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 2024

FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Revenue	**1,646,365**	1,515,355
Profit attributable to owners of the parent	**322,155**	263,674
Basic and diluted earnings	**RMB32.1 cents per share**	RMB26.3 cents per share
Interim dividend	**HK20.0 cents per share**	HK10.0 cents per share

	As at 30 June 2024	As at 31 December 2023
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Property, plant and equipment	**1,657,343**	1,722,959
Cash and cash equivalents	**978,016**	667,162
Working capital (current assets less current liabilities)	**1,553,668**	1,471,920

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Xin Point Holdings Limited (the "**Company**") is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2024 (the "**Reporting Period**" or "**1H 2024**") together with selected explanatory notes and the relevant comparative figures.

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

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

		Six months ended 30 June	
	Notes	**2024**	2023
		RMB'000	*RMB'000*
		(Unaudited)	*(Unaudited)*
REVENUE	3	**1,646,365**	1,515,355
Cost of sales		**(1,031,584)**	(1,009,652)
Gross profit		**614,781**	505,703
Other income and gains		**38,525**	60,041
Selling and distribution expenses		**(50,966)**	(45,055)
Administrative expenses		**(191,874)**	(193,266)
Finance costs		**(2,732)**	(5,284)
Share of profit of an associate		**707**	179
Share of loss of a joint venture		**(3,005)**	(2,264)
PROFIT BEFORE TAX	4	**405,436**	320,054
Income tax expense	5	**(84,304)**	(57,704)
PROFIT FOR THE PERIOD		**321,132**	262,350
Attributable to:			
Owners of the parent		**322,155**	263,674
Non-controlling interests		**(1,023)**	(1,324)
		321,132	262,350
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		**(35,667)**	182,358
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:			
Changes in fair value of a financial asset at fair value through other comprehensive income		**(1,190)**	(3,623)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		**(36,857)**	178,735
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**284,275**	441,085
Attributable to:			
Owners of the parent		**285,298**	442,409
Non-controlling interests		**(1,023)**	(1,324)
		284,275	441,085
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	7	**RMB32.1 cents**	RMB26.3cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at 30 June 2024** ***RMB'000*** ***(Unaudited)***	As at 31 December 2023 *RMB'000* *(Audited)*
NON-CURRENT ASSETS			
Property, plant and equipment		**1,657,343**	1,722,959
Right-of-use assets		**115,625**	129,394
Goodwill		**—**	—
Intangible asset		**—**	—
Investment in an associate		**8,337**	7,630
Investment in a joint venture		**1,049**	295
Financial asset at fair value through other comprehensive income		**2,640**	3,753
Prepayments and deposits		**233,896**	272,446
Deferred tax assets		**6,682**	4,504
Total non-current assets		**2,025,572**	2,140,981
CURRENT ASSETS			
Inventories		**636,607**	598,254
Trade and bills receivables	8	**798,236**	761,835
Prepayments, deposits and other receivables		**260,957**	262,195
Tax recoverable		**24,469**	1,889
Cash and cash equivalents		**978,016**	667,162
Total current assets		**2,698,285**	2,291,335
CURRENT LIABILITIES			
Trade payables	9	**402,194**	397,653
Other payables and accruals		**261,963**	268,479
Interest-bearing bank borrowing		**62,276**	—
Lease liabilities		**29,987**	29,455
Tax payable		**154,833**	123,828
Dividend payable		**233,364**	—
Total current liabilities		**1,144,617**	819,415
NET CURRENT ASSETS		**1,553,668**	1,471,920
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,579,240**	3,612,901

	Notes	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowing		**—**	70,533
Deferred tax liabilities		**34**	39
Lease liabilities		**53,037**	67,071
Total non-current liabilities		**53,071**	137,643
Net assets		**3,526,169**	3,472,258
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**87,485**	87,485
Reserves		**3,444,205**	3,392,271
		3,531,690	3,479,756
Non-controlling interests		**(5,521)**	(4,498)
Total equity		**3,526,169**	3,472,258

NOTES

1. CORPORATE INFORMATION

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

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

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2024 has been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("**HKAS 34**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2023.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("**HKFRSs**") for the first time for the current period's financial information.

Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current* (the "**2020 Amendments**")
Amendments to HKAS 1	*Non-current Liabilities with Covenants* (the "**2022 Amendments**")
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*

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

(a) Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

(b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

    The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim condensed consolidated financial information.

3. REVENUE

An analysis of revenue is as follows:

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Revenue from contracts with customers		
Sale of automotive decorative components	**1,646,365**	1,515,355

Disaggregated revenue information for revenue from contracts with customers

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Type of goods		
Sale of goods	**1,646,365**	1,515,355
Total	**1,646,365**	1,515,355
Geographical markets		
China	**574,110**	523,805
North America	**794,335**	731,487
Europe	**198,138**	216,778
Other countries	**79,782**	43,285
Total	**1,646,365**	1,515,355
Timing of revenue recognition		
Goods transferred at a point in time	**1,646,365**	1,515,355
Total	**1,646,365**	1,515,355
Revenue from contracts with customers		
External customers	**1,646,365**	1,515,355
Total	**1,646,365**	1,515,355

4. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Cost of inventories sold	**1,031,584**	1,009,652
Depreciation of property, plant and equipment	**105,726**	91,754
Depreciation of right-of-use assets	**15,692**	16,891
Impairment of trade and bills receivables	**2,597**	7,206
Impairment of items of property, plant and equipment	**—**	7,722
Write-down of inventories to net realisable value	**551**	390
Loss/(gain) on disposal of items of property, plant and equipment, net*	**(5,167)**	3,177
Foreign exchange differences, net*	**7,547**	(44,313)

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

5. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2023: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 (six months ended 30 June 2023: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (six months ended 30 June 2023: 8.25%) and the remaining assessable profits are taxed at 16.5% (six months ended 30 June 2023: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, except for two subsidiaries of the Group which qualified as High and New Technology Enterprise in Mainland China and a lower corporate income tax rate of 15% (six months ended 30 June 2023: 15%) has been applied for the period.

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Current:		
Charge for the period		
Hong Kong	**24,969**	23,480
Elsewhere	**62,493**	37,779
Overprovision in prior years	**(975)**	(1,626)
Deferred	**(2,183)**	(1,929)
Total tax charge for the period	**84,304**	57,704

6. DIVIDENDS

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
2023 final dividend declared - HK$0.25 (2022 final dividend declared: HK$0.14) per ordinary share	**233,364**	129,965

On 22 August 2024, the board of directors declared an interim dividend of HK$0.20 (six months ended 30 June 2023: HK$0.10) per ordinary share, amounting to a total of approximately RMB183,514,000 (six months ended 30 June 2023: RMB93,611,000).

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

Basic earnings per share are calculated by dividing the profit attributable to the ordinary equity holders of the parent by the weighted average number of shares in issue during the six months ended 30 June 2024 and 2023 respectively.

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Profit for the period attributable to the ordinary equity holders of the parent for the purpose of basic and diluted earnings per share calculation	**322,155**	263,674
	Number of shares	**Number of shares**
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculation	1,002,905,000	1,002,905,000

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2024 and 2023 respectively in respect of a dilution as the impact of share options outstanding had no dilutive effect on the basic earnings per share amount presented.

8. TRADE AND BILLS RECEIVABLES

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

	30 June 2024	31 December 2023
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Within 1 month	**430,394**	323,873
1 to 2 months	**215,196**	262,341
2 to 3 months	**113,977**	113,013
Over 3 months	**38,669**	62,608
	798,236	761,835

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

9. TRADE PAYABLES

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

	30 June 2024	31 December 2023
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Within 1 month	**233,160**	204,974
1 to 2 months	**41,893**	67,670
2 to 3 months	**36,481**	18,029
Over 3 months	**90,660**	106,980
	402,194	397,653

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

Included in trade payables is an amount due to an associate of RMB6,370,000 (31 December 2023: RMB220,000), which is unsecured, interest-free and repayable on demand.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

Globally, automotive sales are forecast by the market generally to grow modestly in 2024 compared to 2023. Despite the slowdown in growth, sales volumes are expected to surpass 92 million units in 2024, the highest levels since 2018. Vehicle production is expected to decline slightly through 2024 due to a faster-than-expected inventory restocking and a more difficult consumer demand environment.

