

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

HUAZHONG IN-VEHICLE HOLDINGS COMPANY LIMITED

華眾車載控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6830)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

FINANCIAL HIGHLIGHTS

- Revenue was approximately RMB758,941,000 for the six months ended 30 June 2020, representing a decrease of approximately 17.5% when compared to the six months ended 30 June 2019.
- Profit attributable to owners of the parent amounted to approximately RMB21,781,000 for the six months ended 30 June 2020, representing a decrease of approximately 55.3% when compared to the six months ended 30 June 2019.
- Gross profit margin was 24.0% for the six months ended 30 June 2020 (the six months ended 30 June 2019: 26.8%).
- Basic earnings per share attributable to the owners of the parent was approximately RMB1.23 cents for the six months ended 30 June 2020 (the six months ended 30 June 2019: approximately RMB2.75 cents).
- The Board has resolved not to declare any interim dividend for the six months ended 30 June 2020 (the six months ended 30 June 2019: Nil).

UNAUDITED INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Huazhong In-Vehicle Holdings Company Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2020, together with the comparative figures for the six months ended 30 June 2019.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

		For the six months ended 30 June	
		2020	2019
	Notes	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
REVENUE	4	758,941	919,456
Cost of sales		(577,037)	(673,255)
Gross profit		181,904	246,201
Other income and gains	4	17,066	17,186
Selling and distribution expenses		(55,248)	(60,857)
Administrative expenses		(98,176)	(125,093)
Impairment losses on financial assets, net		(1,300)	(201)
Other expenses		(4,493)	(2,942)
Share of profits of joint ventures		8,639	7,142
Finance income	5	2,261	2,464
Finance costs	6	(19,317)	(20,930)
PROFIT BEFORE TAX	7	31,336	62,970
Income tax expense	8	(8,158)	(12,220)
PROFIT FOR THE PERIOD		23,178	50,750

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(Continued)

For the six months ended 30 June 2020

		For the six months ended 30 June	
		2020	2019
	Notes	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Attributable to:			
Owners of the parent		21,781	48,709
Non-controlling interests		1,397	2,041
		<u>23,178</u>	<u>50,750</u>
EARNINGS PER SHARE			
ATTRIBUTABLE TO			
ORDINARY EQUITY			
HOLDERS OF THE PARENT			
(expressed in RMB per share)	10		
Basic and diluted			
— For profit for the period		<u>RMB0.0123</u>	<u>RMB0.0275</u>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**

For the six months ended 30 June 2020

	For the six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	23,178	50,750
OTHER COMPREHENSIVE INCOME		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	—	(464)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	—	(464)
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	(11,360)	17,281
Income tax effect	2,840	(4,321)
Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods	(8,520)	12,960
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	(8,520)	12,496
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	14,658	63,246
Attributable to:		
Owners of the parent	13,261	61,205
Non-controlling interests	1,397	2,041
	14,658	63,246

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

		30 June 2020	31 December 2019
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	<i>11</i>	882,488	818,505
Investment properties		40,694	42,363
Right-of-use assets		236,817	238,415
Intangible assets		5,933	6,539
Investments in joint ventures		179,750	171,111
Prepayments for acquiring property, plant and equipment		39,851	72,194
Equity investments designated at fair value through other comprehensive income		48,789	60,149
Deferred tax assets		12,834	10,554
		<hr/>	<hr/>
Total non-current assets		1,447,156	1,419,830
		<hr/>	<hr/>
CURRENT ASSETS			
Inventories		343,298	361,648
Trade and notes receivables	<i>12</i>	762,508	781,605
Prepayments and other receivables		403,122	285,471
Due from the ultimate shareholder		471	—
Due from related parties		89,633	61,218
Pledged deposits		179,563	207,839
Cash and cash equivalents		77,101	188,250
		<hr/>	<hr/>
Total current assets		1,855,696	1,886,031
		<hr/>	<hr/>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

