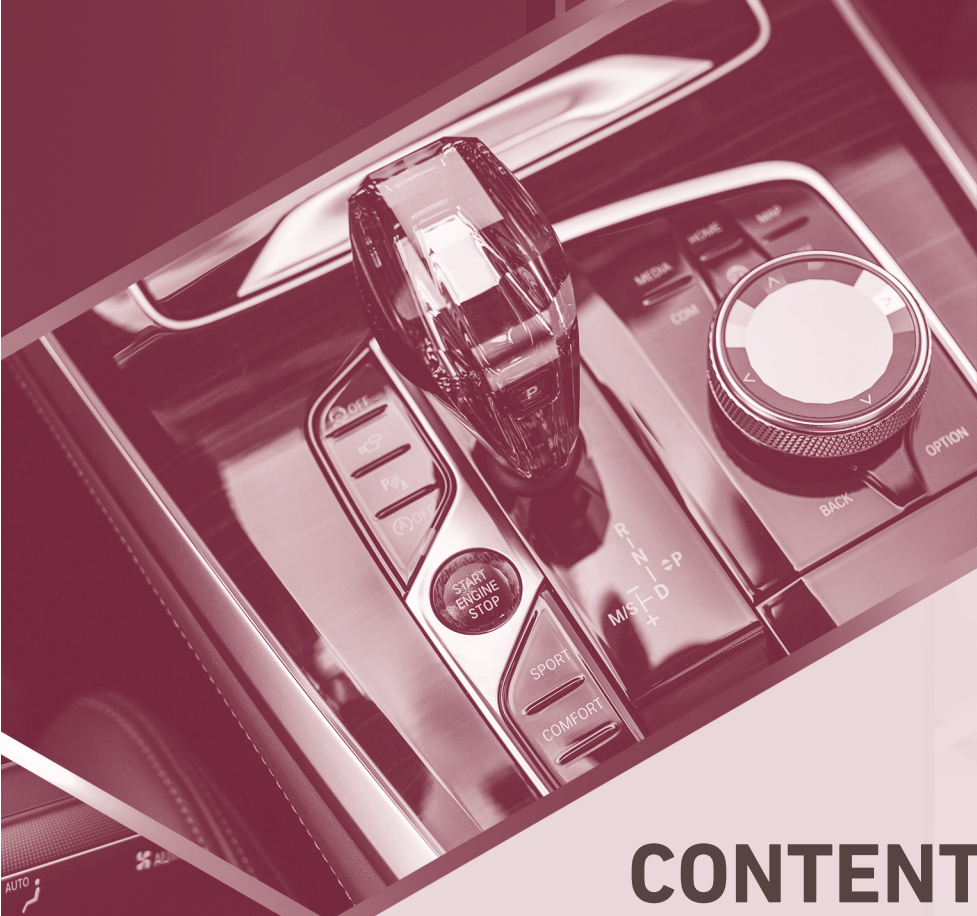
Xin Point Holdings Limited 信邦控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1571

2023 INTERIM REPORT





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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive directors

