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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)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL HIGHLIGHTS

- Revenue increased by approximately 11.7% to approximately RMB2,312.5 million (FY 2020: approximately RMB2,069.4 million).
- Gross profit decreased by approximately 6.5% to approximately RMB637.4 million (FY 2020: approximately RMB681.5 million).
- Profit attributable to owners of the Company decreased by approximately 35.3% to approximately RMB215.2 million (FY 2020: approximately RMB332.4 million).
- Proposed final dividend amounted to RMB1.83 cents per share.
- Capital expenditure increased by approximately 144.1% to approximately RMB423.7 million (FY 2020: approximately RMB173.6 million).
- Consolidated net asset value increased by approximately 1.1% to approximately RMB2,475.3 million (FY2020: approximately RMB2,447.9 million).

The board (the "**Board**") of directors (the "**Directors**") of Xin Point Holdings Limited (the "**Company**") is pleased to announce the consolidated financial results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2021 ("**FY 2021**"), together with the comparative figures for the year ended 31 December 2020 ("**FY 2020**") reviewed by the audit committee of the Company ("**Audit Committee**") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	**2021**	2020
		RMB'000	*RMB'000*
REVENUE	4	**2,312,468**	2,069,366
Cost of sales		**(1,675,106)**	(1,387,822)
Gross profit		**637,362**	681,544
Other income and gains		**21,075**	22,293
Selling and distribution expenses		**(62,587)**	(56,992)
Administrative expenses		**(333,562)**	(287,992)
Other expenses		**—**	(5,483)
Finance costs		**(3,879)**	(4,007)
Share of profit of an associate		**1,999**	1,643
Share of loss of a joint venture		**(3,665)**	(1,154)
PROFIT BEFORE TAX	5	**256,743**	349,852
Income tax expense	6	**(43,707)**	(18,482)
PROFIT FOR THE YEAR		**213,036**	331,370
Attributible to:			
Owners of the parent		**215,240**	332,426
Non-controlling interests		**(2,204)**	(1,056)
		213,036	331,370

	Notes	2021	2020
		RMB'000	*RMB'000*
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(35,643)**	(91,177)
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:			
Changes in fair value of a financial asset at fair value through other comprehensive income		**(214)**	(30,187)
OTHER COMPREHENSIVE LOSS FOR THE YEAR		**(35,857)**	(121,364)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**177,179**	210,006
Attributible to:			
Owners of the parent		**179,383**	211,062
Non-controlling interests		**(2,204)**	(1,056)
		177,179	210,006
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
– Basic		**RMB21 cents**	RMB33 cents
– Diluted		**RMB21 cents**	RMB33 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2021

	Notes	2021	2020
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**1,465,269**	1,194,610
Right-of-use assets		**180,218**	135,755
Goodwill		**3,772**	4,161
Intangible asset		**670**	1,341
Investment in an associate		**5,447**	3,448
Investment in a joint venture		**2,023**	3,238
Financial asset at fair value through other comprehensive income		**10,520**	13,179
Prepayments and deposits		**186,765**	112,800
Deferred tax assets		**9,286**	2,683
Total non-current assets		**1,863,970**	1,471,215
CURRENT ASSETS			
Inventories		**566,151**	432,916
Trade and bills receivables	9	**612,466**	646,004
Prepayments, deposits and other receivables		**202,090**	137,042
Derivative financial instruments		**1,202**	4,981
Tax recoverable		**4,881**	—
Cash and cash equivalents		**148,660**	538,978
Total current assets		**1,535,450**	1,759,921

	Notes	2021	2020
		RMB'000	*RMB'000*
CURRENT LIABILITIES			
Trade payables	10	**359,021**	268,503
Other payables and accruals		**184,811**	239,298
Interest-bearing bank borrowings		**130,898**	49,663
Derivative financial instrument		**—**	2,317
Lease liabilities		**31,098**	32,258
Tax payable		**105,787**	126,950
Total current liabilities		**811,615**	718,989
NET CURRENT ASSETS		**723,835**	1,040,932
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,587,805**	2,512,147
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**—**	564
Deferred tax liabilities		**500**	600
Lease liabilities		**111,974**	63,093
Total non-current liabilities		**112,474**	64,257
Net assets		**2,475,331**	2,447,890
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**87,485**	87,485
Reserves		**2,390,691**	2,361,246
		2,478,176	2,448,731
Non-controlling interests		**(2,845)**	(841)
Total equity		**2,475,331**	2,447,890

NOTES

1. CORPORATE INFORMATION

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

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

2.1 BASIS OF PREPARATION

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform - Phase 2*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021* (early adopted)

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

(a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate ("HIBOR") and United States dollars based on the London Interbank Offered Rate ("LIBOR") as at 31 December 2021. The Group expects that HIBOR will continue to exist and the interest rate benchmark reform has not had an impact on the Group's HIBOR-based borrowing. For the LIBOR-based borrowing, since the interest rate of this instrument was not replaced by RFRs during the year, the amendments did not have any impact on the financial position and performance of the Group. If the interest rate of this borrowing is replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of this instrument provided that the "economically equivalent" criterion is met.