As at 30 June 2020

		30 June	31 December
		2020	2019
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
CURRENT LIABILITIES			
Trade and notes payables	13	898,802	977,753
Other payables and accruals		249,998	235,270
Interest-bearing bank borrowings		866,558	808,642
Lease liabilities		3,547	2,554
Due to the ultimate controlling shareholder		—	254
Due to related parties		66,025	77,302
Income tax payable		44,662	43,833
		<hr/>	<hr/>
Total current liabilities		2,129,592	2,145,608
		<hr/>	<hr/>
NET CURRENT LIABILITIES		(273,896)	(259,577)
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,173,260	1,160,253
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		59,000	37,344
Lease liabilities		1,298	1,148
Government grants		17,069	12,538
Deferred tax liabilities		14,715	34,299
		<hr/>	<hr/>
Total non-current liabilities		92,082	85,329
		<hr/>	<hr/>
Net assets		1,081,178	1,074,924
		<hr/> <hr/>	<hr/> <hr/>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

As at 30 June 2020

	30 June	31 December
	2020	2019
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
EQUITY		
Equity attributable to owners of the parent		
Issued capital	142,956	142,956
Reserves	898,966	894,109
	1,041,922	1,037,065
Non-controlling interests	39,256	37,859
Total equity	1,081,178	1,074,924

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting*.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2019.

Going concern basis

Notwithstanding that the Group had consolidated net current liabilities of RMB273,896,000 as at 30 June 2020, the interim condensed consolidated financial information have been prepared by the directors of the Company on a going concern basis.

In order to improve the Group’s financial position, the directors of the Company have the following measures:

- (i) As at 30 June 2020, the Group had unutilised credit facilities from banks of approximately RMB1,040,139,000; and
- (ii) The directors continue to take action to tighten cost controls over various operating expenses, and are actively seeking new investment and business opportunities with an aim to attaining profitable and positive cash flow operations;

In the opinion of the directors of the Company, in light of the measures taken to date, together with the expected results of other measures in progress, it is appropriate to prepare the interim condensed consolidated financial information on a going concern basis, notwithstanding the Group’s financial and liquidity positions at 30 June 2020.

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 2019, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

Amendments to IFRS 3	<i>Definition of a Business</i>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>
Amendments to IFRS 16	<i>Covid-19-Related Rent Concessions</i>

Upon the first-time adoption for the current period's financial information, the amendments did not have any impact on the interim financial position and performance of the Group.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into one single business unit that includes primarily the manufacture and sale of automotive internal and external decorative and structural parts, moulds and tooling, casing and liquid tanks of air conditioning or heater units and other non-automobile products. Management monitors the consolidated results of making decisions about resources allocation and the Group's performance. Accordingly, no segment analysis is presented.

The following table presents non-current asset information for the Group as at 30 June 2020 and 31 December 2019, respectively, which is based on the locations of assets and excludes financial instruments and deferred tax assets.

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Mainland China	<u>1,385,533</u>	<u>1,349,127</u>

4 REVENUE, OTHER INCOME AND GAINS

The disaggregation of the Group's revenue from contracts with customers, including sales of goods and rendering of services below, for the six months ended 30 June 2020 and 30 June 2019 is as follows:

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<i>Type of goods or service</i>		
Revenue		
Sales of plastic parts and automotive parts	680,071	765,818
Sales of moulds and tooling	78,870	153,638
	<u>758,941</u>	<u>919,456</u>
Other income		
Management service	1,823	1,971
Total revenue from contracts with customers	<u>760,764</u>	<u>921,427</u>
<i>Geographical markets</i>		
Mainland China	739,644	819,482
Overseas	21,120	101,945
Total revenue from contracts with customers	<u>760,764</u>	<u>921,427</u>
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time	758,941	919,456
Services transferred over time	1,823	1,971
Total revenue from contracts with customers	<u>760,764</u>	<u>921,427</u>

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Rental income	7,025	6,040
Government grants	6,073	4,934
Dividends received from equity investments designated at fair value through other comprehensive income	1,811	2,014
Management fee	1,823	1,971
Gain on disposal of items of property, plant and equipment	25	1,178
Others	309	1,049
	<hr/>	<hr/>
Total	17,066	17,186
	<hr/> <hr/>	<hr/> <hr/>

5. FINANCE INCOME

	For the six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest income on bank deposits	2,261	2,464
	<hr/>	<hr/>

