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Xin Point Holdings Limited

信邦控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1571)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue	1,022,469	972,983
Profit attributable to owners of the parent	51,467	198,329
Basic and diluted earnings	RMB5 cents per share	RMB20 cents per share
Interim dividend	RMB3.08 cents per share	RMB6 cents per share
	As at 30 June 2019	As at 31 December 2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Property, plant and equipment	1,040,363	964,237
Cash and cash equivalents	502,890	521,780
Working capital (Current assets less current liabilities)	1,041,401	1,078,411

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Xin Point Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2019 (the “**Period**” or “**1H 2019**”) together with selected explanatory notes and the relevant comparative figures.

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June	
	Notes	2019	2018
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
REVENUE	3	1,022,469	972,983
Cost of sales		(763,892)	(594,295)
Gross profit		258,577	378,688
Other income and gains		16,904	28,261
Selling and distribution expenses		(31,577)	(26,362)
Administrative expenses		(180,052)	(139,297)
Finance costs		(2,021)	(13)
Share of profit of an associate		679	704
PROFIT BEFORE TAX	4	62,510	241,981
Income tax expense	5	(11,046)	(43,652)
PROFIT FOR THE PERIOD		51,464	198,329
Attributable to:			
Owners of the parent		51,467	198,329
Non-controlling interests		(3)	—
		51,464	198,329
OTHER COMPREHENSIVE (LOSS)/INCOME:			
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		(3,852)	11,679
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD		(3,852)	11,679
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		47,612	210,008
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	7	RMB5 cents	RMB20 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 <i>RMB'000</i> <i>(Audited)</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		1,040,363	964,237
Right-of-use assets	2	127,731	—
Prepaid land lease payments		—	47,064
Goodwill		18,890	18,890
Other intangible asset		2,347	2,682
Investment in an associate		3,811	2,239
Prepayments, deposits and other receivables		114,793	137,979
Deferred tax assets		5,845	4,318
Total non-current assets		1,313,780	1,177,409
CURRENT ASSETS			
Inventories		432,195	499,203
Trade and bills receivables	8	571,313	565,742
Prepayments, deposits and other receivables		179,809	164,361
Derivative financial instruments		3,785	3,248
Prepaid land lease payments		—	1,082
Cash and cash equivalents		502,890	521,780
Total current assets		1,689,992	1,755,416
CURRENT LIABILITIES			
Trade payables	9	160,823	221,413
Other payables and accruals	10	238,501	247,528
Interest-bearing bank and other borrowings		1,533	3,066
Lease liabilities	2	45,469	—
Tax payable		202,265	204,998
Total current liabilities		648,591	677,005
NET CURRENT ASSETS		1,041,401	1,078,411
TOTAL ASSETS LESS CURRENT LIABILITIES		2,355,181	2,255,820

		As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
	<i>Notes</i>		
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		6,111	3,279
Deferred tax liabilities		1,158	1,171
Lease liabilities	2	45,460	—
Total non-current liabilities		52,729	4,450
Net assets		2,302,452	2,251,370
EQUITY			
Equity attributable to owners of the parent			
Share capital		87,485	87,485
Reserves		2,214,882	2,163,885
		2,302,367	2,251,370
Non-controlling interests		85	—
Total equity		2,302,452	2,251,370

NOTES TO INTERIM FINANCIAL INFORMATION

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s consolidated financial statements for the year ended 31 December 2018.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) effective as of 1 January 2019.

Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i>
HKFRS 16	<i>Leases</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interest in Associates and Joint Ventures</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements 2015-2017 Cycle</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 *Leases*, Amendments to HKAS 28 *Long-term Interests in Associates and Joint Ventures* and HK(IFRIC)-Int 23 *Uncertainty over Income Tax Treatments*, the new and revised standards are not relevant to the preparation of the Group’s interim condensed consolidated financial information. The nature and impact of the applicable new and revised HKFRSs are described below:

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

- (a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases - Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of properties. As a lessee, the Group previously classified leases as operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments and discounted using the incremental borrowing rate at 1 January 2019.

