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 2018

FINANCIAL HIGHLIGHTS

- Revenue increased by approximately 9.2% to approximately RMB2,049.9 million (FY 2017: approximately RMB1,877.2 million).
- Gross profit decreased by approximately 3.7% to approximately RMB750.3 million (FY 2017: approximately RMB779.3 million).
- Profit attributable to owners of the Company increased by approximately 0.9% to approximately RMB394.8 million (FY2017: approximately RMB391.3 million).
- Proposed final dividend amounted to RMB0.1 per share.
- Capital expenditure increased by approximately 98.6% to approximately RMB488.5 million (FY 2017: approximately RMB246.0 million).
- Consolidated net asset value increased by approximately 14.8% to approximately RMB2,251.4 million (2017: approximately RMB1,960.4 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 2018 ("**FY 2018**"), together with the comparative figures for the year ended 31 December 2017 ("**FY 2017**") reviewed by the audit committee of the Company ("**Audit Committee**") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2018

	Notes	**2018**	2017
		RMB'000	*RMB'000*
REVENUE	4	**2,049,949**	1,877,155
Cost of sales		**(1,299,639)**	(1,097,904)
Gross profit		**750,310**	779,251
Other income and gains		**56,472**	42,083
Selling and distribution expenses		**(55,116)**	(37,456)
Administrative expenses		**(281,298)**	(274,882)
Finance costs		**(62)**	(260)
Share of profit of an associate		**1,329**	1,392
PROFIT BEFORE TAX	5	**471,635**	510,128
Income tax expense	6	**(76,811)**	(118,858)
PROFIT FOR THE YEAR		**394,824**	391,270
OTHER COMPREHENSIVE INCOME/(LOSS):			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**28,612**	(43,772)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**28,612**	(43,772)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**423,436**	347,498
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic and diluted	8	**RMB39 cents**	RMB44 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018	2017
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**964,237**	612,965
Prepaid land lease payments		**47,064**	40,204
Goodwill		**18,890**	—
Other intangible asset		**2,682**	—
Investment in an associate		**2,239**	1,510
Prepayments and other receivables		**137,979**	72,077
Deferred tax assets		**4,318**	10,890
Total non-current assets		**1,177,409**	737,646
CURRENT ASSETS			
Inventories		**499,203**	327,303
Trade and bills receivables	9	**565,742**	538,256
Prepayments and other receivables		**164,361**	120,042
Derivative financial instruments		**3,248**	3,750
Prepaid land lease payments		**1,082**	951
Cash and cash equivalents		**521,780**	812,108
Total current assets		**1,755,416**	1,802,410
CURRENT LIABILITIES			
Trade payables	10	**221,413**	193,506
Other payables and accruals		**247,528**	202,498
Interest-bearing bank and other borrowings		**3,066**	844
Tax payable		**204,998**	182,640
Total current liabilities		**677,005**	579,488
NET CURRENT ASSETS		**1,078,411**	1,222,922
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,255,820**	1,960,568

	2018	2017
	RMB'000	*RMB'000*
TOTAL ASSETS LESS CURRENT LIABILITIES	**2,255,820**	1,960,568
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**3,279**	—
Deferred tax liabilities	**1,171**	141
Total non-current liabilities	**4,450**	141
Net assets	**2,251,370**	1,960,427
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**87,485**	87,800
Reserves	**2,163,885**	1,872,627
Total equity	**2,251,370**	1,960,427

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. BASIS OF PREPARATION

The 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 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. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Except for the amendments to HKFRS 4 and *Annual Improvements 2014-2016 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) Amendments to HKFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The amendments have had no impact on the financial position or performance of the Group as the Group does not have any cash-settled share-based payment transactions and has no share-based payment transactions with net settlement features for withholding tax.

(b) HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

With the exception of hedge accounting, which the Group has applied prospectively, the Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

Classification and measurement

The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("ECLs").