6. FINANCE COSTS

	For the six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest expense on interest-bearing bank borrowings	19,140	20,720
Interest expense on lease liabilities	177	210
	<hr/>	<hr/>
	19,317	20,930
	<hr/> <hr/>	<hr/> <hr/>

7. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories recognised	577,037	673,255
Depreciation of property, plant and equipment	44,298	44,516
Depreciation of right-of-use assets	4,693	5,017
Depreciation of investment properties	1,669	1,266
Amortisation of intangible assets	606	721
Lease payments under short-term leases	6,392	8,305
Employee benefit expense (excluding directors' and chief executive's remuneration): Wages, salaries and other benefits	95,946	119,686
Gross rental income	(8,685)	(8,892)
Direct expenses that generated rental income	1,660	2,852
Rental income, net	(7,025)	(6,040)
Foreign exchange difference, net	3,037	1,586
Impairment of trade receivables	1,300	201
Reversal of write-down of inventories to net realisable value	(744)	—
Gain on disposal of items of property, plant and equipment	(25)	(1,178)

8. INCOME TAX

Major components of the Group's income tax expense for the period are as follows:

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax		
— Charge for the period	27,182	13,875
Deferred income tax	(19,024)	(1,655)
Total tax charge for the period	<u>8,158</u>	<u>12,220</u>

9. DIVIDENDS

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Final declared — HK0.5206 cent per ordinary share	<u>8,404</u>	<u>7,130</u>

The board of directors has resolved not to declare any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

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

The calculation of basic earnings per share for the period is based on the consolidated net profit attributable to owners of the parent and the weighted average number of ordinary shares of 1,769,193,800 in issue during the six months ended 30 June 2020 (the six months ended 30 June 2019: 1,769,193,800).

The calculations of basic and diluted earnings per share are based on:

	For the six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to owners of the parent used in the basic and diluted earnings per share calculation	<u><u>21,781</u></u>	<u><u>48,709</u></u>
	For the six months ended 30 June	
	Number of shares	
	2020	2019
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<u><u>1,769,193,800</u></u>	<u><u>1,769,193,800</u></u>

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired property, plant and equipment with a total cost of RMB116,016,000 (the six months ended 30 June 2019: RMB156,062,000).

Asset with a net book value of RMB7,735,000 were disposed of by the Group during the six months ended 30 June 2020 (30 June 2019: RMB25,765,000), resulting in a net gain on disposal of RMB25,000 (30 June 2019: RMB1,178,000).

12. TRADE AND NOTES RECEIVABLES

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Within 3 months	615,321	661,162
3 to 6 months	58,308	86,272
6 months to 1 year	68,263	22,246
Over 1 year	20,616	11,925
	<u>762,508</u>	<u>781,605</u>

13. TRADE AND NOTES PAYABLES

An ageing analysis of the trade and notes payables of the Group as at 30 June 2020, based on the invoice date, is as follows:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Within 3 months	612,580	697,204
3 to 12 months	261,247	278,891
1 to 2 years	23,546	—
2 to 3 years	—	130
Over 3 years	1,429	1,528
	<u>898,802</u>	<u>977,753</u>

14. EVENTS AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Group after 30 June 2020.

15. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The unaudited interim condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 26 August 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND MARKET REVIEW

The Group is principally engaged in the manufacture and sale of automotive internal and external structural and decorative parts, moulds and tooling, casings and liquid tanks of air conditioners or heaters and other non-automotive products.

In the first half of 2020, the China's automobile industry has suffering a downturn. According to the statistics from China Association of Automobile Manufacturers, about 10.112 million vehicles were manufactured and about 10.257 million vehicles were sold in the first half of 2020, representing a decrease of 16.8% and 16.9%, respectively.

The sales volume of passenger vehicles of the top ten automobile manufacturers reached approximately 4.714 million units during the first six months of 2020, accounting for 59.88% of the overall vehicle sales in China. As a tier-one supplier with scalable production capacity and strong research and development (the "R&D") capability, the Group has established long-term business relationships with many of these leading players in the market. The solid partnership with industry leaders has provided a strong foothold for the Group to capture the growth of the automobile industry.