The right-of-use assets for most leases were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

Impacts on transition (continued)

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	Increase/ (decrease) RMB'000 (Unaudited)
Assets	
Increase in right-of-use assets	121,742
Decrease in prepaid land lease payments	(48,146)
Increase in total assets	<u>73,596</u>
Liabilities	
Increase in lease liabilities	73,596
Increase in total liabilities	<u>73,596</u>

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	RMB'000 (Unaudited)
Operating lease commitments as at 31 December 2018	87,082
Weighted average incremental borrowing rate as at 1 January 2019	3.1%
Discounted operating lease commitments as at 1 January 2019	80,186
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	(6,590)
Lease liabilities as at 1 January 2019	<u>73,596</u>

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities and the movement during the period are as follows:

	Right-of-use assets			
	Land lease			Lease
	payments	Buildings	Total	liabilities
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2019	48,146	73,596	121,742	73,596
Additions	—	30,427	30,427	22,572
Depreciation charge	(596)	(23,842)	(24,438)	—
Interest expense	—	—	—	1,944
Payments	—	—	—	(7,183)
As at 30 June 2019	<u>47,550</u>	<u>80,181</u>	<u>127,731</u>	<u>90,929</u>

The Group recognised rental expenses from short-term leases of RMB6,590,000 for the six months ended 30 June 2019.

- (b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continue to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the Group's interim condensed consolidated financial information.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

- (c) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as “uncertain tax positions”). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group’s tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any significant impact on the Group’s interim condensed consolidated financial information.

3. REVENUE

An analysis of revenue is as follows:

	Six months ended 30 June	
	2019	2018
	<i>RMB’000</i>	<i>RMB’000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<i>Revenue from contracts with customers</i>		
Sale of automotive decorative components	1,019,457	968,589
Sale of non-automotive components	3,012	4,394
	<u>1,022,469</u>	<u>972,983</u>

3. REVENUE (continued)

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2019

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

3. REVENUE (continued)

For the six months ended 30 June 2018

<u>Segments</u>	Non- automotive components <i>RMB'000</i> <i>(Unaudited)</i>	Automotive components <i>RMB'000</i> <i>(Unaudited)</i>	Total <i>RMB'000</i> <i>(Unaudited)</i>
Type of goods			
Sale of goods	4,394	968,589	972,983
Total revenue from contracts with customers	<u>4,394</u>	<u>968,589</u>	<u>972,983</u>
Geographical markets			
China	4,394	450,390	454,784
North America	—	256,967	256,967
Europe	—	230,377	230,377
Other countries	—	30,855	30,855
Total revenue from contracts with customers	<u>4,394</u>	<u>968,589</u>	<u>972,983</u>
Timing of revenue recognition			
Goods transferred at a point in time	4,394	968,589	972,983
Total revenue from contracts with customers	<u>4,394</u>	<u>968,589</u>	<u>972,983</u>
Revenue from contracts with customers			
External customers	4,394	968,589	972,983
Total revenue from contracts with customers	<u>4,394</u>	<u>968,589</u>	<u>972,983</u>

4. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	763,892	594,295
Depreciation of property, plant and equipment	60,635	34,046
Depreciation of right-of-use assets	24,438	—
Amortisation of land lease payments	—	524
Amortisation of other intangible asset	335	—
Fair value gain on derivative financial instruments, net	(458)	(417)
Loss on disposal of items of property, plant and equipment, net	—	151
Foreign exchange differences, net	8,155	(7,320)
Equity-settled share option expense	3,470	—

5. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. For the Group's subsidiary established in the United States of America ("US"), income tax is calculated at the rate of 31.0% (six months ended 30 June 2018: 27.0%). For the Group's subsidiary established in the Germany, income tax is calculated at the rate of 28.0% (six months ended 30 June 2018: 28.0%). Tax on profits assessable in Mainland China has been calculated at the applicable Mainland China corporate income tax ("CIT") rate of 25% (six months ended 30 June 2018: 25%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Current – China		
Charge for the year	11,290	29,866
Overprovision in prior years	(17,862)	(14,428)
Current – Hong Kong	14,417	14,021
Current – Germany	2,380	4,415
Current – US	2,361	4,636
Deferred tax	(1,540)	5,142
Total tax charge for the Period	11,046	43,652