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 January 2018 is as follows:

	HKAS 39 measurement					HKFRS 9 measurement	
	Category	Amount	Re-classification	ECL	Other	Amount	Category
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Financial assets							
Trade and bills receivables	L&R[1]	538,256	—	(769)	—	537,487	AC[2]
Financial assets included in prepayments and other receivables	L&R[1]	70,183	—	—	—	70,183	AC[2]
Cash and cash equivalents	L&R[1]	812,108	—	—	—	812,108	AC[2]
		1,420,547	—	(769)	—	1,419,778	
Financial liabilities							
Trade payables	AC[2]	193,506	—	—	—	193,506	AC[2]
Financial liabilities included in other payables and accruals	AC[2]	78,936	—	—	—	78,936	AC[2]
Interest-bearing bank and other borrowings	AC[2]	844	—	—	—	844	AC[2]
		273,286	—	—	—	273,286	

1 L&R: Loans and receivables

2 AC: Financial assets or financial liabilities at amortised cost

Impairment

The following table reconciles the aggregate opening impairment allowances under HKAS 39 to the ECL allowances under HKFRS 9.

	Impairment allowances under HKAS 39 at 31 December 2017	Re-measurement	ECL allowance under HKFRS 9 at 1 January 2018
	RMB'000	RMB'000	RMB'000
Trade and bills receivables	—	769	769

Impact on retained profits

The impact of transition to HKFRS 9 on retained profits is as follows:

	Retained profits
	RMB'000
Retained profits	
Balance as at 31 December 2017 under HKAS 39	1,156,240
Recognition of expected credit losses for trade and bills receivables under HKFRS 9	(769)
Balance as at 1 January 2018 under HKFRS 9	1,155,471

(c) HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

For the year ended 31 December 2018, the Group has concluded that the adoption of HKFRS 15 did not have a material impact on the timing of revenue recognition.

There was no financial impact of the transition to HKFRS 15 on the Group's accumulated losses at 1 January 2018. However, upon adoption of HKFRS 15, the Group recognised revenue-related contract liabilities for the unsatisfied performance obligation which were previously recognised as "Advances from customers" under "Other payables and accruals (current)". Accordingly, upon adoption of HKFRS 15, "Contract liabilities" were increased by RMB7,201,000 and "Advances from customers" included in "Other payables and accruals (current)" were decreased by RMB7,201,000 at the date of initial application of HKFRS 15 (1 January 2018).

(d) HK(IFRIC)-Int 22 provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. The interpretation has had no impact on the Group's financial statements as the Group's accounting policy for the determination of the exchange rate applied for initial recognition of non-monetary assets or non-monetary liabilities is consistent with the guidance provided in the interpretation.

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

	2018	2017
	RMB'000	*RMB'000*
China	**964,596**	888,911
North America	**549,399**	486,369
Europe	**469,235**	442,493
Other countries	**66,719**	59,382
	2,049,949	1,877,155

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

(b) Non-current assets

	2018	2017
	RMB'000	*RMB'000*
China	**977,750**	656,658
Other countries	**195,341**	70,098
	1,173,091	726,756

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

Information about a major customer

During the years ended 31 December 2018 and 2017, no revenue from any single customer accounted for 10% or more of the total revenue of the Group.

4. REVENUE

An analysis of revenue is as follows:

	2018	2017
	RMB'000	*RMB'000*
Revenue from contracts with customers	**2,049,949**	—
Sale of non-automotive components	**—**	17,549
Sale of automotive decorative components	**—**	1,859,606
	2,049,949	1,877,155

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2018

Segments	**Non-automotive components**	**Automotive components**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Type of goods			
Sale of goods	**9,736**	**2,040,213**	**2,049,949**
Total revenue from contracts with customers	**9,736**	**2,040,213**	**2,049,949**
Geographical markets			
China	**9,736**	**954,860**	**964,596**
North America	**—**	**549,399**	**549,399**
Europe	**—**	**469,235**	**469,235**
Other countries	**—**	**66,719**	**66,719**
Total revenue from contracts with customers	**9,736**	**2,040,213**	**2,049,949**
Timing of revenue recognition			
Goods transferred at a point in time	**9,736**	**2,040,213**	**2,049,949**
Total revenue from contracts with customers	**9,736**	**2,040,213**	**2,049,949**
Revenue from contracts with customers			
External customers	**9,736**	**2,040,213**	**2,049,949**
Total revenue from contracts with customers	**9,736**	**2,040,213**	**2,049,949**