(a) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The Group has early adopted the amendment on 1 January 2021. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

3. OPERATING SEGMENT INFORMATION

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

Geographical information

(a) Revenue from external customers

	2021	2020
	RMB'000	*RMB'000*
China	**989,548**	897,333
North America	**775,449**	658,617
Europe	**437,182**	426,018
Other countries	**110,289**	87,398
	2,312,468	2,069,366

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

(b) Non-current assets

	2021	2020
	RMB'000	*RMB'000*
China	**1,303,911**	1,120,493
Other countries	**542,966**	332,892
	1,846,877	1,453,385

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

Information about a major customer

Revenue of approximately RMB215,795,000 (2020: RMB222,765,000) was derived from sales to a single customer, including sales to a group of entities which are known to be under common control with that customer.

4. REVENUE

An analysis of revenue is as follows:

	2021	2020
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Sale of industrial products	**2,312,468**	2,069,366

(i) Disaggregated revenue information

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

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

	2021	2020
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of goods	**5,421**	5,681

(ii) Performance obligations

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

Sale of industrial products

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

5. PROFIT BEFORE TAX

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

	2021 RMB'000	2020 RMB'000
Cost of inventories sold@	**1,675,106**	1,387,822
Write-down of inventories to net realisable value	**3,594**	813
Depreciation of property, plant and equipment	**137,014**	140,509
Depreciation of right-of-use assets	**34,342**	35,260
Amortisation of an intangible asset*	**671**	670
Lease payments not included in the measurement of lease liabilities	**3,304**	5,624
Impairment of trade and bills receivables	**2,636**	538
Research and development costs#	**68,703**	51,267
Fair value loss/(gain) on derivative financial instruments, net*	**(4,505)**	1,256
Auditors' remuneration	**2,793**	3,029
Employee benefit expense@ (including directors' and chief executive's remuneration)		
Wages and salaries	**576,616**	485,405
Equity-settled share option expense	**3,202**	6,173
Pension scheme contributions***	**42,682**	29,920
	622,500	521,498
Write off of items of property, plant and equipment*	**10,081**	9,553
Gain on disposal of items of property, plant and equipment, net*	**(592)**	(646)
Foreign exchange differences, net*	**25,596**	10,727
Impairment of goodwill**	**—**	5,483

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

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

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

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

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

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 (2020: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2020: 8.25%) and the remaining assessable profits are taxed at 16.5% (2020: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates, except for one subsidiary of the Group which qualified as a High and New Technology Enterprise in Mainland China and a lower PRC corporate income tax rate of 15% (2020: 15%) has been applied for the year.

	2021	2020
	RMB'000	*RMB'000*
Current:		
Charge for the year		
Hong Kong	26,354	25,010
Elsewhere	28,077	38,239
Overprovision in prior years	(4,021)	(44,105)
Deferred	(6,703)	(662)
Total tax charge for the year	43,707	18,482

7. DIVIDENDS

	2021	2020
	RMB'000	*RMB'000*
Interim – RMB0.045 (2020: RMB0.034) per ordinary share	**45,629**	34,099
Proposed final – RMB0.0183 (2020: RMB0.1072) per ordinary share	**18,353**	107,511
	63,982	141,610

Final dividend of RMB0.0183 per share amounting to approximately RMB18,353,000 in respect of the year ended 31 December 2021 (2020: RMB0.1072 per share amounting to approximately RMB107,511,000) has been proposed by the Directors and is subject to approval by the shareholders at the forthcoming annual general meeting.

8. 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 years ended 31 December 2021 and 2020.

The calculation of the diluted earnings per share amount for the year ended 31 December 2021 is based on the profit for the year attributable to the ordinary equity holders of the parent and the total of (i) the weighted average number of ordinary shares as used in the basic earnings per share calculation, and (ii) the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares as at 31 December 2021 into ordinary shares.

The Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2020.

	2021	2020
	RMB'000	*RMB'000*
Profit for the year attributable to ordinary equity holders of the parent for the purpose of basic and diluted earnings per share	**215,240**	332,426

	2021	2020
	Number of shares	Number of shares
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,002,905,000**	1,002,905,000
Effect of dilution – weighted average number of ordinary shares:		
Share options	**719,000**	—
	1,003,624,000	1,002,905,000

9. TRADE AND BILLS RECEIVABLES

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

	2021	2020
	RMB'000	*RMB'000*
Within 1 month	**362,730**	340,239
1 to 2 months	**129,885**	169,361
2 to 3 months	**64,256**	87,711
Over 3 months	**55,595**	48,693
	612,466	646,004

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. Trade receivables are non-interest-bearing.