For the six months ended 30 June 2020, the Group's revenue was approximately RMB758,941,000, representing a decrease of approximately 17.5% as compared to approximately RMB919,456,000 for the six months ended 30 June 2019. Profit attributable to the owners of the parent for the six months ended 30 June 2020 was approximately RMB21,781,000, representing a decrease of approximately 55.3% as compared to RMB48,709,000 for the six months ended 30 June 2019.

FINANCIAL REVIEW

Revenue

The revenue of the Group was primarily derived from five categories of products:

- (i) automotive interior and exterior structural and decorative parts;
- (ii) moulds and tooling;
- (iii) casings and liquid tanks of air conditioners and heaters;
- (iv) non-automotive products; and
- (v) sale of raw materials.

	For the six months ended 30 June			
	2020		2019	
	Revenue (Unaudited) <i>RMB'000</i>	Gross profit margin %	Revenue (Unaudited) <i>RMB'000</i>	Gross profit margin %
Automotive interior and exterior structural and decorative parts	585,523	24.5	656,053	31.8
Moulds and tooling	78,870	29.5	153,638	11.5
Casings and liquid tanks of air conditioners and heaters	29,871	15.5	40,616	13.5
Non-automotive products	9,480	19.6	26,475	45.6
Sale of raw materials	55,197	15.5	42,674	5.1
Total	758,941	24.0	919,456	26.8

For the six months ended 30 June 2020, the total revenue generated from automotive interior and exterior structural and decorative parts was RMB585,523,000 (the six months ended 30 June 2019: RMB656,053,000), accounting for 77.2% of the Group's total revenue for the six months ended 30 June 2020 (the six months ended 30 June 2019: 71.4%). Gross profit margin decreased slightly from 31.8% for the six months ended 30 June 2019 to 24.5% for the six months ended 30 June 2020. The decline in revenue was mainly due to the reduce in sales order as a result from the sluggish of the automotive markets.

For the six months ended 30 June 2020, revenue from moulds and tooling was RMB78,870,000 (the six months ended 30 June 2019: RMB153,638,000), accounting for 10.4% of the Group's total revenue for the six months ended 30 June 2020 (the six months ended 30 June 2019: 16.7%). Gross profit margin increased from 11.5% for the six months ended 30 June 2019 to 29.5% for the six months ended 30 June 2020.

For the six months ended 30 June 2020, revenue from casings and liquid tanks of air conditioners and heaters was RMB29,871,000 (the six months ended 30 June 2019: RMB40,616,000), accounting for 3.9% of the Group's total revenue for the six months ended 30 June 2020 (the six months ended 30 June 2019: 4.4%). Gross profit margin increased slightly from 13.5% for the six months ended 30 June 2019 to 15.5% for the six months ended 30 June 2020.

For the six months ended 30 June 2020, revenue from non-automotive products was RMB9,480,000 (the six months ended 30 June 2019: RMB26,475,000), accounting for 1.2% of the Group's total revenue for the six months ended 30 June 2020 (the six months ended 30 June 2019: 2.9%). Gross profit margin decreased from 45.6% for the six months ended 30 June 2019 to 19.6% for the six months ended 30 June 2020.

For the six months ended 30 June 2020, revenue from sale of raw materials was RMB55,197,000 (the six months ended 30 June 2019: RMB42,674,000), accounting for 7.3% of the Group's total revenue for the six months ended 30 June 2020 (the six months ended 30 June 2019: 4.6%). The gross profit margin increased from 5.1% for the six months ended 30 June 2019 to 15.5% for the six months ended 30 June 2020.

For the six months ended 30 June 2020, the overall gross profit margin decreased slightly to 24.0% (the six months ended 30 June 2019: 26.8%).

Other Income and Gains

Other income and gains of the Group for the six months ended 30 June 2020 amounted to RMB17,066,000 (the six months ended 30 June 2019: RMB17,186,000), representing a decrease of approximately 0.7% as compared to the six months ended 30 June 2019.

Selling and Distribution Expenses

The Group's selling and distribution expenses for the six months ended 30 June 2020 amounted to approximately RMB55,248,000, representing a decrease of approximately 9.2% as compared to RMB60,857,000 in the six months ended 30 June 2019. The decrease was mainly due to the decreases in packing and transportation expenses as a result of the decrease in sales volume.