6. INTERIM DIVIDEND

The Board has resolved that an interim dividend of RMB0.0308 (six months ended 30 June 2018: RMB0.06) per share amounting to approximately RMB30,889,000 in aggregate, for six months ended 30 June 2019 shall be paid to the shareholders of the Company whose names appeared on the register of members on 8 October 2019.

7. 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 six months ended 30 June 2019 and 2018.

	Six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Profit for the period and earnings for the purpose of basic and diluted earnings per share	<u>51,464</u>	<u>198,329</u>
	Number of shares	Number of shares
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculation	<u>1,002,905,000</u>	<u>1,006,487,000</u>
	Six months ended 30 June	
	2019	2018
	<i>RMB</i>	<i>RMB</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Earnings per share		
Basic and diluted	<u>5 cents</u>	<u>20 cents</u>

No adjustment has been made to the basic earnings per share amount for the periods ended 30 June 2019 and 2018 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those periods.

8. TRADE AND BILLS RECEIVABLES

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

	30 June	31 December
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Trade receivables:		
Within 1 month	328,481	314,133
1 to 2 months	111,450	152,074
Over 2 months	131,382	99,535
	571,313	565,742

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.

9. TRADE PAYABLES

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

	30 June	31 December
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Trade payables:		
Within 1 month	108,054	149,992
1 to 2 months	20,459	40,252
2 to 3 months	10,205	9,626
Over 3 months	22,105	21,543
	<u>160,823</u>	<u>221,413</u>

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

10. OTHER PAYABLES AND ACCRUALS

	30 June	31 December
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Other payables	45,319	54,822
Accruals	183,964	192,706
Receipts in advance	9,218	—
	<u>238,501</u>	<u>247,528</u>

Other payables are non-interest bearing and have an average term of three months.

11. EVENTS AFTER THE REPORTING PERIOD

There are no material subsequent events undertaken by the Company or by the Group after 30 June 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

The global vehicle market was flat in 2018 and the global passenger vehicle market continues to face challenges in 2019. China's car market declined following a combination of regulatory tightening and an increase in trade tensions with the US which sapped confidence among investors. The European economy lost more momentum than was expected with some hangover from the disruption to car production in Germany caused by the introduction of new emission standards. The US vehicle market this year has seen considerable volatility.

As the year 2019 progresses, the global downturn in automobile sales has become a confirmed reality. Forecasts for 2019 is down from positive forecasts in 2018. This trend can be explained to a degree by the global economic slowdown, of which certain variability reflects different countries' responses to the economic downturn.

On-again, off-again trade tensions are taking a toll on business and consumer confidence and are dampening growth prospects. This creates additional uncertainty around the outlook for auto sales for the remainder of the year, not only via consumer wealth effects, but also through interest rate channels, tariff impacts on prices, and exchange rate effects.

Chinese passenger vehicle sales continued to disappoint. 1H 2019 witnessed a 14% drop year-to-year, representing the nine months of double-digit declines over the last three quarters. Escalating trade tensions with the US have been a major factor contributing to the decline, dampening business and consumer confidence, although a slowing economy also weighs on auto sales.

Business Review

The Group's business experienced minor growth in 1H 2019. The total sales unit grew slightly from approximately 182.6 million units in 1H 2018 to 183.2 million units in 1H 2019, representing a minimal growth of approximately 0.3%, while total revenue of the Group's revenue grew slightly to approximately RMB1,022.5 million, representing an increase of approximately 5.1% when compared with the corresponding period of last year (1H 2018: approximately RMB973.0 million). In 1H 2019, the Group faced difficult times and experienced declining revenue from the local Chinese market for the first time. The Group recorded a negative growth of 8.1% in relation to the revenue generated from China or a decline of 7.7% in units sold to our local Chinese customers.