10. TRADE PAYABLES

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

	2021	2020
	RMB'000	*RMB'000*
Within 1 month	**213,592**	190,757
1 to 2 months	**53,432**	39,781
2 to 3 months	**25,112**	12,224
Over 3 months	**66,885**	25,741
	359,021	268,503

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

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

The world is undergoing recovery from the worst of the Coronavirus Disease 2019 ("**COVID-19**") and the economic damage caused in 2020, but the recovery is not quite turning out to be as smooth as many predicted. The scale of the disruption to economies and industries, as well as the challenges governments encountered in dealing with this pandemic, have confirmed so.

In the automotive sector, the rebound to overall sales and output as economies opened up again continued into 2021, until a number of bumps in the recovery path became observable and creating a hard time to the vehicle markets – particularly in the second half of 2021. A semiconductor shortage and subsequent supply-side impacts was compounded by the uneven progress of vaccination strategies and the emergence of new COVID-19 variants that hit some regions (notably southeast Asia) more severely than others.

The prime challenge for the automotive industry in 2021 was tight inventory. Supply chain disruptions, semiconductor shortage and production slowdowns due to COVID-19 outbreaks created chaos on product availability, and resulted in new low figures in relation to new-vehicle inventory.

The China market, the world's largest automobile market, stands on its own at the other end of the spectrum. Automotive sales in China broke a three-year slump in 2021. According to the China Association of Automobile Manufacturers ("**CAAM**"), a total of 26.28 million vehicles were sold in the country last year, marking a modest 3.8% increase from that in 2020, the overall vehicle sales growth was primarily driven by strong sales of green vehicles.

BUSINESS OVERVIEW

In 2021, global automotive sales increased by 4.5%, on the other side, purchase activity was still 11% below pre-pandemic levels in 2019 as inventory shortages capped sales in an otherwise strong demand environment. After the astonishing rebound in global automotive sales towards the end of 2020, it was mostly declivous for global automotive purchases through 2021. Sales had started in the year 2021 on a very strong note with annualised sales bouncing around 72 million units in the first months of the year, but this was followed by monthly declines thereafter as the semiconductor chip shortage limited automotive production around the world and impacted sales activity.

Demand remained robust, particularly in countries where massive policy supports were still in place. The wealth of households climbed to a new peak, underpinned by solid job recoveries in markets like the US. However, there were some countries and regions where pandemic related factors had slowed down 2020 automotive sales and continued to do so through much of 2021. These include many Western European countries where structural factors have also affected the recovery. For example, Western European sales posted the only regional decline in 2021 with a -2% year-on-year basis. Annual sales in 2021 only stood at 73% of pre-pandemic sales in 2019.

As discussed above, light vehicle sales in China grew by over 6% in 2021, despite a relatively gentle decline of -6% year-on-year in 2020. Sales activity had fully recovered pre-pandemic levels in 2021 within China market.

The Group recorded a growth in total number of sales units from approximately 348.6 million in FY2020 to 395.4 million in FY2021, representing an increase of approximately 13.4%, while total revenue of the Group also increased to approximately RMB2,312.5 million, representing an increase of approximately 11.7% as compared with the corresponding period of FY2020 (FY2020: approximately RMB2,069.4 million).

On the other hand, the Group faced different cost challenges from various domains: increased raw material prices, higher logistic and labour costs and operating losses from our Mexico facilities (further discussions see below), these resulted in a 20.7% increase in the production costs of sales, which resulted in a decrease in the gross profit of the Group by approximately 6.5% from approximately RMB681.5 million in FY2020 to approximately RMB637.4 million in FY2021.

Electro-plating production capacity and utilization rate

During FY2021, the Group ceased all its electro-plating operations in Wuxi Yangshi Industrial Park ("**Wuxi Production Bases**") and transferred those electro-plating operations to our Changzhou factory.

Therefore, two redundant production lines in Wuxi Production Bases ceased their operations. Our annualised electro-plating production capacity as of 31 December 2021 decreased to approximately 3.80 million sq.m. (as of 31 December 2020: approximately 4.19 million sq.m.).

As global vehicle sales continued to increase and the market for electrified vehicles was still flourishing in FY2021, our Group recorded a remarkable increase in revenue in FY2021. Our capacity utilisation rate for FY2021 increased to approximately 62.9% as compared with the overall utilisation rate of 56.8% for FY2020.