Administrative Expenses

The Group's administrative expenses for the six months ended 30 June 2020 amounted to approximately RMB98,176,000 representing a decrease of approximately 21.5% as compared to RMB125,093,000 in the six months ended 30 June 2019. This was mainly attributable to the decrease of salary and welfare, R&D expense and professional service fee during the period.

Share of Profits of Joint Ventures

During the six months ended 30 June 2020, the Group recorded RMB8,639,000 of the share of profits of joint ventures, while a share of profits of joint ventures of RMB7,142,000 was recorded for the six months ended 30 June 2019.

Finance Income

The Group's finance income decrease slightly by approximately 8.2% from approximately RMB2,464,000 for the six months ended 30 June 2019 to approximately RMB2,261,000 for the six months ended 30 June 2020. The decrease in finance income was mainly attributable to the decrease in cash and bank balance.

Finance Costs

The Group's finance costs decrease from approximately RMB20,930,000 for the six months ended 30 June 2019 to approximately RMB19,317,000 for the six months ended 30 June 2020, representing a decrease of approximately 7.7%. The decrease in finance costs was mainly due to the decrease in finance costs during the six months ended 30 June 2020.

Taxes

The Group's tax expenses decreased by approximately 33.2% from approximately RMB12,220,000 for the six months ended 30 June 2019 to approximately RMB8,158,000 for the six months ended 30 June 2020. The decrease was mainly due to the decrease in taxable profits in the six months ended 30 June 2020 as compared to the six months ended 30 June 2019.

Liquidity and Financial Resources

For the six months ended 30 June 2020, the net cash used in operating activities amounted to approximately RMB86,732,000 (the six months ended 30 June 2019: net cash used in operating activities approximately RMB52,000).

The net cash used in investing activities amounted to approximately RMB66,821,000 (the six months ended 30 June 2019: net cash used in investing activities of approximately RMB116,323,000) and the net cash flow generated from financing activities amounted to approximately RMB42,404,000 (the six months ended 30 June 2019: net cash flow generated from financing activities of approximately RMB127,747,000). The cash used in investing activities was mainly attributable to the payment for purchase of property, plant and machinery and right-of-use assets. The net cash generated from financing activities was mainly attributable to bank loans.

As a result of the cumulative effect described above, the Group recorded a net cash outflow of approximately RMB111,149,000 for the six months ended 30 June 2020 (the six months ended 30 June 2019: net cash inflow of approximately RMB11,372,000).

As at 30 June 2020, the Group's cash and cash equivalents (including cash and bank deposits) amounted to approximately RMB77,101,000 (31 December 2019: approximately RMB188,250,000).

As at 30 June 2020, the Group's interest-bearing bank borrowings of the Group were approximately RMB925,558,000 (31 December 2019: approximately RMB845,986,000), among of which, approximately RMB866,558,000 would be due within one year (31 December 2019: approximately RMB808,642,000). The borrowings of the Group were subject to interests payable at rates ranging from 2.38% to 5.035% per annum. The Board of the Company expects that the bank borrowings will either be repaid by internally generated funds or rolled over upon maturity and will continue to provide funding to the Group's operations.

Capital Commitments

As at 30 June 2020, the Group had capital commitments amounting to approximately RMB142,105,000 (31 December 2019: approximately RMB160,011,000) for the acquisition of property, plant and equipment.

Foreign Exchange Exposure

The sales and purchases of the Group are mainly denominated in Renminbi (“**RMB**”) and Euro. The cash and cash equivalents of the Group are mainly denominated in RMB, Hong Kong dollars and Euro. The borrowings are denominated in RMB, Hong Kong dollars and Euro. Since the Group's exposure to fluctuations in foreign exchange rates was immaterial, the Group has not implemented any foreign currency hedging policy at the moment. However, the management will closely monitor the foreign exchange exposure of the Group and will consider hedging against any foreign exchange risk if such becomes significant to the Group.

Capital Structure

The total number of issued and fully paid ordinary shares of the Company as at 30 June 2020 was 1,769,193,800.