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:

	2018
	RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	
Sale of goods	**7,201**

(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 90 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):

	2018	2017
	RMB'000	*RMB'000*
Cost of inventories sold	**1,299,639**	1,097,904
Depreciation	**101,440**	64,858
Amortisation of land lease payments	**1,061**	806
Amortisation of other intangible asset	**670**	—
Minimum lease payments under operating leases	**30,649**	19,939
Research and development costs	**56,298**	42,793
Fair value loss/(gain) on derivative financial instruments, net	**502**	(694)
Auditors' remuneration	**3,831**	3,354
Employee benefit expense (including directors' and chief executive's remuneration)		
Wages and salaries	**445,382**	359,770
Equity-settled share option expense	**2,704**	—
Pension scheme contributions	**67,380**	71,443
	515,466	431,213
Loss on disposal of items of property, plant and equipment, net	**453**	2,752
Foreign exchange differences, net	**(24,588)**	(9,504)
Impairment of goodwill	**—**	3,242

6 INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. For the Group's subsidiary established in the United States of America ("U.S."), income tax is calculated at the rate of 31.0% (2017: 34.0%). For the Group's subsidiary established in the Germany, income tax is calculated at the rate of 28.0% (2017: 28.0%). Tax on profits assessable in China has been calculated at the applicable China corporate income tax ("CIT") rate of 25%. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2018	2017
	RMB'000	*RMB'000*
Current – China		
Charge for the year	**55,060**	101,796
Overprovision in prior years	**(28,856)**	(18,473)
Current – Hong Kong	**34,610**	12,063
Current – Germany	**7,190**	12,540
Current – U.S.	**3,265**	11,555
Deferred	**5,542**	(623)
Total tax charge for the year	**76,811**	118,858

7. DIVIDENDS

	2018	2017
	RMB'000	*RMB'000*
Interim – RMB0.06 (2017: RMB0.05) per ordinary share	**60,858**	50,499
Final – RMB0.07 per share for 2017 (RMB110 per share for 2016)	**73,255**	100,000
	134,113	150,499

Final dividend of RMB0.1 per share amounting to approximately RMB100.3 million in respect of the year ended 31 December 2018 (2017: RMB0.07 per share amounting to approximately RMB73.3 million) 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 is calculated by dividing the profit attributable to the ordinary equity holders of the parent by the weighted average number of shares in issue, during the years ended 31 December 2018 and 2017.

	2018	2017
	RMB'000	*RMB'000*
Profit for the year and earnings for the purpose of basic and diluted earnings per share	**394,824**	391,270

	2018	2017
	Number of shares	Number of shares
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share	**1,006,132,833**	880,205,332

	Year ended 31 December	
	2018	2017
Earnings per share		
Basic and diluted	**RMB39 cents**	RMB44 cents

The weighted average number of ordinary shares used to calculate the basic earnings per share for the year ended 31 December 2017 included the weighted average of 250,000,000 and 6,487,000 ordinary shares issued in connection with the Company's initial public offering and over-allotment, respectively and the aforesaid 750,000,000 ordinary shares.

No adjustment has been made to the basic earnings per share amount for the years ended 31 December 2018 and 2017 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

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:

	2018	2017
	RMB'000	*RMB'000*
Within 1 month	**314,133**	387,492
1 to 2 months	**152,074**	98,773
2 to 3 months	**63,593**	31,463
Over 3 months	**35,942**	20,528
	565,742	538,256

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

10. TRADE PAYABLES

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

	2018	2017
	RMB'000	*RMB'000*
Within 1 month	**149,992**	144,378
1 to 2 months	**40,252**	25,423
2 to 3 months	**9,626**	10,605
Over 3 months	**21,543**	13,100
	221,413	193,506

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

11. EVENTS AFTER THE REPORTING PERIOD

There are no material subsequent events undertaken by the Company or by the Group after 31 December 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