Production yield

During FY2021, our overall production yield rate was relatively stable with slight decrease of 0.5 percentage point from approximately 89.5% in FY2020 to 89.0% in FY2021, due to minor inefficiencies from our Mexico production line.

Outlook and Order book

As moving into 2022, we are optimistic about the outlook of the global automotive market. Also, there will be unexpected pitfalls, but those who remain flexible and agile will manage fine in the year ahead.

While the pandemic has been tough on many consumers, recent surveys indicate vehicle demand will remain robust, as there are sufficient demands in the market to support healthy vehicle sales in the year ahead and the Group is optimistic for the industry. Inventory supply will remain a key challenge in the first half of 2022 but we expect there will be alleviation in the second half.

On the other hand, the automotive industry is still facing the challenges from semi-conductor shortages and other supply chain issues this year. Vehicle production and delivery growth targets depend on the ability of manufacturers to meet the targeted volumes. The shortage of semiconductors has slowed down our production growth rate and we noted delays in delivery times during 2021 and the majority of vehicle manufacturers have an order backlog which they need to fulfill and reduce.

Consequently, semiconductor production remains tight and the pandemic could still lead to new supply setbacks in 2022. Manufacturers have generally been prioritising the production of high-margin models and full EVs, which may suggest that 2022 has a tendency to be a healthier year for automotive business than 2021.

Approximately RMB3.2 billion new orders with delivery date within the coming five years were received in FY2021. Due to the recent Russo-Ukrainian War and shortage of semi-conductor supplies, additional allowances have been made to the outstanding order book figures.

The Group's outstanding order book, after the above allowance adjustment, remains at approximately RMB10.5 billion for the next five years from 1 January 2022 to end of 2026.

During 2021, our Shenzhen joint venture company with Wanka Online Inc., whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 1762) ("**Wanka**") successfully launched its QCARLINK platform. Such platform is equipped by the first Leap-Motor mass-produced C11 city SUV and QCARLINK is well received and recognised within the local Chinese EV sector. After C11, Leap-Motor T03 project will also apply QCARLINK Quick-app platform. Currently, our Shenzhen joint venture company is working closely with other three local original equipment manufacturers (OEMs) and is exploring further business opportunities.

Up to now, QCARLINK Quick-app platform has already developed 15 apps, functions including fleet management display, map and voice navigating services, and we are expecting another 60 apps will be launched in 2022. Quick-APP platform-based vehicle applications are well received by the market and the Group believes that the internet of vehicle business will have great market potential in relation to smart vehicle market.

The Group believes that automotive market will grow in 2022 as the industry gradually gets through supply chain issues and ramps up production as much as possible to reduce backlogs, satisfy strong demand and rebuild inventories. The electrification trend will be generating addition momentum across major geographies and industry players in the EV sector, the Group also believes that this trend will help strengthen our business in 2022.

FINANCIAL REVIEW

Revenue

Automotive sales indeed rebounded from the initial COVID-19 impact: some of this recovery materialising already in the latter part of 2020 and in the first half of 2021, while the pace of growth was clearly out of reach due to semiconductor shortages in the second half of 2021.

The Group's revenue recorded an overall increase by approximately RMB243.1 million or approximately 11.7% from approximately RMB2,069.4 million for FY2020 to approximately RMB2,312.5 million for FY2021. The total number of units of automotive decorative components sold in FY2021 also increased by approximately 46.8 million units or approximately 13.4% from FY2020, while the average selling price for automotive decorative components slightly dropped to approximately RMB5.85 per unit or by approximately 1.5% as compared to FY2020. There was neither significant changes in the Group's product mix nor decrease in the our product unit prices. Such 1.5% decrease in the average selling price for FY2021 was mainly due to the appreciation of RMB against US$ and EUR where more than half of the contracted selling prices of the Group's products were fixed in US$ or EUR.

i. China stands on its own in the global automotive market in FY2021. Light vehicle sales grew by over 6% year on year in 2021 and sales activity had fully recovered pre-pandemic levels in 2021, the Group's sales in China also increased by approximately RMB92.2 million or 10.3% and the average selling price still increased by 7.4% as compared with FY2020;

ii. Strong consumer demand coupled with purchasing power parity encouraged the demand trends for vehicles in US, with the market recovery to pre-pandemic levels. Although the average selling price experienced a small drop due to strong RMB, as compared with that of FY2020, both the Group's revenue and the sales volume from the US market increased by approximately 17.7% and 32.8%, respectively; and

iii. Many Western European countries where structural factors affected the recovery. Western European sales posted the decline in 2021 with a -2% year on year and sales in 2021 stood at 73% of pre-pandemic sales in 2019. With structural headwinds ahead including an aggressive shift to EVs, its auto sales recovery is likely to continue to lag other regions. As such, only a 2.6% increase in revenue generated from the European market or RMB11.2 million increase was recorded for FY2021.