The Company issued a profit warning in June 2019 and stated that growth of the Group's revenue within China region continued to deteriorate and the fact that revenue increased at a proportion less than cost of sales increases for 1H 2019, as a result, the Group's total gross profit decreased by approximately 31.7% from approximately RMB378.7 million for 1H 2018 to approximately RMB258.6 million for 1H 2019.

Electro-plating production capacity and utilization rate

In 1H 2019, there was no new production line came into operation and our annualized electro-plating production capacity remained the same at approximately 3.54 million sq.m when compared to the capacity by the financial year ended 31 December 2018 (“FY 2018”).

In December 2018, the Group announced that there were production disruptions experienced by the Wuxi Production Bases, hence, the average utilisation rate of our electro-plating production facilities located in the Wuxi Production Bases for 1H 2019 was approximately 28.9%. (1H 2018: 67.0%).

In July 2019, the Yangshi Industrial Park has resumed its water treatment services and the Group is expecting the Wuxi Production Bases will soon return to its normal operating capability. On the other hand, the Group decided to speed up the processes of deploying the first production line in Changzhou city, Jiangsu Province in the PRC. This new production line, with an annual capacity of approximately 700,000 sq.m., has commenced its trial operations in July 2019 and the Group expects that the deployment shall also ease the operational difficulties faced by our Wuxi Production Bases.

Our first overseas new production base in Mexico has also commenced its trial operations by end of August 2019 with an annual production capacity of approximately 700,000 sq.m. as planned.

The average utilisation rate of our electro-plating production capacity (excluding the Wuxi Production Bases) for 1H 2019 was approximately 83.8% when compared with the rate of 77.7% for 1H 2018 (excluding the Wuxi Production Bases).

Production yield

The Group's average production yield rate was approximately 88.0% for 1H 2019, which showed, no material changes when compared with the average production yield rate of approximately 87.6% for FY 2018.

Order book

Our order book remains healthy and we have secured orders on hand to propel our expansion in the next few years. We will keep up with our continual efforts to penetrate into the global market and global models. As at 30 June 2019, the Group had total backlog orders of approximately RMB8.6 billion for the next 4.5 years up to the end of 2023.

Outlook

The global automotive industry is expected to face many challenges in 2019 on a global scale. China faced its first ever decline in vehicles sales in over 20 years, while the US market grew marginally, and the uncertainties between the EU and the UK are expected to affect the global markets until 2020. There is a risk that a prolonged trade war may ultimately affect the economic performance of the PRC as a whole, and will have a negative impact on the automobile sector.

On the other hand, after the decline in recent years, the Chinese market is expected to recover over the next few years. Indeed, on the economic front, fiscal and monetary easing are expected to cushion the economy against any sharp slowdown. Moreover, there are still expected areas of possible growth. The market share of green vehicle on a global scale remains small but new energy pipeline will continue to widen and be an area of steady growth and expected to accelerate in the coming years.

Recently, US President Donald Trump announced that the US plans to impose a 10 percent tariff starting 1 September 2019 on the remaining \$300 billion in Chinese exports, and President Trump further said on 23 August 2019, he planned tariffs on \$300 billion of other Chinese goods would be 15 percent instead of 10 percent. Our exports to the US will be subject to such additional tariff and the Group has started negotiations with our customers in relation to such additional cost, which may further increase the Group's cost burden.

Although the uncertainties caused by the trade war between US and China may further prompt consumers to hold back on purchases, the Group is confident that our new production base in Mexico will remediate the tariff risk faced by the Group and our customers within the North America. The Group is taking extra caution and paying close attention to the latest developments of these uncertainties and challenges and will focus on strengthening its cost control and enhancing our marketing efforts on the potential new orders in the European market.