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

Independent non-executive directors

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

COMPANY SECRETARY

Mr. Au Wai Keung, *FCPA*

AUDITOR

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

LEGAL ADVISOR

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

PRINCIPAL SHARE REGISTRAR

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

HONG KONG SHARE REGISTRAR

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

REGISTERED OFFICE

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

TICKER SYMBOL

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

WEBSITE

<http://www.xinpoint.com>

FINANCIAL HIGHLIGHTS

- Xin Point Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**” or “**Xin Point**”) recorded an unaudited revenue of approximately RMB1,515.4 million for the six months ended 30 June 2023 (“**1H 2023**” or the “**Reporting Period**”), representing an increase of approximately 15.8% compared to the same period of the previous year (six months ended 30 June 2022 (“**1H 2022**”): approximately RMB1,309.1 million). During 1H 2023, by aligning our operations with the prevailing tailwinds of the global automobile market, Xin Point has again achieved period-on-period revenue growth.
- The Group recorded an unaudited profit attributable to the owners of the Company of approximately RMB263.7 million for 1H 2023, which was approximately 53.1% higher than that of the corresponding period in 2022 (1H 2022: approximately RMB172.2 million). The Group also recorded an increase in consolidated net profit in 1H 2023.
- The basic and diluted earnings per share for 1H 2023 were approximately RMB26.3 cents (1H 2022: RMB17.2 cents).
- Net cash flows from operations for 1H 2023 were approximately RMB476.3 million (1H 2022: approximately RMB221.5 million).
- The directors of the Company (the “**Directors**”) recommended the payment of an interim dividend of HK10.0 cents per share for 1H 2023 (1H 2022: RMB5.13 cents or equivalent to HK5.89 cents).
- In this report, “we”, “us”, “our” and “Xin Point” refer to the Company and where the context otherwise requires, the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

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 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 (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 (unaudited)	%	RMB'000 (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 (unaudited)	%	RMB'000 (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 of Directors (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.

CHANGE IN DIRECTORS’ INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in the Directors’ information since the last annual report of the Company are set out below:

1. Mr. Zhang Yumin, an executive Director, has been appointed as the chief executive officer of the Company with effect from 21 February 2023.
2. Mr. Liu Jun, an executive Director, has been appointed as the deputy chief executive officer of the Company with effect from 21 February 2023.

Save as disclosed above, there was no other change in the information of Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

SHARE OPTION SCHEME

A share option scheme (the “**Share Option Scheme**”) was adopted by written resolutions passed by the then Shareholders on 5 June 2017. Under the 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. The number of options available for grant under the scheme mandate limit of the Share Option Scheme shall not exceed 86,157,000 and 86,854,000 as at 1 January 2023 and 30 June 2023 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

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

	Outstanding options as at 1 January 2023	Options granted during the Reporting Period	Options exercised during the Reporting Period	Options lapsed or cancelled during the Reporting Period (Note 1)	Outstanding options as at 30 June 2023 (Note 2)	Date of grant	Exercise price (HK\$ per share)	Exercise period	Vesting period
Directors									
Mr. Ma Xiaoming	128,000	—	—	—	128,000	14 August 2018	3.45	from the respective vesting dates to 13 August 2028	Note 3
Mr. Meng Jun	102,000	—	—	—	102,000	14 August 2018	3.45	from the respective vesting dates to 13 August 2028	Note 3
Mr. Zhang Yumin	107,000	—	—	—	107,000	14 August 2018	3.45	from the respective vesting dates to 13 August 2028	Note 3
Mr. Liu Jun	107,000	—	—	—	107,000	14 August 2018	3.45	from the respective vesting dates to 13 August 2028	Note 3
Mr. He Xiaolu	96,000	—	—	—	96,000	14 August 2018	3.45	from the respective vesting dates to 13 August 2028	Note 3
Mr. Jiang Wei	38,000	—	—	—	38,000	14 August 2018	3.45	from the respective vesting dates to 13 August 2028	Note 3
Employees	13,265,000	—	—	(697,000)	12,568,000	14 August 2018	3.45	from the respective vesting dates to 13 August 2028	Note 3
Total	13,843,000	—	—	(697,000)	13,146,000				

Notes:

- During 1H 2023, 697,000 share options lapsed and no share options were cancelled.
- During 1H 2023, 3,921,300 share options were vested. As at 30 June 2023, there were a total of 13,146,000 share options, of which 8,440,200 of the share options were vested.
- Subject to individual annual performance target(s) and operational performance target(s) of the Group, the share options shall be vested in three tranches: 30% of the share options were vested on 26 April 2022; 30% of the share options were vested on 24 April 2023; and 40% of the share options shall be vested on the day of publication of the annual report of the Company for the year ending 31 December 2023. The vesting period of the share options shall be from the date of grant to their respective vesting dates.

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 report.

SIGNIFICANT INVESTMENTS

During the Reporting Period, the Group did not hold any significant investments.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

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 short term bank loan amounted to 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.