A market research firm estimated that 4.1 million new cars and trucks were sold in the second quarter of 2024 in the United States (the "**US**"), which was slightly higher than that in the second quarter of 2023. This is a marked slowdown from the 5 per cent growth in sales recorded in the first three months of 2024. In the first six months of 2024, 7.9 million new vehicles were sold, an increase of 3 per cent from the first half of last year. In the US, the sales "winners" through the first half of 2024 are expected to be General Motors, Toyota Motor, and Honda Motor, according to the market research firm. Underperformers for the first half of 2024 included Tesla, with sales estimated to be down by 14.3%, and Stellantis, which is forecast to be down by 16.5% through June 2024.

Automotive sales in Western Europe pulled back from their gains in the first quarter of 2024, slowing down in May, with declines in the major markets including France, Germany, Italy and Spain, whereas UK sales increased. Automotive sales in the Asia Pacific region are showing signs of rebound from the slower sales at the beginning of the year. Overall, the higher sales in Asia Pacific countries are partially offset by the lower sales in Europe.

Over the past halfcentury, the global automotive industry has undergone significant transformations. It began with the emergence of Japanese production techniques in the 1970s, followed by the rise of Korean automakers. More recently, Tesla disrupted the industry. However, today, China has taken the lead. Chinese automakers are now setting the standard, selling vehicles for everyday use that are not only faster to market and cheaper to buy but also advanced in technology and design, while being more efficient to manufacture.

China's dominance is expected to continue. Their growth is being driven by cost advantages, localised production strategies and high-tech vehicles that cater to evolving consumer preferences. Traditional automakers must adapt to keep pace with this rapid shift in the industry landscape. By 2030, New Energy Vehicles ("**NEVs**") are predicted to account for nearly half of global vehicle sales, further emphasising the need for transformation and innovation in the automotive sector.

Electrification relies on global trade, but international trade is now facing intensified barriers. The US is pushing to scale up the supply chain of electric vehicles (the "**EVs**"). China's dominance has alarmed governments and caused them to take protective trade measures. In the US, President Joe Biden announced in May tariff hikes on imported Chinese goods, including EVs, batteries and selected rare earth metals. The US tariffs could also have repercussions elsewhere, such as in Europe. Europe has been investigating Chinese-exported EVs and a tariff hike could substantially affect both the European and Chinese markets.

Business Review

In the first half of 2024, it is reported that the strongest sales among Germany's top three premium original equipment manufacturers (the "**OEMs**"), BMW was the only brand to significantly boost battery-electric deliveries, while Mercedes-Benz and Porsche struggled with low demand.

BMW saw a 2.3% rise in total sales in the first half of the year to almost 1.1 million vehicles, with battery-electric sales surging 34% to a total of nearly 180,000 cars. Mercedes-Benz sold roughly half as many battery-electric cars at 93,400, a 17% drop from a year ago. Total sales by Mercedes-Benz core brand dropped 6% to 960,000. Porsche, which sells a lower volume of higher-priced cars, saw sales drop 7% to just 155,900 vehicles with a particularly steep drop of a third in China.

On the US side, General Motors reported that it sold nearly 700,000 cars and light trucks in the second quarter of 2024, an increase of less than 1 per cent from the corresponding period of last year. The company said it was its best performance since the fourth quarter of 2020 and sales in the first six months of 2024 totaled 1.3 million vehicles, down slightly from the corresponding period in 2023.