The year 2018 was a tough year for the global auto industry, and several major auto markets experienced declines in sales. Passenger vehicle ("**PV**") demand in China dropped for the first time since the 1990s. Changes in regulations impacted auto markets in Europe. Also, fractious trade negotiations between the US and its key trading partners and political uncertainties in key vehicle producing countries and markets, as well as fluctuating crude oil and fuel prices contributed to the uncertainty in business outlook. Auto demand was weakened by political and economic uncertainty. China PV sales contracted by 4.1% to 23.7 million units in 2018. Growth in first quarter 2018 was completely offset by the macroeconomic slowdown and the ongoing Sino-US trade tensions in the second half of 2018 ("**2H 2018**"). In addition, the vehicle purchase tax cut in 2016-2017 had also frontloaded some of the auto demand in 2018. Some countries in Asia and Europe also posted weak auto sales due to economic slowdown. Trade tensions also weighed on consumer confidence and auto spending.

However, we still saw strong demand for premium auto in 2018, with most premium brands reporting sales growth in 2018, substantially outpacing the overall auto market. The strong performance is attributable to the ongoing upgrades made by customers, the greater local manufacturing rate of premium brands, and the strong model cycles of leading brands with more affordable entry level models. Considering the sustained demand for premium cars and the low penetration of premium cars in China compared to developed markets, we believe the premium brands will maintain strong momentum in 2019.

Business Overview

In 2018, there were many uncertainties in global economy. Downward pressure was high and this was reflected in the automotive consumption sector, which caused the growth in revenue of our business for FY2018 to be lower than expected. The total number of sales units increased from approximately 371.4 million in 2017 to 378.5 million in 2018, representing a growth of approximately 1.9%, while total revenue of the Group rose to approximately RMB2,049.9 million, representing an increase of approximately 9.2% as compared with the corresponding period of last year (2017: approximately RMB1,877.2 million). As our revenue increased less than that of our cost of sales increased for 2018, the Group's total gross profit decreased by approximately 3.7% from approximately RMB779.3 million in 2017 to approximately RMB750.3 million in 2018.

Electro-plating production capacity and utilization rate

As of 31 December 2018, the Group's production capacity reached 3.54 million sq.m., with a new production line commencing operation in mid-2018 at the Wuxi Production Bases, representing an increase of approximately 11.3% as compared with the last year's production capacity (2017: approximately 3.18 million sq.m.).

Notwithstanding that the Group's production capacity increased during FY2018, as per the Company's announcement dated 21 December 2018, the Wuxi Production Bases have been experiencing production disruptions since 2H 2018 as a result of Yangshi industrial park suspending its water treatment services to all existing tenants. Such disruptions and subsequent suspension resulted in negative impacts to our operations within the Wuxi area. The Group has decided to speed-up the processes of deploying the first production line in Changzhou city, Jiangsu Province in the PRC and we expect the new production line, with an annual capacity of approximately 700,000 sq.m., will commence operations in the second half of 2019 ("**2H 2019**"), which should ease the current operational difficulties faced by our Wuxi Production Bases.

In overseas market, our new production base in Mexico is under construction. The construction of the main building is close to completion and the first production facilities, with an annual production capacity of approximately 700,000 sq.m., are being installed. The Group expects that our new production base in Mexico will also commence its trial operation in 2H 2019. Together with our new 700,000 sq.m production line located in Changzhou, we expect that by the end of 2019, the total estimated annualized electro-plating production capacity for the Group will reach approximately 3.76 million sq.m., (excluding the production capacity located in Wuxi Production Bases of approximately one million sq.m.)

As affected by the production disruptions of the Wuxi Production Bases during 2H 2018, the average utilization rate of our electro-plating production capacity for FY2018 was approximately 70.4% (FY2017: 80.3%).

Production yield

Due to our Wuxi Production Bases experiencing production disruptions during 2H 2018, our overall production yield rate was affected and was approximately 87.6% for FY2018, approximately two percentage points lower than the average production yield rate of approximately 89.4% for FY2017.

Outlook and Order book

As discussed in the market overview section, those uncertainties from 2018 will inevitably spill over into the current year and the Group will remain cautious on our strategy of penetrating into the global market and global vehicle. As of 31 December 2018, the Group had total backlog orders of approximately RMB8.6 billion for the five years from 1 January 2019 to the end of 2023.