Revenue by geographic segment:

	FY2021		FY2020	
	RMB'000	*%*	*RMB'000*	*%*
China	**989,548**	**42.8%**	897,333	43.4%
North America	**775,449**	**33.5%**	658,617	31.8%
Europe	**437,182**	**18.9%**	426,018	20.6%
Others	**110,289**	**4.8%**	87,398	4.2%
	2,312,468	**100.0%**	2,069,366	100.0%

Cost of sales

	FY2021		FY2020	
	RMB'000	*%*	*RMB'000*	*%*
Direct materials	**488,460**	**29.2%**	416,417	30.0%
Staff costs	**431,226**	**25.7%**	371,095	26.7%
Overheads	**755,420**	**45.1%**	600,310	43.3%
– Depreciation	**137,341**	**8.2%**	141,527	10.2%
– Processing fees	**87,541**	**5.2%**	67,517	4.9%
– Consumables	**82,183**	**4.9%**	66,727	4.8%
– Mold cost	**176,228**	**10.5%**	127,394	9.2%
– Utilities	**123,140**	**7.4%**	100,319	7.2%
– Shipping and delivery	**91,712**	**5.5%**	48,653	3.5%
– Others	**57,275**	**3.4%**	48,173	3.5%
	1,675,106	**100.0%**	1,387,822	100.0%

Cost of sales increased by approximately RMB287.3 million or approximately 20.7% from approximately RMB1,387.8 million for FY2020 to approximately RMB1,675.1 million for FY2021. The Group's increase in cost of sales was greater than its increase in revenue during FY2021 and such increase was attributable, among other things, to the following factors:

1. FY2021 had been another year of unpredictable twists and turns for essential energy, raw materials and shipping markets. Xin Point's business faced unprecedented cost pressures. Our Group has been getting to grips with significant increase in demand for raw materials including plastic resins and different metals for electroplating process;

2. Year 2021 saw an especially steep increase in global freight rates: with ongoing pandemic-related delays and closures and a lack of capacity, ocean rates are still very elevated and transit times volatile, we saw rates remain 8-9 times higher than the pre-pandemic norm. Shipping and delivery cost significantly increased by approximately RMB43.1 million or approximately 88.5% to a record high figure of approximately RMB91.7 million for FY2021 as compared to the same period of FY2020;

3. An overall increase of 16.2% in staff costs was recorded for FY2021 as compared to that of FY2020, which was the result of the increase in our average headcount during FY2021, especially in the first half of 2021 as compared to that of the same period of 2020, Xin Point's factories implemented a temporary and voluntary salary reduction during the second quarter of 2020 to cope with the decreased product demands caused by the COVID-19 pandemic; and

4. The ramp-up process of our factory in Mexico has taken longer than expected, gross operating losses were recorded for FY2021 in relation to the Group's operations in Mexico, which created additional cost and operation burdens to the Group.

Gross profit

Due to the challenges and events discussed above, the Group recorded a higher growth in the cost of sales than its revenue increase during FY2021, the Group reported a gross profit of approximately RMB637.4 million for FY2021 as compared to FY2020, represented approximately RMB44.1 million or 6.5% decrease in overall gross profit. The Group's gross profit margin also dropped 5.3 percentage points from 32.9% for FY2020 to 27.6% for current year.

Other income and gains

Other income and gains mainly represented bank interest income, income from sale of scraps, testing fee income. Other income and gains sightly decreased from RMB22.3 million in FY2020 to RMB21.1 million in FY2021.

Selling and distribution expenses

Sales and distribution expenses increased by approximately RMB5.6 million or approximately 9.8% to approximately RMB62.6 million for FY2021 as compared to the same period of 2020. The increase was mainly due to the resumption of business meetings and domestic travelling within China, as compared to last year when COVID-19 lockdown related measures were in place.

Administrative expenses

The table below summarises the components of administrative expenses:

	FY2021		FY2020	
	RMB'000	***%***	*RMB'000*	*%*
Staff costs	**135,173**	**40.5%**	117,948	41.0%
Research and development expenses	**68,703**	**20.6%**	51,267	17.8%
Travel and transportation expenses	**5,110**	**1.5%**	4,451	1.5%
Depreciation and amortisation	**21,816**	**6.5%**	24,339	8.5%
Office supplies	**14,017**	**4.2%**	15,681	5.4%
Legal and professional fees	**13,613**	**4.1%**	12,673	4.4%
Rental expenses	**2,470**	**0.7%**	5,624	2.0%
Stamp duties and local government surcharges	**6,248**	**1.9%**	5,467	1.9%
Share-based payments	**3,202**	**1.0%**	6,173	2.1%
Insurance	**3,010**	**0.9%**	3,114	1.1%
Business development expenses	**1,733**	**0.5%**	881	0.3%
Exchange losses	**25,596**	**7.7%**	10,727	3.7%
Others	**32,871**	**9.9%**	29,647	10.3%
	333,562	**100.0%**	287,992	100.0%

Administrative expenses increased by approximately RMB45.6 million or approximately 15.8% from approximately RMB288.0 million for FY2020 to approximately RMB333.6 million for FY2021.