As demand for EVs decreased, demand for internal combustion engine ("**ICE**") vehicles in North America increased. As Xin Point serves both EV and ICE customers, and as OEMs look to consolidate and seize opportunities for the coming years, despite rising interest rates, the global automotive industry is still gaining momentum, Xin Point has again achieved period-on-period revenue growth in 1H 2024. The total revenue of the Group further increased to approximately RMB1,646.4 million for 1H 2024, representing an increase of approximately 8.6% when compared with the corresponding period of last year (the six months ended 30 June 2023 ("**1H 2023**"): approximately RMB1,515.4 million).

According to the Group's disclosure in its 2023 annual report, the Group has strategically focused on spray painting/spray painting combined electro-plating products and assembly process, the total number of automotive components units sold in the Reporting Period continued to decrease by about 4.3 million units from approximately 193.5 million units in 1H 2023 to approximately 189.2 million units in 1H 2024, while the overall average selling price increased by 11.1% during the Reporting Period, see "Revenue" below for further analysis.

On the other hand, supported by the Group's cost control and automation initiatives, Xin Point's gross profit increased to approximately RMB614.8 million with a gross profit margin of 37.3% for 1H 2024 as compared to approximately RMB505.7 million (gross profit margin: 33.4%) for 1H 2023. The results demonstrate that Xin Point is operating under a robust financial platform, with strong margins and operating cash inflows.

Electroplating production capacity and utilisation rate

During 1H 2024, there have been no changes in our electroplating production facilities and our annualised electroplating production capacity remained the same at approximately 3.6 million sq.m. as of 30 June 2024 (as of 31 December 2023: approximately 3.6 million sq.m.).

During 1H 2024, the installation of a new hexavalent chromium-free electroplating line with an annual production capacity of approximately 53,000 sq.m. was completed in our Jiujiang Production Base. As this new electroplating line is still under trial-run and did not generate any revenue during the Reporting Period, such production capacity is currently excluded from the above main electroplating facilities.

The utilisation rate of our electroplating production facilities was approximately 80.5% for 1H 2024 as compared with the utilisation rate of approximately 83.0% for 1H 2023, due to the fact that a new electroplating production line in Huizhou commenced operations by mid-2023.

Production yield

The Group achieved a slight increase in the average production yield figure of approximately 93.9% for 1H 2024 when compared with the average production yield of approximately 93.5% for the year 2023.

Order book

Our order book is still healthy, total backlog orders stood at approximately RMB10.5 billion as of 30 June 2024 up to the end of 2028, providing a solid foundation for our future business.

Outlook

According to a recent forecast published by a global consulting firm, the automotive industry is poised for significant changes in the coming years. European automotive sales, in 2024, are expected to increase by 2%. The US automotive market is projected to grow by 3% in automotive sales in 2024. Meanwhile, China's automotive sales are expected to grow by a relatively modest 4.7% in 2024, reaching 26.7 million vehicles.

It is also noted that there will be a shift away trend from ICE vehicles: NEV sales are projected to surge by 32% globally in 2024. By 2030, NEVs are anticipated to capture a substantial 45% share of the market. These trends highlight the industry's transition toward cleaner and more sustainable mobility options. The increasing adoption of NEVs reflects a global commitment to reducing emissions and embracing innovative technologies.

Xin Point looks forward to continuing to leverage our expertise in electroplating and other surface treatment technologies to help our customers, especially our NEV partners, capture the potential opportunities and growths within the automotive industry and further grow our revenue by supplying the right components to our customers worldwide on time.

On the other hand, the 2024 US presidential election is set to be an extremely close contest. If Donald Trump were to win a second term, he might initiate sweeping policy changes across multiple fronts - with global ramifications, especially those impacts of a more protectionist US trade policy on the global landscape.

According to market statistics, Chinese brands sold 13.4 million new vehicles in 2023, while American brands sold about 11.9 million units. Brands from China have made particular inroads in emerging economies, over 17.5 million new cars were sold by China in emerging economies in 2023. That is more than the total sales in the US or Europe last year.