Contingent Liabilities

As at 30 June 2020, the Group had no significant contingent liabilities (31 December 2019: Nil).

Pledge of Assets

As at 30 June 2020, the Group's assets of approximately RMB164,782,000 (31 December 2019: approximately RMB182,770,000) were pledged to secure some of the Group's interest-bearing bank and other borrowings. The book values of the pledged assets are set out below:

	30 June 2020 (Unaudited) <i>RMB'000</i>	31 December 2019 (Audited) <i>RMB'000</i>
Property, plant and equipment	15,989	16,649
Investment properties	1,759	1,884
Right-of-use assets	38,034	46,803
Prepaid land lease payments	—	—
Pledged deposits	109,000	117,434
	<hr/>	<hr/>
Total	164,782	182,770
	<hr/> <hr/>	<hr/> <hr/>

Gearing Ratio

As at 30 June 2020, the Group's gearing ratio was approximately 66.5% (31 December 2019: 65.3%). The gearing ratio is derived by dividing net liabilities (including interest-bearing and other bank borrowings, trade and notes payables, other payables and accruals, and payables to related parties and the ultimate controlling shareholder less cash and cash equivalents) by total capital (including equity attributable to owners of the parent company) plus net liabilities at the end of the period under review.

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures and Future Plans for Material Investments or Capital Assets

During the six months ended 30 June 2020, the Group did not have any significant investments or material acquisition or disposal of subsidiaries, associates and joint ventures. There was no plan authorised by the Board for any material investments or additions of capital assets as at the date of this interim announcement.

Employees and Remuneration Policies

As at 30 June 2020, the Group had 2,778 employees (30 June 2019: 3,416). Total staff costs of the Group (excluding Directors' and chief executive's remuneration) for six months ended 30 June 2020 was approximately RMB95,946,000 (the six months ended 30 June 2019: approximately RMB129,640,000). The Group's remuneration policies were in line with relevant legislation, market conditions and the performance of our employees. Share options would be granted to certain eligible persons with outstanding performance and contributions to the Group.

Events After the Reporting Period

There is no material subsequent event undertaken by the Group after 30 June 2020 and up to the date of this announcement.

PROSPECT

In the first quarter of 2020, the outbreak of COVID-19 has substantially dented China's economy and suppressed the local demand for auto. In February 2020, the Chinese government adopted a series of policies including implementing traffic controls between provinces and suspending businesses to contain the spread of the epidemic. These measures affected the supply chain and almost all industries in China. In staunch support of the Chinese government, the Group's production bases were temporarily suspended after the Lunar New Year but had all resumed operation by the end of February. We are positive that the short-term suspension will not have a significant impact on the Group's annual production capacity.

With effective measures taken by the government, the number of locally transmitted cases in China has dropped dramatically by the end of March, showing signs of stabilization. The market is expecting a mild recovery in the coming months alongside the Chinese government's policies and incentives to promote the local auto consumption, such as vehicle licence quota increase and subsidies for electric vehicles ("EV"), releasing of the suppressed demand in the first quarter. The Group will work closely with its customers of the leading high-end and joint-venture auto brands and EV brands to capture the recovery of the market. Meanwhile, the disruption of the global supply chain outside China due to the epidemic has accelerated the domestic sourcing in China. This has presented new opportunities to China-based auto components suppliers that have high-standard quality, cost advantages, and ongoing research and development capacity. As one of the leading auto body parts manufacturers in China, the Group is well positioned to seize the opportunities and garner greater market share.

With the ongoing global trend of energy conservation and better environmental efficiency, weight reduction vehicle continues to be a major development direction for auto industry. Car manufacturers have been seeking auto parts solution that are durable yet light in weight. The Group will keep leveraging on its expertise in plastic product design and manufacturing technology, offering customized and value-added solutions lightweight solutions to its auto brand customers to match consumers' ever-changing needs and desire for high quality, comfortable and functional car interior design. The Group will also explore the new opportunities brought by the rapid growth of 5G network and Internet of Things, which constantly demands for new auto interior parts for smart vehicles.