FINANCIAL REVIEW

Revenue

Although the global major auto markets experienced declines in sales, the Group's revenue still recorded an increase of approximately RMB172.7 million or approximately 9.2% from approximately RMB1,877.2 million for FY2017 to approximately RMB2,049.9 million for FY2018, as a result of increased sales of automotive decorative components for all regions. The total number of units of automotive decorative components sold in FY2018 increased by approximately 7.1 million units or only approximately 1.9% from the same period in FY2017, while the average selling price for automotive decorative components increased to approximately RMB5.41 per unit or approximately 6.1% increase when compared to FY2017.

The increase in the sales was mainly due to (i) a recorded growth of sales of the Group within the North America region. The revenue from the North American region increased by approximately RMB63.0 million or approximately 13.0% to approximately RMB549.4 million for FY2018 from approximately RMB486.4 million for FY2017; (ii) a modest growth in the revenue from the PRC market. The revenue within the PRC markets increased by approximately RMB75.7 million or approximately 8.5% to approximately RMB964.6 million for FY2018 from approximately RMB888.9 million for FY2017. The average unit selling price for the automotive decorative components sold in the PRC for FY2018 also increased by approximately RMB0.24 per unit or approximately 6.0% from the same period in FY2017; and (iii) the increase in quantity sold in the European market by 3.7 million units or 7.1% for FY2017.

Revenue by geographic segment:

	FY2018		FY2017	
	RMB'000	*%*	*RMB'000*	*%*
China	**964,596**	**47.1%**	888,911	47.4%
North America	**549,399**	**26.8%**	486,369	25.9%
Europe	**469,235**	**22.9%**	442,493	23.6%
Others	**66,719**	**3.2%**	59,382	3.1%
	2,049,949	**100%**	1,877,155	100%

Cost of sales

	FY 2018		FY 2017	
	RMB'000	*%*	*RMB'000*	*%*
Direct materials	**397,431**	**30.6%**	345,848	31.5%
Staff costs	**359,575**	**27.7%**	282,906	25.8%
Overheads	**542,633**	**41.7%**	469,150	42.7%
– Depreciation	**55,893**	**4.3%**	47,461	4.3%
– Processing fees	**77,375**	**6.0%**	88,131	8.0%
– Consumables	**85,480**	**6.6%**	68,813	6.3%
– Mold cost	**86,928**	**6.7%**	67,532	6.2%
– Utilities	**97,879**	**7.5%**	81,907	7.5%
– Shipping and delivery	**57,487**	**4.4%**	44,141	4.0%
– Others	**81,591**	**6.2%**	71,165	6.4%
	1,299,639	**100.0%**	1,097,904	100.0%

Cost of sales increased by approximately RMB201.7 million or approximately 18.4% to approximately RMB1,299.6 million for FY2018 from approximately RMB1,097.9 million for FY2018. The growth in the Group's cost of sales was higher than the growth in the Group's revenue in FY2018.

This was mainly due to (i) production disruptions experienced by Wuxi Production Bases since 2H 2018 which resulted in a drop in our overall product yield rates, lowering our operating efficiencies and increasing our direct material costs; (ii) despite two new factory facilities and one electroplating production line coming into operation in FY2018 with new machineries and additional staff, as previously discussed, the revenue and orders were lower than expected due to the overall market conditions, resulting in higher growth in cost of sales when compared with the growth in revenue; and (iii) the increase in staff costs of approximately RMB76.7 million or approximately 27.1% as a result of increase in number of front-line staff and their compensation levels.

Gross profit

Although the Group reported a rise in revenue, a deterioration in overall gross profit was noted in FY2018, with revenue climbing to RMB2,049.9 million (+9.2% year-on-year) and gross profit declining to RMB750.3 million (-3.7% year-on-year). The decline in gross profit margin was mainly due to an increase in cost of sales resulting from lowered yield rates and lower utilization of our facilities caused by the production disruptions faced by the Wuxi Production Bases in 2H 2018, together with the additional labour and operating costs for our new operating facilities during their ramp-up period which led to a decline in gross profit.

