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## **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 2021**

#### **FINANCIAL HIGHLIGHTS**

- Revenue was approximately RMB892,299,000 for the six months ended 30 June 2021, representing an increase of approximately 17.6% when compared to the six months ended 30 June 2020.
- Profit attributable to owners of the parent amounted to approximately RMB34,170,000 for the six months ended 30 June 2021, representing an increase of approximately 56.9% when compared to the six months ended 30 June 2020.
- Gross profit margin was 25.9% for the six months ended 30 June 2021 (the six months ended 30 June 2020: 24.0%).
- Basic earnings per share attributable to the owners of the parent was approximately RMB1.93 cents for the six months ended 30 June 2021 (the six months ended 30 June 2020: approximately RMB1.23 cents).
- The Board has resolved not to declare any interim dividend for the six months ended 30 June 2021 (the six months ended 30 June 2020: 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 2021, together with the comparative figures for the six months ended 30 June 2020.

### INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the six months ended 30 June 2021*

		For the six months ended 30 June	
		2021	2020
	Notes	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
<b>REVENUE</b>	4	<b>892,299</b>	758,941
Cost of sales		<b>(661,462)</b>	(577,037)
<b>Gross profit</b>		<b>230,837</b>	181,904
Other income and gains	4	<b>15,575</b>	17,066
Selling and distribution expenses		<b>(68,899)</b>	(55,248)
Administrative expenses		<b>(129,638)</b>	(98,176)
Impairment losses on financial assets, net		<b>(347)</b>	(1,300)
Other expenses		<b>(8,888)</b>	(4,493)
Share of profits of joint ventures		<b>18,291</b>	8,639
Finance income	5	<b>6,120</b>	2,261
Finance costs	6	<b>(17,895)</b>	(19,317)
<b>PROFIT BEFORE TAX</b>	7	<b>45,156</b>	31,336
Income tax expense	8	<b>(8,721)</b>	(8,158)
<b>PROFIT FOR THE PERIOD</b>		<b>36,435</b>	23,178

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(Continued)

For the six months ended 30 June 2021

		For the six months ended 30 June	
		2021	2020
	Notes	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Attributable to:			
Owners of the parent		34,170	21,781
Non-controlling interests		2,265	1,397
		<u>36,435</u>	<u>23,178</u>
<b>EARNINGS PER SHARE</b>			
<b>ATTRIBUTABLE TO</b>			
<b>ORDINARY EQUITY</b>			
<b>HOLDERS OF THE PARENT</b>			
<b>(expressed in RMB per share)</b>	10		
Basic and diluted			
— For profit for the period		<u>RMB0.0193</u>	<u>RMB0.0123</u>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF  
COMPREHENSIVE INCOME**

*For the six months ended 30 June 2021*

	<b>For the six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>PROFIT FOR THE PERIOD</b>	<b>36,435</b>	<b>23,178</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	—	—
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	—	—
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)
Income tax effect	—	2,840
Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods	—	(8,520)
<b>OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX</b>	<b>—</b>	<b>(8,520)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>36,435</b>	<b>14,658</b>
Attributable to:		
Owners of the parent	34,170	13,261
Non-controlling interests	2,265	1,397
	<b>36,435</b>	<b>14,658</b>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

		<b>30 June 2021</b>	31 December 2020
	<i>Notes</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>
		<b>(Unaudited)</b>	(Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	<i>11</i>	<b>902,904</b>	908,998
Investment properties		<b>33,761</b>	34,777
Right-of-use assets		<b>231,107</b>	233,990
Intangible assets		<b>5,171</b>	5,784
Investments in joint ventures		<b>214,492</b>	200,701
Prepayments for acquiring property, plant and equipment		<b>46,764</b>	48,400
Equity investments designated at fair value through other comprehensive income		<b>69,797</b>	69,797
Deferred tax assets		<b>13,700</b>	10,838
		<hr/>	<hr/>
Total non-current assets		<b>1,517,696</b>	1,513,285
<b>CURRENT ASSETS</b>			
Inventories		<b>321,103</b>	292,160
Trade and notes receivables	<i>12</i>	<b>736,586</b>	819,678
Prepayments and other receivables		<b>378,621</b>	290,468
Due from related parties		<b>87,507</b>	63,538
Pledged deposits		<b>176,220</b>	173,220
Cash and cash equivalents		<b>120,897</b>	94,429
		<hr/>	<hr/>
Total current assets		<b>1,820,934</b>	1,733,493