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

i. increases in staff costs by approximately RMB17.2 million, resulted from the increase in the average staff headcount and there was no voluntary salary reduction program implemented for FY2021;

ii. the increase in R&D expenses by approximately RMB17.4 million as some of R&D projects were resumed during FY2021;

iii. the Group recorded a significant increase in the exchange loss of RMB14.9 million as compared with FY2020. It was reported that the Chinese currency gained 2.4% against US dollar and RMB soared more than 8% against EUR for FY2021. As more than half of the Group's exports are priced by these two major currencies, the Group experienced a significant amount of exchange losses during FY2021; and

iv. there were additional losses of RMB10.1 million incurred for the scrapping of two obsolete electro-plating production lines in Wuxi Production Bases.

Other expenses

The other expenses of approximately RMB5.5 million for FY2020 was related to goodwill impairment loss for the German tool shop ("**BLW**") acquired by the Group in 2018. There is no goodwill impairment loss recorded for FY2021.

Net profit attributable to owners of the Company

Net profit attributable to owners of the Company decreased by approximately 35.3% from approximately RMB332.4 million for FY2020 to approximately RMB215.2 million for FY2021. This was primarily due to the followings:

(i) although the Group's revenue recorded a growth of 11.7% or increased approximately by RMB243.1 million for FY2021, the gross profit decreased from approximately RMB681.5 million for FY2020 to approximately RMB637.4 million or by approximately 6.5% for FY2021 as the Group's profitability was negatively affected by, among other things, raw material and logistics related costs quickly soared to a high level during FY2021 and continued gross losses recorded by our Mexico factory;

(ii) sales and distribution expenses increased by 9.8% for FY2021 as compared to FY2020;

(iii) administrative expenses also increased by approximately 15.8% to approximately RMB333.6 million for FY2021, incurred primarily from the additional exchange losses incurred due to the appreciation of Chinese currency, increased headcount of administrative staff and increase in R&D expenses as discussed above; and

(iv) income tax increased by approximately 136% for FY2021 due to the increase in profit of certain subsidiaries.

Basic earnings per share attributable to owners of the Company for FY2021 was approximately RMB21 cents (FY2020: approximately RMB33 cents).

Total comprehensive income

Total comprehensive income for FY2021 was RMB177.2 million (FY2020: RMB210.0 million), which comprised (a) profit for FY2021 of RMB213.0 million (FY2020: RMB331.4 million): and (b) other comprehensive loss for FY2021 of RMB35.9 million (FY2020 other comprehensive loss RMB121.4 million) which included unrealised loss on fair value changes of listed equity investment at fair value through other comprehensive income ("**FVTOCI**") of approximately RMB0.2 million (FY2020: RMB30.2 million), details are disclosed in the sub-paragraph headed "Significant Investments Held — (b) Implication on Other Comprehensive Expenses for FY2021" below.

Liquidity and financial resources

For FY2021, the Group's net cash inflow from operating activities amounted to approximately RMB135.3 million, as compared to approximately RMB411.2 million in FY2020. Such decrease was mainly due to: (i) the increase in inventories in order to mitigate the impacts of the increase in the prices of raw materials and adjust for safety inventory levels in relation to the international logistics disruptions; and (ii) our factory in Mexico is experiencing value added tax ("**VAT**") refund delays in relation to the VAT paid for the imported raw materials and fixed assets pending local VAT certification process.

During FY2021, the Company drew down another unsecured bank loan of HK$125 million for a loan period of one year as working capital. As at 31 December 2021, the Group had interest-bearing bank borrowings of RMB130.9 million.

As at 31 December 2021, the gearing ratio, being total bank borrowings divided by total equity was 5.3% (31 December 2020: 2.1%).

The annual interest rate of the bank and other borrowings during FY2021 was 1.2% - 2.4% (FY2020: 1.2% - 2.4%).

Commitments

As at 31 December 2021, the Group had the following commitments:

	RMB'000
Capital commitments	
Capital expenditure contracted but not provided for in the consolidated financial statements in respect of:	
Acquisition of property, plant and equipment	152,266
Capital contributions to a joint venture company	37,081
	189,347

Interest Rate and Foreign Exchange Risks

As at 31 December 2021, the balance of bank borrowings of the Group was approximately RMB130.9 million, of which RMB28.9 million was bearing at fixed interest rates.