Revenue

Our revenue increased only by approximately RMB49.5 million or only approximately 5.1% to approximately RMB1,022.5 million for 1H 2019 as a result of lowered demands from the local China market. The overall units of automotive decorative components sold in 1H 2019 increased by approximately 0.6 million or approximately 0.3% from the same period in 2018; the Group recorded a negative growth of 8.1% in revenue or 7.7% in units sold in relation to our local Chinese customers. While the Group's overall average selling price increased by approximately RMB0.25 per unit or approximately 4.7% to RMB5.58 per unit for 1H 2019; the average selling price for the China region also recorded a decline of 0.4% for 1H 2019 when compared with 1H 2018.

The increase in the sales was mainly due to: (i) the revenue within the US market increased by approximately RMB95.1 million or approximately 29.2% to approximately RMB332.1 million for 1H 2019. The total number of units of automotive decorative components sold in the US market for 1H 2019 also increased by approximately 5.5 million units or approximately 14.2% from the same period in 2018 together with the average selling price for the US region also recorded an increase of 13.2% for the same period; (ii) a relatively stable increase in revenue generated from the European market of RMB1.8 million or 0.8% increase for 1H 2019; and (iii), the Group's sales in China region, in terms of revenue, unit and average selling price, have decreased for the first time ever in 1H 2019 as discussed above.

Revenue by geographic segment:

	For the six months ended 30 June			
	2019		2018	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
China	418,014	41	454,784	47
North America	332,116	32	256,967	26
Europe	232,145	23	230,377	24
Others	40,194	4	30,855	3
	<u>1,022,469</u>	<u>100</u>	<u>972,983</u>	<u>100</u>

Cost of sales

	Six months ended 30 June 2019		Six months ended 30 June 2018	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Direct materials	186,862	24.5	166,623	28.0
Staff costs	234,869	30.7	178,178	30.0
Overheads	342,161	44.8	249,494	42.0
– Depreciation	50,246	6.6	26,850	4.5
– Processing fees	42,724	5.6	38,368	6.5
– Consumables	56,046	7.3	44,288	7.5
– Mold cost	59,390	7.8	38,388	6.5
– Utilities	59,051	7.7	46,776	7.9
– Shipping and delivery	19,398	2.5	14,275	2.4
– Others	55,306	7.3	40,549	6.7
	<u>763,892</u>	<u>100.0</u>	<u>594,295</u>	<u>100.0</u>

Cost of sales increased by approximately RMB169.6 million or approximately 28.5% to approximately RMB763.9 million for 1H 2019. Such increase was mainly due to (i) the continuing operating loss (operating profit for 1H 2018) recorded by our Wuxi Production Base as the result of disruptions and suspensions of the water treatment services within the industrial park where our Wuxi Production Bases are located (for details please refer to the Company's announcement dated 21 December 2018); (ii) the increase in staff cost of approximately RMB56.7 million or approximately 31.8% for 1H 2019 as a result of increased number of front line staff for our new factories and their compensation levels when compared to 1H 2018; and (iii) the Group is facing considerable pressure in relation to our fixed manufacturing cost and overheads as a result of new production facilities which led to higher growth in the Group's cost when compared to the growth of our revenue.

Gross Profit

As a result of the factors discussed above, the gross profit decreased to approximately RMB258.6 million for 1H 2019 (approximately RMB378.7 million for 1H 2018), representing a decrease of approximately 31.7%.

Our gross profit margin decreased 13.6 percentage points to 25.3% for 1H 2019 as compared to 38.9% for 1H 2018, the decrease in gross profit margin was the combined effects of the followings:

1. our Wuxi Production Bases having incurred an operating loss in the 1H 2019 as a result of disruptions and suspensions of the water treatment services;
2. revenue increases at a proportion less than cost of sales increases for 1H 2018 as a result of increased staff cost for 1H 2019 for the operation of new production facilities;
3. increase in the depreciation and amortization of the capital investments in our new production facilities; and
4. increase in power and waste water treatment costs.