Both EVs and ICE transports rely on global trade, but trade will face intensified barriers. The US is pushing to scale up the EV supply chain. But with abundant raw materials, low labour costs and production capacity, China will continue to be a major player within the global EV supply chain and end products. The country also has ambitious expansion plans in regions such as Europe and Latin America. China's dominance has alarmed governments and prompted them to take protective trade measures.

In 2024, Chinese OEMs now face increased trade headwinds: the US announced in May tariff hikes on imported Chinese goods, including EVs, batteries, and selected rare earth metals and more countries enacting measures to protect local industry from Chinese exports. The European Union ("**EU**") announced an increase in tariffs on Chinese EVs of up to 38%. That comes after the US quadrupled tariffs on Chinese EVs to 100%. Turkey also reportedly announced an additional 40% tariffs on vehicles from China, signaling that some emerging markets may follow suit. A tariff hike could substantially affect both the European and Chinese markets.

Also, automotive customers seem to believe that the next US presidential election will have an impact on the economy, interest rates and even inflation. With this level of uncertainty swirling around, many have adopted a wait-and-see mentality.

Xin Point is one of the suppliers within the automotive value chain and the global automotive business might also be hampered by high interest rates, political uncertainty and lower consumer demand, especially in the EV sector. We have been trying to minimise our costs by optimising operational processes and new technology research and development ("**R&D**") initiatives. Furthermore, Xin Point has taken further steps and diversified our production facilities to Mexico and, lately, Malaysia.

We expect the automotive industry may slow down in the run-up to the US presidential election, and even more so in the automotive industry as it is heavily linked to changes in environmental legislation and tax law. For the rest of 2024, a slowdown could be further exacerbated by macroeconomic and geopolitical headwinds, particularly continued high interest rates and the quest to economically source EV materials.

We will take additional precautions in the slowing economy with high interest rates, particularly the rising uncertainty from the political climate, combining election policy implications and the US Federal Reserve policies. These uncertainties might have impacts on the automotive industry and international trade relationships. While Xin Point has emphasised operating with greater nimbleness, flexibility and adaptability, it is now crucial to move forward with a heightened sense of urgency and openness to new partnerships, operating principles and future developments.

Revenue

Our revenue increased by approximately RMB131.0 million or approximately 8.6% to approximately RMB1,646.4 million for 1H 2024.

US light vehicle sales generally trended sideways over the past twelve months, and the supply side continues to build up. North American light vehicle production averaged 16.5 million (Seasonally Adjusted Annual Rate) for the three months ended May 2024, a near pre-pandemic level where there were 16.2 million vehicles produced in 2019, which helped the US seasonally adjusted light vehicle inventories rise in 27 of the past 28 months to the highest level since April 2020 and 77% of the 2019 average level, according to market statistics. Data from the Chinese Association of Automobile Manufacturers shows Chinese wholesales rose 6.1% year-on-year over the first half of 2024 and passenger vehicles were also up 6.3% while commercial vehicles climbed 4.9%.

Xin Point has been sailing for the past few quarters with forceful tailwinds generated by the improved US economic stimulus and the economic recovery from the pandemic, the Group's revenue generated from China recorded a continued increase to RMB574.1 million or 9.6% for 1H 2024 when compared to 1H 2023. Revenue from the North American market increased by approximately RMB62.8 million or approximately 8.6% as compared with 1H 2023. It is worth noting that the gross revenue for 1H 2024 from 'other geographical regions' increased 84.3% compared to the corresponding period of last year, as a result of the new revenue generated from an assembly programme that fully commenced operations during 2024 with a tier-one supplier located in Japan.

Xin Point also continued to record growth in average selling prices. The average selling price increased from RMB7.83 per unit in 1H 2023 to RMB8.70 per unit in 1H 2024, representing an increase of approximately 11%. We recorded an increase of the product average selling price of 10.8% within the US region. Such increase in the average selling prices proves that Xin Point has been successfully deploying its strategy of moving into more advanced assembly projects which involve more skillful and complicated processes than sole electroplating.