Other income and gains

Other income and gains mainly represented bank interest income, income from sale of scraps, testing fee income and foreign exchange gain.

Selling and distribution expenses

Selling and distribution expenses increased by approximately RMB17.7 million or approximately 47.1% to approximately RMB55.1 million for FY2018 from approximately RMB37.5 million for FY2017. The increase was primarily due to the continuous increase in sales related staff costs as a result of the increase in number of sales related staff and their compensation level, as well as their relevant travelling expenses to cope with our business growth.

Administrative expenses

The table below summarises the components of administrative expenses:

	FY 2018		FY 2017	
	RMB'000	***%***	*RMB'000*	*%*
Staff costs	**135,737**	**48.2%**	138,292	50.3%
Research and development expenses	**56,298**	**20.0%**	42,793	15.6%
Listing expenses	**—**	**0.0%**	17,794	6.5%
Travel and transportation expenses	**8,220**	**2.9%**	14,990	5.5%
Depreciation and amortisation	**15,206**	**5.4%**	12,539	4.6%
Office supplies	**14,917**	**5.3%**	10,172	3.7%
Legal and Professional fees	**13,328**	**4.7%**	5,275	1.9%
Rental expenses	**7,496**	**2.7%**	4,161	1.5%
Stamp duties and local government surcharges	**5,232**	**1.9%**	3,984	1.4%
Equity-settled share option expense	**2,704**	**1.0%**	—	0.0%
Goodwill Impairment	**—**	**0.0%**	3,242	1.2%
Loss on disposal of property, plant and equipment	**453**	**0.2%**	2,752	1.0%
Insurance	**2,231**	**0.8%**	2,285	0.8%
Business development expenses	**1,902**	**0.7%**	1,996	0.7%
Others	**17,574**	**6.2%**	14,607	5.3%
	281,298	**100.0%**	274,882	100.0%

Administrative expenses increased by approximately RMB6.4 million or approximately 2.3% to approximately RMB281.3 million for FY 2018 from approximately RMB274.9 million for FY 2017.

The increase in administrative expenses is a result of (i) the continuous increase in R&D expenses of approximately RMB13.5 million in relation to new models and new surface treatment technologies in order to cope with the market advancements; (ii) the increase in legal and professional fees of approximately RMB8.1 million due to the engagements of various professional advisors and consultants to meet with the local and overseas compliance requirements and the additional professional fees incurred for the construction of our new production base in Mexico; (iii) the share-based payments of approximately RMB2.7 million (FY2017: Nil) due to the recognition of the fair values of those share options granted to the employees of the Group under the share option scheme during the year; and (iv) no further listing expenses recorded for FY2018 (FY2017: RMB17.8 million).

Net profit attributable to owners of the Company

Net profit attributable to owners of the Company increased by approximately 0.9% from approximately RMB391.3 million in FY2017 to approximately RMB394.8 million in FY2018. This was primarily due to the followings:

(i) lower-than-expected growth in revenue recorded for FY2018, an approximate growth rate of 9.2% in our sales of automotive decorative components as compared to FY 2017 or a revenue growth of approximately RMB1,877.2 million for FY2017 to approximately RMB2,049.9 million for FY 2018;

(ii) a decrease in gross profit from approximately RMB779.3 million for FY2017 to approximately RMB750.3 million or approximately 3.7% decrease for FY2018 due to production disruptions and ramp-ups for the new operating facilities;

(iii) the increase of sales and distribution expenses during FY2018;

(iv) the increase in administrative expenses, partly due to the increase in R&D expenditures to cope with increased demands for processing technology from our customers and the increase of legal and professional fees for compliance purposes; and

(v) the decrease in the effective tax rate to 16.3% (FY2017: 23.3%) for FY2018 was due to the overprovisions written-back from pervious financial years.

Basic earnings per share attributable to owners of the Company for 2018 was approximately RMB39 cents (FY2017: approximately RMB44 cents). The Group had a higher EPS figures for FY2017 as the weighted average outstanding share number was lower when compared to the figures for FY 2018, as most of shares were issued upon the initial public offering by end of June 2017.