Other income and gains

Other income and gains mainly represented bank interest income, income from sale of scraps, and testing fee income. Decreased as a result of less bank interest incomes received as a result of ongoing utilization of fund raised from the IPO and there was an exchange gain of RMB7.7 million recorded in 1H 2018 whereas an exchange loss of RMB8.2 million (booked as administrative expenses) was recorded in 1H 2019.

Selling and distribution expenses

Selling and distribution expenses also increased by approximately RMB5.2 million or approximately 19.8% to approximately RMB31.6 million for 1H 2019 from approximately RMB26.4 million for 1H 2018. The increase was mainly due to the increase in related staff costs as a result of the increase in number of sales staff and their increased compensation level, as well as their travelling expenses to cope with our business growth.

Administrative expenses

The table below summarizes the components of our administrative expenses:

	Six-months ended 30 June 2019		Six-months ended 30 June 2018	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Staff costs	80,972	45.0	71,467	51.3
Research and development expenses	42,757	23.7	30,800	22.1
Travel and transportation expenses	3,952	2.2	3,168	2.3
Office supplies	5,486	3.0	5,376	3.9
Legal and professional fees	9,943	5.5	10,514	7.5
Depreciation and amortisation	6,972	3.9	6,963	5.0
Exchange loss	8,151	4.5	—	—
Rental expenses	4,019	2.2	3,184	2.3
Stamp duties and local government surcharges	1,536	0.9	325	0.2
Equity-settled share option expense	3,478	1.9	—	0.0
Insurance	851	0.5	605	0.4
Business development expenses	819	0.5	530	0.4
Loss on disposal of property, plant and equipment	—	0.0	151	0.1
Transportation cost for Mexico production facilities	2,674	1.5	—	0.0
Others	8,442	4.7	6,214	4.5
	<u>180,052</u>	<u>100.0</u>	<u>139,297</u>	<u>100.0</u>

Administrative expenses increased by approximately RMB40.8 million or approximately 29.3% to approximately RMB180.1 million for 1H 2019 from approximately RMB139.3 million for 1H 2018. The increase was primarily due to: (i) the increase in staff costs of approximately RMB9.5 million, primarily due to increase in the headcount from the German tool shop company acquired by the Group in July 2018 and there was no such headcount in 1H 2018; (ii) the increase in research and development (“**R&D**”) expenses of approximately RMB12.0 million as the Group strives to remain competitive in the sectors shaped by new models and new surface treatment technologies; (iii) the share-based payments of approximately RMB3.5 million (2018 1H: 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 in 2H 2018; (iv) there was an exchange loss of RMB8.2 million recorded in 1H 2019 arising from the settlement of our trade receivables; and (v) the logistics charges and related cost incurred in 1H 2019 for the shipments of machineries and equipment from China to our new production base in Mexico.

Profit attributable to owners of the Company

Profit attributable to owners of the Company for the period decreased by approximately 74.0% from approximately RMB198.3 million for 1H 2018 to approximately RMB51.5 million for 1H 2019. This was primarily due to the effects of the followings:

- i. the Group experienced slowdown in the growth of the revenue from the sales of automotive decorative components within China region and the Group only recorded a revenue growth from approximately RMB 973.0 million for 1H 2018 to approximately RMB 1,022.5 million or 5.1% growth for 1H 2019;
- ii. the gross profit decreased from approximately RMB378.7 million for 1H 2018 to approximately RMB258.6 million or approximately 31.7% decrease for 1H 2019 as discussed above due to the disruptions and suspensions experienced by our Wuxi Production Bases and higher growth in relation to the manufacturing cost and overheads comparing with the growth in our revenue;
- iii. the increase of 19.8% in selling and distribution expenses during 1H 2019;

- 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 in direct and indirect staff cost and other cost as discussed in the previous section; and
- v. decrease in other income and gains as less bank interests and an exchange loss of RMB8.2 million was recorded in 1H 2019.

Basic earnings per share attributable to owners of the Company for 1H 2019 was approximately RMB5 cents (1H 2018: approximately RMB20 cents).