Revenue by geographic segment:

	Six months ended 30 June 2024		Six months ended 30 June 2023	
	RMB'000 (unaudited)	***%***	*RMB'000 (unaudited)*	*%*
China	**574,110**	**35%**	523,805	35%
North America	**794,335**	**48%**	731,487	48%
Europe	**198,138**	**12%**	216,778	14%
Others	**79,782**	**5%**	43,285	3%
	1,646,365	**100%**	1,515,355	100%

Cost of sales

	Six months ended 30 June 2024		Six months ended 30 June 2023	
	RMB'000	***%***	*RMB'000*	*%*
	(unaudited)		*(unaudited)*	
Direct materials	**328,037**	**31.8%**	311,081	30.8%
Staff costs	**268,522**	**26.0%**	265,653	26.3%
Overheads	**435,025**	**42.2%**	432,918	42.9%
– Depreciation	109,117	10.6%	96,062	9.5%
– Mould cost	66,985	6.5%	57,868	5.7%
– Utilities	79,878	7.7%	87,666	8.7%
– Shipping and delivery	44,129	4.3%	49,195	4.9%
– Others	134,916	13.1%	142,127	14.1%
	1,031,584	**100.0%**	1,009,652	100.0%

The cost of sales increased by approximately RMB21.9 million or approximately 2.2% from approximately RMB1,009.7 million for 1H 2023 to approximately RMB1,031.6 million for 1H 2024. Such increase was mainly due to the combined effects of the following:

i. The resin market exhibited an upward pricing trend during the first half of 2024, driven primarily by increased demand and strategic inventory accumulation. The unexpected resilience of the US economy has kept US bond yields and the dollar high, boosting prices of industrial metals like copper, which led to a small increase in the proportion of raw material cost accounting for the cost of sales to 31.8% for the Reporting Period, whereas the ratio was 30.8% in the first half of 2023;

ii. Our management is committed to implementing necessary measures to enhance staff efficiency and further automation processes. These efforts have significantly impacted our staff costs during the Reporting Period. Specifically, staff costs increased by only 1.1% for the first half of 2024, while our revenue increased by approximately 8.6%. Additionally, we maintained a relatively stable proportion of staff cost to cost of sales at 26.0%. These initiatives have effectively eased Xin Point's cost pressure in the first half of 2024; and

iii. Overheads amounted to approximately RMB435.0 million for 1H 2024, representing an increase of approximately RMB2.1 million or approximately 0.5% from approximately RMB432.9 million for 1H 2023. The increase was mainly due to the combined effects of higher depreciation charge for 1H 2024 as the result of additional depreciation provided for our new production facilities located in Huizhou and Jiujian during the Reporting Period and decreases in utilities and logistics expenses when compared with the corresponding period in 2023 due to the installation of more efficient new production facilities and the freight level returned to a normal level.

Gross profit

Our Group continued to record an improved gross profit margin of 37.3% for the Reporting Period when compared with 33.4% in 1H 2023. The gross profit was approximately RMB614.8 million and approximately RMB505.7 million for 1H 2024 and 1H 2023 respectively, representing an increase of approximately 21.6%. The increase was due to the combined effects of the following:

i. the Group recorded an increase in sales revenue of 8.6% for 1H 2024, on the other hand, cost of sales remained stable and only increased by approximately 2.2% as compared to 1H 2023. The Group benefited from the continuous cost and headcount controls and the Group was able to achieve an increase in its gross profit and improved gross profit margin for 1H 2024 as compared to 1H 2023; and

ii. The operating results and efficiencies of our Mexico factory have further improved since 2024 and been steadily progressing and contributing positively to the Group's consolidated results.

Other income and gains

Other income and gains mainly represented bank interest income, exchange gains, income from sale of scraps and testing fee income. There was a decrease in other income and gains due to the fact that an exchange loss of approximately RMB7.5 million was recorded (accounted for as administrative expenses, see below) arising from the fluctuation of Mexican Peso during the Reporting Period (1H 2023: exchange gain of approximately RMB44.3 million recognised as other income and gains from the appreciation of US$ against RMB).