Liquidity and financial resources

For FY2018, the Group's net cash inflow from operating activities amounted to approximately RMB348.1 million, as compared to approximately RMB366.0 million in FY2017.

The bank borrowings of RMB6.1 million as at 31 December 2018 relates to the German tool company consolidated into the Group's financial statements during FY 2018. The Group had a finance lease payable of approximately RMB0.2 million as at 31 December 2018 (31 December 2017: RMB0.8 million).

As at 31 December 2018, the gearing ratio, being total bank borrowings divided by total equity was 0.28% (31 December 2017: 0.04%).

The annual interest rate of bank and other borrowings during FY2018 was 1.2% to 6.5% (FY2017: 7.0%).

Commitments

As at 31 December 2018, the Group had the following commitments:

	RMB'000
Capital commitments	105,872
Capital expenditure contracted but not provided for in the consolidated financial statements in respect of:	
Acquisition of property, plant and equipment	105,872

Interest Rate and Foreign Exchange Risks

As at 31 December 2018, the balance of bank borrowings of the Group was approximately RMB6.3 million, of which RMB4.7 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 2018, the Group's cash and cash equivalents denominated in currencies other than the functional currencies amounted to approximately RMB483.3 million of which approximately RMB459.1 million was denominated in USD, approximately RMB9.9 million was denominated in EUR, approximately RMB8.2 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 foreign exchange risk and closely monitored the foreign exchange exposure and adjusted the control strategy.

Contingent Liabilities

As at 31 December 2018, the Group had no contingent liabilities (31 December 2017: Nil).

Mortgaged Assets

One of the Group's subsidiary in Germany pledged its machinery with a net book value of approximately RMB7.0 million to secure general banking facilities (31 December 2017: the Group's freehold lands and buildings with a net book value of approximately RMB8.5 million and RMB6.6 million were pledged to secure general banking facilities granted to the Group and such pledge was released in FY2018).

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 FY2018, the Group's capital expenditure amounted to approximately RMB488.5 million (FY2017: approximately RMB246.0 million). The capital expenditure for FY2018 included the increase of investments in our new factory located in Mexico, plastic injection and electroplating production capacity expansion according to the Group's plan.

Use of proceeds from the listing of the Company on the Main Board of the Stock Exchange of Hong Kong Limited on 28 June 2017

The net proceeds from the listing of the Company on the Main Board of the Stock Exchange of Hong Kong Limited on 28 June 2017 amounted to approximately HK$855.0 million (equivalent to approximately RMB741.5 million). Such proceeds are intended to be applied in accordance with the proposed applications as set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 16 June 2017.

As at 31 December 2018, the net proceeds were applied as follows:

	Percentage of total amount	Net proceeds from the Company's IPO *RMB million*	Amount Utilized *RMB million*	Amount un-utilized *RMB million*
Purpose				
Expanding and improving the production facilities in the PRC:				
i) Set up the Huizhou New Production Base	20.9%	155.0	155.0	—
ii) Construct the Wuxi New Production Base	10.3%	76.4	51.9	24.5
iii) Construct a new electroplating production line	3.1%	23.0	23.0	—
iv) Invest in plastic injection equipment	1.6%	11.9	11.9	—
Constructing the new production base in Mexico and investing in production facilities and equipment	40.2%	298.1	172.2	125.9
Reinforcing the market position and enhancing the sales, increasing the direct exposure in the mid-to-high end automobile manufacturing segment and market shares in North America and Europe	5.4%	40.0	1.3	38.7
Enhancing the product quality, product safety and R&D capabilities	5.7%	42.3	16.6	25.7
Enhancing-the information technology and customer services systems	4.8%	35.6	2.5	33.1
Working capital and general corporate purposes	8.0%	59.2	59.2	—
Total	100.0%	741.5	493.6	247.9

Dividend

The Board recommends the payment of a final dividend of RMB0.1 per ordinary share for the year ended 31 December 2018, together with the interim dividend of RMB6 cents per ordinary share paid, the effective dividend payout ratio was 40.7%, when calculating against the net profit of RMB394.8 million for the year ended 31 December 2018.