Looking ahead to the remainder of 2020, the business environment is expected to be challenging and volatile. The Group is determined in self-enhancement and internal optimization that it will never stop investing in research and development to stay at the forefront of plastic lightweight technology and stay competitive. On the other hand, the Group will streamline its production to reduce operating costs and expenses to stay financially healthy for the economic cycle. The Group will thoughtfully monitor and react fast to the market dynamics to maintain its business sustainability and profitability.

Forward Looking Statements

This management discussion and analysis contains certain forward looking statements with respect to the financial condition, results of operations and business of the Group. These forward looking statements represent the Company's expectations or beliefs concerning future events and involve known and unknown risks and uncertainty that could cause actual results, performance or events to differ materially from those expressed or implied in such statements.

Forward looking statements involve inherent risks and uncertainties. Readers including shareholders and investors should be cautioned that a number of factors could cause actual results to differ, in some instances materially, from those anticipated or implied in any forward looking statement.

CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions prescribed in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") as the code of the Company.

The Board is of the view that the Company has complied with all applicable code provisions set out in the CG Code throughout the six months ended 30 June 2020, except for the following deviations.

Code Provision A.2.1

Code provision A.2.1 of the CG Code stipulates that the role of chairman and chief executive should be separate and should not be performed by the same individual. With the support of the company secretary of the Company, the chairman of the Board (the "**Chairman**") seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and received adequate and reliable information on a timely basis.

Since Mr. Zhou Minfeng now serves as both the Chairman and the chief executive the Company (the “**Chief Executive**”) after the resignation of Mr. Li Xuejun on 31 July 2019, such practice deviates from code provision A.2.1 of the CG Code. The Board believes that vesting the roles of both the Chairman and the Chief Executive in the same person can facilitate the effective execution of the Group’s business strategies and operation. Furthermore, there are various experienced individuals in charge of the daily business operation and the Board comprises two executive Directors, four non-executive Directors and five independent non-executive Directors, with a balance of skill and experience appropriate for the Group’s further development. The Board will review such deviation from time to time to enhance the best interest of the Group as a whole.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the “**Model Code**”) as the code of conduct governing dealings by all the Directors in the securities of the Company. Specific enquiries have been made with all Directors, who have confirmed that, during the six months ended 30 June 2020, they were in compliance with the required provisions set out in the Model Code.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2020.

INTERIM DIVIDENDS

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2020 (the six months ended 30 June 2019: Nil).

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) consists of three members, namely Mr. Yu Shuli (chairman), Mr. Tian Yushi and Mr. Xu Jiali, all of them were the independent non-executive Directors. The primary duties of the Audit Committee are to review and supervise the financial reporting process, risk management and internal control systems of the Group.

Disclosure of financial information in this announcement complies with Appendix 16 of the Listing Rules. The Audit Committee has provided supervision over the Group’s financial reporting process. The Audit Committee has reviewed the accounting standards and practices adopted by the Group and discussed the auditing and financial reporting matters, including the review of the interim results of the Group for the six months ended 30 June 2020. The Audit Committee has reviewed the interim results of the Group for the six months ended 30 June 2020 and is of the view that the announcement of interim results for the six months ended 30 June 2020 is prepared in accordance with applicable accounting standards, rules and regulations and appropriate disclosures have been duly made.

APPRECIATION

The chairman of the Board would like to take this opportunity to thank his fellow Directors for their invaluable advices and guidance, and to each and everyone of the staff of the Group for their hard work and loyalty to the Group.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (<http://www.cn-huazhong.com>). The interim report of the Company for the six months ended 30 June 2020 containing all the information required by the Listing Rules will be dispatched to shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

By order of the Board
Huazhong In-Vehicle Holdings Company Limited
Zhou Minfeng
Chairman and Chief Executive

Hong Kong, 26 August 2020

As at the date of this announcement, the executive Directors are Mr. Zhou Minfeng and Mr. Chang Jingzhou; the non-executive Directors are Ms. Lai Cairong, Mr. Wang Yuming, Mr. Guan Xin and Mr. Yu Zhuoping; and the independent non-executive Directors are Mr. Wong Luen Cheung Andrew, Mr. Yu Shuli, Mr. Tian Yushi, Mr. Xu Jiali and Mr. Wu Bichao.