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

For the six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (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

30 June 2023

	Notes	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

	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	11	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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to owners of the parent											
	Note	Issued capital RMB'000	Share option reserve RMB'000	Fair value reserve of a financial asset at fair value through other comprehensive income RMB'000	Capital reserve RMB'000	Merger reserve RMB'000	Exchange fluctuation reserve RMB'000	Surplus reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2023		87,485	20,946	(33,505)	577,892	828	1,510	153,681	2,111,785	2,920,622	(1,821)	2,918,801
Profit for the period		—	—	—	—	—	—	—	263,674	263,674	(1,324)	262,350
Other comprehensive income for the period:												
Changes in fair value of a financial asset at fair value through other comprehensive income		—	—	(3,623)	—	—	—	—	—	(3,623)	—	(3,623)
Exchange differences on translation of foreign operations		—	—	—	—	—	182,358	—	—	182,358	—	182,358
Total comprehensive income for the period		—	—	(3,623)	—	—	182,358	—	263,674	442,409	(1,324)	441,085
Final 2022 dividend	6	—	—	—	—	—	—	—	(129,965)	(129,965)	—	(129,965)
At 30 June 2023 (unaudited)		87,485	20,946	(37,128)	577,892	828	183,868	153,681	2,245,494	3,233,066	(3,145)	3,229,921

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Net cash flows from operating activities	476,315	221,519
Purchases of items of property, plant and equipment	(109,664)	(103,781)
Deposits paid for purchase of items of property, plant and equipment	(59,008)	(49,614)
Proceeds from disposal of items of property, plant and equipment	2,233	5,947
Investment in a joint venture	(2,450)	—
Net cash flows used in investing activities	(168,889)	(147,448)
Repayment of bank loans	—	(53,735)
Interest paid	(2,457)	(1,481)
Principal portion of lease payments	(15,826)	(17,209)
Net cash flows used in financing activities	(18,283)	(72,425)
NET INCREASE IN CASH AND CASH EQUIVALENTS	289,143	1,646
Cash and cash equivalents at beginning of period	341,535	148,660
Effect of foreign exchange rate changes, net	10,347	1,589
CASH AND CASH EQUIVALENTS AT END OF PERIOD	641,025	151,895

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

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	<i>Insurance Contracts</i>
Amendments to HKFRS 17	<i>Insurance Contracts</i>
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

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

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

3. REVENUE

An analysis of revenue is as follows:

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (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 RMB'000 (Unaudited)	2022 RMB'000 (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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

4. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (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 RMB'000 (Unaudited)	2022 RMB'000 (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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

6. DIVIDENDS

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (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 RMB'000 (Unaudited)	2022 RMB'000 (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 RMB (Unaudited)	2022 RMB (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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

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 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (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 RMB'000 (Unaudited)	31 December 2022 RMB'000 (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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired items of property, plant and equipment at costs of RMB109,664,000 (six months ended 30 June 2022: RMB103,781,000).

Items of property, plant and equipment with an aggregate net book value of RMB5,410,000 (six months ended 30 June 2022: RMB2,162,000) were disposed of by the Group during the six months ended 30 June 2023.

In addition, an impairment loss of RMB7,722,000 was recognised for certain items of property, plant and equipment (six months ended 30 June 2022: Nil) for the six months ended 30 June 2023.

11. ISSUED CAPITAL

	Number of shares	Nominal value of ordinary shares in HK\$'000	Nominal value of ordinary shares in RMB'000
Authorised:			
At 30 June 2023 and 31 December 2022	20,000,000,000	2,000,000	1,737,619

	Number of shares in issue	Share capital RMB'000
Issued and fully paid:		
At 30 June 2023 and 31 December 2022	1,002,905,000	87,485

12. COMMITMENTS

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Contracted but not provided for:		
Plant and equipment	101,292	82,416
Capital contributions to a joint venture company	31,201	35,121
	132,493	117,537

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

13. RELATED PARTY TRANSACTIONS

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

	Notes	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Purchase of tooling:			
Wuxi JingXing Precision Mould Company Limited (formerly known as "Suzhou City Keen Point Precision Molding Co., Ltd.")	(i), (ii)	6,211	11,415