LIQUIDITY AND FINANCIAL RESOURCES

For the Period, the Group's net cash inflow from operating activities amounted to approximately RMB224.9 million, as compared to approximately RMB182.8 million in 1H 2018.

The bank borrowings of RMB7.6 million as at 30 June 2019 relates to the working capital loans in relation to the German tool company acquired in July 2018 and consolidated into the Group's financial statements (31 December 2018: RMB6.1 million).

As at 30 June 2019, the gearing ratio, being total bank borrowings divided by total equity was 0.33% (31 December 2018: 0.28%).

The annual interest rate of bank and other borrowings during 1H 2019 was 1.2% (1H 2018: 7.0%).

INTERIM DIVIDEND

The Board resolved to pay an interim dividend of RMB0.0308 per share for 1H 2019 (1H 2018: RMB0.06 per share). The exchange rate adopted for conversion of the interim dividend in Hong Kong dollars was the middle rate of RMB to Hong Kong dollars published by the People's Bank of China of one business day of the PRC prior to the declaration of interim dividend (i.e. 26 August 2019) (HK\$1 = RMB0.89983). Accordingly, the amount of interim dividend payable in Hong Kong dollars will be HK\$0.0342 per share.

The interim dividend will be distributed on or around 31 October 2019 to shareholders of the Company (the “**Shareholders**”) whose names appear on the register of members of the Company as at the close of business on 8 October 2019.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 2 October 2019 to 8 October 2019, both days inclusive, during which period no transfer of the Shares will be registered. In order to qualify for the interim dividend payable on or around 31 October 2019, all transfers of the Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share register in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on 30 September 2019.

SHARE OPTIONS SCHEME

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

Details of the movement in the share options granted under the 2017 Share Option Schemes of the Company during 1H 2019 are set out below:

Category of participants	Options held at 1 January 2019	Options granted during the reporting period	Options exercised during the reporting period	Options lapsed during the reporting period	Options held at 30 June 2019
Directors					
Mr. Ma Xiaoming	128,000	—	—	—	128,000
Mr. Meng Jun	102,000	—	—	—	102,000
Mr. Zhang Yumin	107,000	—	—	—	107,000
Mr. Liu Jun	107,000	—	—	—	107,000
Mr. He Xiaolu	96,000	—	—	—	96,000
Mr. Jiang Wei	38,000	—	—	—	38,000
Others	21,193,000	—	—	(1,056,000)	20,137,000
	<u>21,771,000</u>	<u>—</u>	<u>—</u>	<u>(1,056,000)</u>	<u>20,715,000</u>

Note: During 1H 2019, no share option was vested. As at 30 June 2019, there was a total of 20,715,000 share options, of which none of the share option was vested.

CAPITAL STRUCTURE

As at 30 June 2019, the Company's issued share capital was approximately RMB87.5 million, equivalent to HK\$100.3 million and divided into 1,002,905,000 Shares of HK\$0.1 each (31 December 2018: RMB87.5 million).

SIGNIFICANT INVESTMENTS HELD AND FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

During the Period, the principal capital expenditures of the Group were attributable to the additions of equipment at its existing production facilities. As part of the Group's future strategies, the Group's planned capital expenditures for its business operations will be primarily related to the construction and commencement of operations of its new production facilities. The Group anticipates that its capital expenditures will be financed by cash generated from its operations and the utilization of the net proceeds from the issue of the shares of the Company from the initial public offer (the "**Listing**") as set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 16 June 2017 (the "**Prospectus**").

There were no significant investments held as at 30 June 2019 nor there are other plans for material investments on capital assets as at the date of this announcement.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The net proceeds from the Listing amounted to approximately HK\$855.0 million (equivalent to approximately RMB741.5 million). Such proceeds are intended to be applied in accordance with the proposed applications as set out in the section headed "Future Plans and Use of Proceed" in the Prospectus.