The Group's cash and cash equivalents are mainly denominated in RMB, EUR and USD. As at 31 December 2021, the Group's cash and cash equivalents denominated in currencies other than the functional currencies amounted to approximately RMB46.3 million of which approximately RMB39.0 million was denominated in USD, approximately RMB3.7 million was denominated in EUR, approximately RMB3.6 million was denominated in HKD.

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

Contingent Liabilities

As at 31 December 2021, the Group had no contingent liabilities (31 December 2020: Nil).

Mortgaged Assets

One of the Group's subsidiary in Germany pledged its machinery with a net book value of approximately RMB1.2 million to secure general banking facilities (31 December 2020: RMB 3.7 million).

Capital Expenditure

Capital expenditure includes the acquisition of property, plant and equipment, the increase in construction in progress and the addition of land use rights. During FY2021, the Group's capital expenditure amounted to approximately RMB423.7 million (FY2020: approximately RMB173.6 million). The capital expenditure accommodated further investments in our new injection, spray-printing and electroplating production facilities located in China and Mexico for the planned production capacity expansion to meet with our customers' demands.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

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

As at 31 December 2021, the utilization of the net proceeds were applied as follows:

Purpose	Planned amount as mentioned in the Prospectus *RMB million*	Revised allocation *RMB million*	Percentage of Total amount	Actual usage up to 31 December 2021 *RMB million*	Remaining balance as at 31 December 2021 *RMB million*	Expected timeline for fully utilizing the remaining proceeds
Expanding and improving the production facilities in PRC						
i) Set up the Huizhou New Production Base	155.0	155.0	20.9%	155.0	—	N/A
ii) Construct the Wuxi New Production Base	76.4	57.2	7.7%	57.2	—	N/A
iii) Construct a new electroplating production line	23.0	23.0	3.1%	23.0	—	N/A
iv) Invest in plastic injection equipment	11.9	11.9	1.6%	11.9	—	N/A
Constructing the new production base in Mexico and investing in production facilities and equipment	298.1	389.0	52.5%	326.3	62.7	By end of 2022
Reinforcing the market position and enhancing the sales, increasing the direct exposure in the mid-to-high end automobile manufacturing segment and market shares in North America and Europe	40.0	1.3	0.1%	1.3	—	N/A
Enhancing the product quality, product safety and R&D capabilities	42.3	42.3	5.7%	42.3	—	N/A
Enhancing the information technology and customer services systems	35.6	2.6	0.4%	2.6	—	N/A
Working capital and general corporate purposes	59.2	59.2	8.0%	59.2	—	N/A
Total	741.5	741.5	100.0%	678.8	62.7	

Dividend

The Board recommends the payment of a final dividend of RMB1.83 cents per ordinary share for the year ended 31 December 2021, together with the interim dividend of RMB4.54 cents per ordinary Share paid, the effective dividend payout ratio was 30%, when calculating against the net profit of RMB213.0 million for the year ended 31 December 2021.

EMPLOYEES

As at 31 December 2021, the Group had 5,851 employees (31 December 2020: 5,516 employees) 4,647, 6, 18, 27, 1,153 staff members in China, Hong Kong, the United States, Germany and Mexico, respectively. The remuneration and staff cost for FY2021 were approximately RMB622.5 million (FY2020: RMB521.5 million).

The salaries of the Group's employees largely depend on their type and level of work as well as their length of service with the Company. They receive social welfare benefits and other benefits including social insurance. As required by the relevant laws and regulations of social insurance, the Company participates in the social insurance schemes operated by the relevant local government authorities which include retirement pension, medical insurance, unemployment insurance, industrial injuries insurance and maternity insurance in the countries the Company 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 Company reviews and determines the remuneration and compensation packages of the Directors and senior management of the Company with reference to salaries paid by comparable companies, time commitment and responsibilities of the Directors and senior management of the Company and performance of the Group.

DEVELOPMENT & TRAINING

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

CAPITAL STRUCTURE

As at 31 December 2021, the Company's issued share capital was approximately RMB87.5 million, equivalent to HK$100.0 million and divided into 1,002,905,000 Shares of HK$0.1 each (31 December 2020: RMB87.5 million).

SHARE OPTION SCHEME

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

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

No options were granted during FY2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the listed securities of the Company.

SIGNIFICANT INVESTMENTS HELD

As at 31 December 2021, the Group had equity investments of 25,789,000 shares in Wanka and these shares were accounted for as "Financial assets at fair value through other comprehensive income". For details, please refer to the Company's announcements dated 7 January 2020 and 20 January 2020.