Notes:

- (i) The transactions were conducted in accordance with the terms and conditions mutually agreed by both parties.
- (ii) Wuxi JingXing Precision Mould Company Limited is an associate of the Group.
- (b) Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Short term employee benefits	12,102	9,759
Post-employment benefits	226	258
Total compensation paid to key management personnel	12,328	10,017

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

14. FINANCIAL INSTRUMENTS BY CATEGORY

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

As at 30 June 2023

Financial assets

	Financial asset at fair value through other comprehensive income	Financial assets at amortised cost	Total
	Equity investment RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Trade and bills receivables	—	783,768	783,768
Financial assets included in prepayments, deposits and other receivables	—	17,913	17,913
Financial asset at fair value through other comprehensive income	4,679	—	4,679
Cash and cash equivalents	—	641,025	641,025
	<u>4,679</u>	<u>1,442,706</u>	<u>1,447,385</u>

Financial liabilities

	Financial liabilities at amortised cost RMB'000 (Unaudited)
Trade payables	403,497
Financial liabilities included in other payables and accruals	21,017
Interest-bearing bank borrowings	144,530
Lease liabilities	114,697
Dividend payable	129,965
	<u>813,706</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

14. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

As at 31 December 2022

Financial assets

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

Financial liabilities

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

15. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Financial assets				
Financial asset at fair value through other comprehensive income	4,679	7,855	4,679	7,855
Financial liabilities				
Interest-bearing bank borrowings	144,530	145,861	144,530	145,861

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

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

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

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

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

Fair value hierarchy

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

Assets measured at fair value:

As at 30 June 2023

	Fair value measurement using			Total RMB'000 (Unaudited)
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	
Financial asset at fair value through other comprehensive income	4,679	—	—	4,679

As at 31 December 2022

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

During the six months ended 30 June 2023, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (31 December 2022: Nil).

16. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 17 August 2023.

OTHER INFORMATION

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

As at 30 June 2023, the Directors and the chief executive of the Company had the following interests and/or short positions in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") which would have to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which such persons were taken or deemed to have under such provisions of the SFO); or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which would be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") to be notified to the Company and the Stock Exchange:

Long positions in the Shares and underlying Shares:

Name of Directors	Capacity and nature of interest	Total number of Shares held and underlying Shares	Approximate percentage of the total issued share capital of the Company (%)
Mr. Ma Xiaoming ("Mr. Ma") (Note 1)	Interest of controlled corporation	736,186,750 (Note 1)	
	Beneficial owner	6,635,000 (Note 1)	
	Total	742,821,750	74.07
Mr. Meng Jun	Beneficial owner	482,000 (Note 2)	0.05
Mr. Zhang Yumin	Beneficial owner	507,000 (Note 3)	0.05
Mr. Liu Jun	Beneficial owner	107,000 (Note 4)	0.01
Mr. He Xiaolu	Beneficial owner	96,000 (Note 4)	0.01
Mr. Jiang Wei	Beneficial owner	38,000 (Note 4)	0.01

Long positions in the shares of associated corporation:

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

Notes:

- Among the 742,821,750 Shares, 736,186,750 Shares are beneficially held by Green Pinnacle which is wholly owned by Mealth (PTC) Limited ("Mealth PTC"). Both Green Pinnacle and the Shares owned by it form part of the trust assets of the Mealth Discretionary Trust, which was established by Mr. Ma as settlor and whose trustee is Mealth PTC. The Mealth Discretionary Trust is a discretionary trust and its discretionary objects include Mr. Ma, Mr. Ma's family members, certain Directors, namely, Mr. He Xiaolu, Mr. Meng Jun, Mr. Liu Jun and Mr. Zhang Yumin and the other beneficiaries. By virtue of the SFO, Mr. Ma is deemed to be interested in the 736,186,750 Shares and the shares in Green Pinnacle held by Mealth PTC in his capacity of settlor of the Mealth Discretionary Trust. The remaining 6,635,000 Shares and underlying Shares represent 6,507,000 Shares beneficially held by Mr. Ma and 128,000 underlying Shares being the maximum number of Shares which may be allotted and issued to Mr. Ma upon the exercise of the share options granted to him under the Share Option Scheme.
- Among the 482,000 Shares and underlying Shares, 380,000 Shares are beneficially held by Mr. Meng Jun. The remaining 102,000 underlying Shares represent the maximum number of Shares which may be allotted and issued to Mr. Meng Jun upon the exercise of the share options granted to him under the Share Option Scheme.
- Among the 507,000 Shares, 400,000 Shares are beneficially held by Mr. Zhang Yumin. The remaining 107,000 underlying Shares represent the maximum number of Shares which may be allotted and issued to Mr. Zhang Yumin upon the exercise of the share options granted to him under the Share Option Scheme.
- They represent the maximum number of Shares which may be allotted and issued to such Directors upon the exercise of the share options granted to each of them under the Share Option Scheme.

Save as disclosed above and to the best knowledge, information and belief of the Directors, as at 30 June 2023, none of the Directors and the chief executive of the Company had any interests and/or short positions in the shares, underlying shares or debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which each of them was taken or deemed to have under the SFO) or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which would be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

As at 30 June 2023, the following persons (not being the Directors or chief executive of the Company) had the following interests and/or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Long positions in the Shares and underlying Shares:

Name of Shareholders	Capacity and nature of Interest	Total number of Shares held	Approximate percentage of the total issued share capital of the Company (%)
Green Pinnacle (Note 1)	Beneficial owner	736,186,750	73.41
Mealth PTC (Note 1)	Interest in a controlled corporation and trustee	736,186,750	73.41
Zhu Junhua (Note 2)	Interest of spouse	742,821,750	74.07
Bull Capital China Growth Fund II, L.P. (Note 3)	Interest in a controlled corporation	63,500,000	6.33
Bull Capital GP II Limited (Note 3)	Interest in a controlled corporation	63,500,000	6.33
Bull Capital Partners Ltd. (Note 3)	Interest in a controlled corporation	63,500,000	6.33
Greater Talent Investments Limited ("Greater Talent") (Note 3)	Beneficial owner	63,500,000	6.33
Peace World Investments Limited (Note 3)	Interest in a controlled corporation	63,500,000	6.33
Wong Kun Kau (Note 3)	Interest in a controlled corporation	63,500,000	6.33

Notes:

- 736,186,750 Shares are beneficially held by Green Pinnacle, which is wholly owned by Mealth PTC. Both Green Pinnacle and the Shares owned by it form part of the trust assets of the Mealth Discretionary Trust, which was established by Mr. Ma as settlor and whose trustee is Mealth PTC. By virtue of the SFO, Mealth PTC is deemed to be interested in the 736,186,750 Shares held by Green Pinnacle.
- Ms. Zhu Junhua is the spouse of Mr. Ma and accordingly she is deemed to be interested in the aggregate of 742,821,750 Shares in which Mr. Ma is interested by virtue of the SFO.
- Greater Talent is wholly owned by Bull Capital China Growth Fund II, L.P. ("Bull Capital LP"). The general partner of Bull Capital LP is Bull Capital GP II Limited ("Bull Capital GP"). Bull Capital Partners Ltd. ("Bull Capital Partners") is the investment manager of Bull Capital LP. Bull Capital Partners and Bull Capital GP are held as to 46.69% and 80% respectively by Peace World Investments Limited ("Peace World"), which is wholly owned by Mr. Wong Kun Kau ("Mr. Wong"). Accordingly, by virtue of the SFO, each of Bull Capital LP, Bull Capital Partners, Bull Capital GP, Peace World and Mr. Wong is deemed to be interested in the Shares held by Greater Talent.

OTHER INFORMATION

Save as disclosed above, as at 30 June 2023, the Directors were not aware that there was any person (not being the Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 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 Listing Rules for the Reporting Period.

COMPLIANCE WITH THE MODEL CODE

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