As at 30 June 2019, the net proceeds were applied as follows:

Purpose	Percentage of total amount	Net proceeds from the Company's IPO <i>RMB million</i>	Amount Utilized <i>RMB million</i>	Amount un-utilized <i>RMB million</i>
Expanding and improving the production facilities in the PRC:				
i) Set up the Huizhou New Production Base	20.9%	155.0	155.0	—
ii) Construct the Wuxi New Production Base	10.3%	76.4	54.0	22.4
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	211.5	86.6
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	3.3	36.7
Enhancing the product quality, product safety and R&D capabilities	5.7%	42.3	20.1	22.2
Enhancing the information technology and customer services systems	4.8%	35.6	3.6	32.0
Working capital and general corporate purposes	8.0%	59.2	59.2	—
Total	100.0%	741.5	541.6	199.9

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

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

PLEDGE OF ASSETS

As at 30 June 2019, one of the Group's subsidiary in Germany pledged its machinery with a net book value of approximately RMB6.4 million to secure general banking facilities (31 December 2018: RMB6.6 million).

FOREIGN EXCHANGE EXPOSURE

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

TREASURY POLICIES

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

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

CAPITAL COMMITMENT AND CONTINGENCIES

Capital commitment of the Group as at 30 June 2019 and 31 December 2018 were approximately RMB67.3 million and approximately RMB105.9 million, respectively, which were both attributable to the construction and acquisition of our new production bases and facilities. The Group did not have any significant contingent liabilities as at 30 June 2019 and 31 December 2018.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2019, the Group had 5,502 employees (31 December 2018: 5,554 employees), among which 5,416, 6, 18, 31, 31 staff members employed in China, Hong Kong, the United States, Germany and Mexico, respectively. The remuneration and staff cost for the Period were approximately RMB329.4 million (1H 2018: RMB261.2 million).

The salaries of the Group's employees largely depend on their type and level of work as well as their length of service with the Group. They receive social welfare benefits and other benefits including social insurance. As required by the relevant laws and regulations on social insurance in relevant jurisdiction, the Company participates in the social insurance schemes operated by the relevant local government authorities which include retirement pension, medical insurance, unemployment insurance, industrial injuries insurance and maternity insurance in the countries the Group operates.

The Directors and senior management of the Company receive compensation in the form of salaries, benefits in kind and/or discretionary bonuses relating to the performance of the Group. The Company also reimburses them for expenses which are necessarily and reasonably incurred for providing services to the Company or executing their functions in relation to its operations. The Company regularly reviews and determines the remuneration and compensation packages of the Directors and senior management.

Further, the remuneration committee of the Board reviews the remuneration and compensation packages of the Directors and senior management with reference to salaries paid by comparable companies, time commitment and responsibilities of the Directors and senior management and performance of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company or any of its subsidiaries did not purchase, sell or redeem any of its listed securities for the Period.

COMPLIANCE WITH THE CG CODE

The Board and the Company's management are committed to maintaining high standards of corporate governance. The Board firmly believes that conducting the Group's business in a transparent and responsible manner and following good corporate governance practices serve the Group's long-term interests and those of the Shareholders. The Board considers the Company had complied with all the code provisions of the Corporate Governance Code (the "**CG Code**") as contained in Appendix 14 to the Rules Governing The Listing of Securities on the Stock Exchange (the "**Listing Rules**") for the Period.

COMPLIANCE WITH THE MODEL CODE

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

AUDIT COMMITTEE REVIEW

The Company has established an audit committee of the Board (the “**Audit Committee**”) with written terms of reference in compliance with the CG Code. The Audit Committee comprises all the three independent non-executive Directors, namely Mr. Tang Chi Wai (committee chairman), Mr. Gan Weimin and Prof. Cao Lixin. The Audit Committee has reviewed the Group’s unaudited condensed consolidated interim financial information for 1H 2019. Based on this review and discussions with the management, the Audit Committee was satisfied that the financial information was prepared in accordance with applicable accounting standards and fairly presented the Group’s financial position and results for 1H 2019.

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

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

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

Hong Kong, 27 August 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.