Selling and distribution expenses

Selling and distribution expenses increased by approximately RMB5.9 million or approximately 13.1% to approximately RMB51.0 million for 1H 2024 from approximately RMB45.1 million for 1H 2023. The increase was mainly due to the increase in bonus for our marketing team attributable to an increase in the Group's revenue as well as the fact that there were more local and overseas travelling and visits to our customers for sourcing new programs/businesses and promoting our products.

Administrative expenses

The table below summarises the components of our administrative expenses:

	Six months ended 30 June 2024		Six months ended 30 June 2023	
	RMB'000	*%*	*RMB'000*	*%*
	(unaudited)		*(unaudited)*	
Staff costs	**87,917**	**45.8%**	82,851	42.9%
Research and development expenses	**36,630**	**19.1%**	41,065	21.2%
Legal and professional fees	**12,971**	**6.8%**	11,366	5.9%
Depreciation and amortisation	**10,961**	**5.7%**	11,748	6.1%
Exchange losses	**7,547**	**3.9%**	—	—
Impairment of property, plant and equipment	**—**	**—**	7,722	4.0%
Others	**35,848**	**18.7%**	38,514	19.9%
	191,874	**100.0%**	193,266	100.0%

Administrative expenses decreased by approximately RMB1.4 million or by approximately 0.7% to approximately RMB191.9 million for 1H 2024 from approximately RMB193.3 million for 1H 2023. The decrease was primarily due to the combined effects of the following: (i) an increase in the staff costs of approximately RMB5.1 million or 6.1% in relation to retention of administrative staff (bonus and salary increases) for improved profitability of the Group; (ii) a slight decrease in R&D expenses of approximately RMB4.4 million due to R&D project cycles; (iii) no provision was made for obsolete electroplating production lines for the Reporting Period; and (iv) the Group incurred net exchange losses of approximately RMB7.5 million for 1H 2024 whereas net exchange gains (accounted for as other income and gains, see above) were recorded in the corresponding period of last year.

Profit attributable to owners of the Company

Profit attributable to owners of the Company for the Reporting Period increased by around 22.2% from approximately RMB263.7 million for 1H 2023 to approximately RMB322.2 million for 1H 2024. The increase was due to the combined effects of the following:

i. An increase of approximately 8.6% in our revenue for 1H 2024 compared to 1H 2023. Xin Point achieved continuous growth in revenue from the sale of automotive decorative components within the North American and China regions, and there were also increases in revenue from Japan area during 1H 2024;

ii. An increase in our gross profit from approximately RMB505.7 million for 1H 2023 to approximately RMB614.8 million for 1H 2024, as a result of the increase in the Group's revenue and improved operating efficiencies;

iii. Decrease in other income and gains as there were no net exchange gains recorded during 1H 2024;

iv. Slight decreases in the administrative expenses during 1H 2024 as discussed above; and

v. Withholding tax amounting to RMB20.0 million in respect of one of the Group's wholly owned PRC subsidiaries making dividend payments to its shareholder (which is also the Group's overseas subsidiary) during 1H 2024 while there were no such dividend payments made for the corresponding period in 2023,

Overall, basic earnings per share attributable to owners of the Company for 1H 2024 was approximately RMB32.1 cents, increased by 22.1% compared to that in 1H 2023 (1H 2023: approximately RMB26.3 cents).

Total comprehensive income

Total comprehensive income for the Reporting Period attributable to owners of the Company was approximately RMB285.3 million (1H 2023: approximately RMB442.4 million), which comprised (a) profit for the Reporting Period attributable to owners of the Company of approximately RMB322.2 million (1H 2023: RMB263.7 million); and (b) other comprehensive loss for the Reporting Period attributable to owners of the Company of approximately RMB36.9 million (1H 2023: comprehensive gain of approximately RMB178.7 million) which included unrealised loss on fair value changes of listed equity investment at fair value through other comprehensive income of approximately RMB1.2 million (1H 2023: loss of approximately RMB3.6 million).