EMPLOYEES

As at 31 December 2018, the Group had 5,554 employees (31 December 2017: 4,683 employees). There were 5,473, 3, 16, 40, 22 staff members in China, Hong Kong, the United States, Germany and Mexico, respectively as at 31 December 2018. The remuneration and staff cost for FY2018 were approximately RMB445.4 million (FY2017: RMB359.8 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 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 that the employees are aware and familiarize themselves with the Group's values and goals and to ensure the employees understand their roles in the Group. Employees are encouraged to attend seminars relevant to their position to enhance their performance within the Group.

CAPITAL STRUCTURE

As at 31 December 2018, 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 2017: RMB87.8 million, equivalent to HK$100.6 million and divided into 1,006,487,000 Shares of HK$0.1 each).

SHARE OPTION SCHEME

A share option scheme (the "**2017 Share Option Scheme**") was adopted by written resolutions passed by the then Shareholders on 5 June 2017. Under the 2017 Share Option Scheme, the Directors may grant options to subscribe for the shares of the Company ("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 has offered to grant Share Options to a group of eligible grantees (the "**Grantees**"), subject to acceptance of 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 Listing Rules and with reference to the average closing prices as stated in the daily quotation sheet of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") for the five trading days immediately preceding 14 August 2018 (i.e. the date of grant). The Directors considered that the grant of such Share Options would not lead to any material adverse impact on the financial conditions of the Group. Further details of the grant of Share Options mentioned above were set out in the Company's announcement dated 14 August 2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2018, the Company repurchased a total of 3,582,000 shares on the Stock Exchange for enhancing its net asset value and earnings per share respectively. All 3,582,000 repurchased shares were cancelled during the year. Details of the repurchase of shares are as follows:

Month of repurchase during the year ended 31 December 2018	Number of shares repurchased	Unit Price Highest HK$	Unit Price Lowest HK$	Total consideration (excluding expenses) HK$'000
November	2,782,000	3.00	2.72	8,177,040
December	800,000	3.10	2.95	2,447,420
	3,582,000			10,624,460

Except as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the listed securities of the Company during the year ended 31 December 2018.

MATERIAL LITIGATION AND ARBITRATION

The Group is not engaged in any litigation or arbitration of material importance during FY2018.

PROPOSED FINAL DIVIDEND

The Board has recommended the payment of a final dividend of RMB0.1 per ordinary share for the year ended 31 December 2018 (the "**Proposed Final Dividend**") to the shareholders whose names appear on the register of members of the Company on 17 June 2019. Subject to the approval of the Company's shareholders at the Company's forthcoming annual general meeting to be held on 4 June 2019 (the "**2019 AGM**"), the Proposed Final Dividend is expected to be paid on or around 8 July 2019.

CLOSURE OF REGISTER OF MEMBERS FOR 2019 AGM

For the purpose of determining the rights to attend and vote at the 2019 AGM, the register of members of the Company will be closed from 30 May 2019 to 4 June 2019 (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 2019 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 29 May 2019.

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 2019 AGM. For the purpose of determining the entitlement to the Proposed Final Dividend, the register of members of the Company will be closed from 12 June 2019 to 17 June 2019 (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 11 June 2019.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Board, the Company has maintained a sufficient public float as required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as at the date of this announcement.

CORPORATE GOVERNANCE

The Board monitored the corporate governance practices of the Company throughout the year ended 31 December 2018.

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 the Corporate Governance Code and Corporate Governance Report (the "**Governance Code**") contained in Appendix 14 to the Listing Rules for the year ended 31 December 2018.

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 2018. 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 2018.

AUDIT COMMITTEE

The Board of Company has established the 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 2018, 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 auditors 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 2019, which is subject to the approval of the shareholders of the Company at the 2019 AGM.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's results for the year ended 31 December 2018 as set out in the preliminary announcement have been agreed by the Group's independent auditor, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standard on Review Engagements or Hong Kong Standards on Assurance Engagements issued by Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by Ernst & Young on the preliminary announcement of results.

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 2018 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

On behalf of the Board, I would like to thank all our colleagues for their diligence, dedication, loyalty and integrity. I would also like to thank all our shareholders, customers, bankers and other business associates for their trust and support.

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

Hong Kong, 25 March 2019

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.