(a) Implication on Profit or Loss for FY2020

Dividend income (if any), other investment income and relevant finance costs of holding listed equity investments at FVTOCI were recognised in profit or loss for the year. During FY2021, no dividend income was recorded from holding of 25,789,000 shares of Wanka. Hence no income or expense from the Financial Assets at FVTOCI was being recorded (FY2020: Nil)

(b) Implication on Other Comprehensive Expenses for FY2020

During FY2021, the share price of Wanka had dropped to HK$0.50 per share as at the close of market on 31 December 2021 (being the last trading day for the FY2021), hence an unrealised loss on fair value changes of the Financial Assets at FVTOCI of approximately RMB0.2 million (FY2020: RMB30.2 million) was recognised as other comprehensive expenses. Unrealised fair value change is a non-cash item and will not affect the cash flow of the Group.

The table below summarises the performance of 25,789,000 shares of Wanka during FY2021:

	Recorded in consolidated statement of financial position			Recorded in consolidated statement of comprehensive income	
	Number of shares	**Price (per share)**	**Financial assets measured at fair value through other comprehensive income**	**Financial assets measured at fair value through other comprehensive income reserve**	**Other comprehensive loss for the year**
		HK$	***RMB'000***	***RMB'000***	***RMB'000***
As at 1 January 2021	25,789,000	0.51	13,179	(30,187)	—
Unrealised fair value changes	—		(214)	(214)	(214)
Exchange realignment	—		(2,445)	—	—
As at 31 December 2021	25,789,000	0.50	10,520	(30,401)	(214)
Percentage to total assets					
As at 31 December 2021			0.3%		
As at 31 December 2020			0.4%		

MATERIAL LITIGATION AND ARBITRATION

The Group was not engaged in any litigation or arbitration of material importance during FY2021.

PROPOSED FINAL DIVIDEND

The Board has recommended the payment of a final dividend of RMB1.83 cents per ordinary share for the year ended 31 December 2021 to the shareholders whose names appear on the register of members of the Company on 14 June 2022 (the "**Proposed Final Dividend**"). Subject to the approval of the Company's shareholders at the Company's forthcoming annual general meeting to be held on 30 May 2022 (the "**2022 AGM**"), the Proposed Final Dividend is expected to be paid on or around 8 July 2022.

CLOSURE OF REGISTER OF MEMBERS FOR 2022 AGM

For the purpose of determining the rights to attend and vote at the 2022 AGM, the register of members of the Company will be closed from 25 May 2022 to 30 May 2022 (both days inclusive), during which period no transfer of shares of the Company will be effected. In order to be entitled to attend and vote at the 2022 AGM, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar 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 24 May 2022.

CLOSURE OF REGISTER OF MEMBERS FOR PROPOSED FINAL DIVIDEND

The payment of the Proposed Final Dividend is subject to the approval of the shareholders at the 2022 AGM. For the purpose of determining the entitlement to the Proposed Final Dividend, the register of members of the Company will be closed from 9 June 2022 to 14 June 2022 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be entitled to the Proposed Final Dividend, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar 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 8 June 2022.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Board, as at the date hereof, the Company has maintained the public float as required by the Listing Rules up to the date of this announcement.

CORPORATE GOVERNANCE

The Board monitored the corporate governance practices of the Company throughout the year ended 31 December 2021.

The Company recognizes the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the shareholders as a whole. The Board is of the view that the Company has met the code provisions set out in Part 2 of the Corporate Governance Code (the "**Governance Code**") contained in Appendix 14 to the Listing Rules for the year ended 31 December 2021.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Upon specific enquiry, all Directors of the Company confirmed that they have complied with the Model Code for the year ended 31 December 2021. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group for the year ended 31 December 2021.

AUDIT COMMITTEE

The Board of Company has established an Audit Committee in compliance with Rule 3.21 of the Listing Rules. The Audit Committee has reviewed the consolidated financial statements of the Group for the year ended 31 December 2021, including accounting principles and policies adopted by the Group, and discussed internal controls and financial reporting matters.

The Audit Committee has also reviewed the remuneration and independence of the auditor of the Company, Ernst & Young, Certified Public Accountants of Hong Kong ("**Ernst & Young**"), and recommended that the Board re-appoint Ernst & Young as the Company's auditors for FY2022, which is subject to the approval of the shareholders of the Company at the 2022 AGM.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in this preliminary announcement have been agreed by the Company's auditor, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Ernst & Young on the preliminary announcement.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.xinpoint.com. The 2021 annual report of the Company will be dispatched to the shareholders of the Company and published on the above-mentioned websites in due course.

APPRECIATION

The development of the Group has been blessed with the trust and support of its shareholders, investors and business partners. On behalf of the Board, I also extend my gratitude to all our staff for their hard work and dedication.

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

Hong Kong, 24 March 2022

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.