LIQUIDITY AND FINANCIAL RESOURCES

For the Reporting Period, the Group's net cash inflow from operating activities amounted to approximately RMB420.8 million, as compared to approximately RMB476.3 million in 1H 2023.

The bank borrowing of approximately RMB62.3 million as at 30 June 2024 relates to a working capital loan incurred by the Company (31 December 2023: approximately RMB70.5 million).

As at 30 June 2024, the gearing ratio, being total bank borrowing divided by total equity, decreased to 1.8% (as at 31 December 2023: 2.0%).

The annual interest rate of bank borrowing during 1H 2024 was 1.8% (1H 2023: 1.8%-6.7%).

INTERIM DIVIDEND

The Board resolved to pay an interim dividend of HK$0.2 per share of the Company ("**Share(s)**") for 1H 2024 (1H 2023: HK$0.1 per Share).

The interim dividend will be distributed on or around 25 October 2024 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 4 October 2024.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 30 September 2024 to 4 October 2024, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for the interim dividend expected to be paid on or around 25 October 2024, all transfers of 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 27 September 2024.

SHARE OPTION SCHEME

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

Details of the movement in the share options granted under the 2017 Share Option Scheme during 1H 2024 are set out below:

Category of participants	Options held at 1 January 2024	Options granted during the Reporting Period	Options exercised during the Reporting Period	Options lapsed during the Reporting Period	Options held at 30 June 2024
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	12,040,000	—	—	(288,000)	11,752,000
	12,618,000	—	—	(288,000)	12,330,000

Note: During 1H 2024, 4,941,600 share options were vested. As at 30 June 2024, there was a total of 12,330,000 share options, of which all of the share options were vested.

CAPITAL STRUCTURE

As at 30 June 2024, the issued share capital of the Company was approximately RMB87.5 million, equivalent to HK$100.0 million and divided into 1,002,905,000 Shares of HK$0.1 each (31 December 2023: approximately RMB87.5 million).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

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

PLEDGE OF ASSETS

As at 30 June 2024, certain right-of-use assets with a net book value in aggregate of approximately RMB13.3 million were pledged to financial institutions to secure general banking facilities (31 December 2023: RMB13.4 million).

EXPOSURE TO FOREIGN EXCHANGE RISK

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

TREASURY POLICIES

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

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

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

There are no important events affecting the Group which have occurred since the end of the Reporting Period and up to the date of this announcement.

CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

Capital commitments of the Group as at 30 June 2024 and 31 December 2023 were approximately RMB249.3 million and approximately RMB215.7 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 2024 and 31 December 2023 respectively.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2024, the Group had 5,398 employees (31 December 2023: 5,227 employees), among which 4,577, 8, 22, 11 and 780 staff members were employed in mainland China, Hong Kong, the US, Germany and Mexico, respectively. The remuneration and staff costs for the Reporting Period were approximately RMB382.6 million (1H 2023: approximately RMB371.6 million).

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

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

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

COMPLIANCE WITH THE CG CODE

The Board and the Company's management are committed to maintaining high standards of corporate governance. The Board firmly believes that conducting the Group's business in a transparent and responsible manner and following good corporate governance practices serve the Group's long-term interests and those of the Shareholders. The Board considers that the Company has complied with all the code provisions of the Corporate Governance Code (the "**CG Code**") as contained in Part 2 of Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") for the Reporting Period.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. In response to a specific enquiry made by the Company, all Directors confirmed that they had complied with the Model Code for the Reporting Period.

REVIEW BY AUDIT COMMITTEE

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 three independent non-executive Directors, namely Mr. Tang Chi Wai (committee chairman), Mr. Gan Weimin and Prof. Cao Lixin. The Audit Committee has reviewed the Group's unaudited interim condensed consolidated financial information for 1H 2024. 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 2024.

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

The results announcement is required to be published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company at www.xinpoint.com, respectively. The interim report of the Company for the Reporting Period will be 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, 22 August 2024

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.