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

*As at 30 June 2021*

		<b>30 June 2021</b>	31 December 2020
	<i>Notes</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>
		<b>(Unaudited)</b>	(Audited)
<b>CURRENT LIABILITIES</b>			
Trade and notes payables	<i>13</i>	<b>888,969</b>	965,541
Other payables and accruals		<b>272,531</b>	246,909
Interest-bearing bank borrowings		<b>635,990</b>	543,683
Lease liabilities		<b>2,435</b>	4,571
Due to related parties		<b>66,509</b>	49,588
Income tax payable		<b>43,375</b>	42,622
		<hr/>	<hr/>
Total current liabilities		<b>1,909,809</b>	1,852,914
		<hr/>	<hr/>
<b>NET CURRENT LIABILITIES</b>		<b>(88,875)</b>	(119,421)
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,428,821</b>	1,393,864
		<hr/>	<hr/>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings		<b>184,321</b>	173,172
Lease liabilities		<b>93</b>	220
Government grants		<b>18,547</b>	19,154
Deferred tax liabilities		<b>15,966</b>	17,102
		<hr/>	<hr/>
Total non-current liabilities		<b>218,927</b>	209,648
		<hr/>	<hr/>
<b>Net assets</b>		<b>1,209,894</b>	1,184,216
		<hr/> <hr/>	<hr/> <hr/>

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

*As at 30 June 2021*

	<b>30 June 2021</b>	31 December 2020
<i>Notes</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Audited)
<b>EQUITY</b>		
<b>Equity attributable to owners of the parent</b>		
Issued capital	<b>142,956</b>	142,956
Reserves	<b>1,023,927</b>	1,000,514
	<hr/> <b>1,166,883</b>	<hr/> 1,143,470
<b>Non-controlling interests</b>	<b>43,011</b>	40,746
	<hr/> <b>1,209,894</b>	<hr/> 1,184,216
<b>Total equity</b>	<b><u>1,209,894</u></b>	<b><u>1,184,216</u></b>

## 1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2021 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 2020.

### *Going concern basis*

Notwithstanding that the Group had consolidated net current liabilities of RMB88,875,000 as at 30 June 2021, 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 2021, the Group had unutilised credit facilities from banks of approximately RMB813,105,000; 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 2021.



## 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 2020, 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 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendments to IFRS 16	<i>Covid-19-Related Rent Concessions Before 30 June 2021</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 2021 and 31 December 2020, respectively, which is based on the locations of assets and excludes financial instruments and deferred tax assets.

	<b>30 June 2021 RMB'000 (Unaudited)</b>	31 December 2020 RMB'000 (Audited)
Mainland China	<b><u>1,434,199</u></b>	<u>1,432,650</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 2021 and 30 June 2020 is as follows:

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<i>Type of goods or service</i>		
Revenue		
Sales of plastic parts and automotive parts	855,812	680,071
Sales of moulds and tooling	36,487	78,870
	<u>892,299</u>	<u>758,941</u>
Other income		
Management service	1,960	1,823
Total revenue from contracts with customers	<u><u>894,259</u></u>	<u><u>760,764</u></u>
<i>Geographical markets</i>		
Mainland China	860,130	739,644
Overseas	34,129	21,120
Total revenue from contracts with customers	<u><u>894,259</u></u>	<u><u>760,764</u></u>
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time	892,299	758,941
Services transferred over time	1,960	1,823
Total revenue from contracts with customers	<u><u>894,259</u></u>	<u><u>760,764</u></u>

An analysis of other income and gains is as follows:

	<b>For the six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Rental income	7,368	7,025
Government grants	3,966	6,073
Dividends received from equity investments designated at fair value through other comprehensive income	—	1,811
Management fee	1,960	1,823
Gain on disposal of items of property, plant and equipment	638	25
Others	1,643	309
	<hr/>	<hr/>
Total	<b>15,575</b>	<b>17,066</b>
	<hr/> <hr/>	<hr/> <hr/>

#### 5. FINANCE INCOME

	<b>For the six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Interest income on bank deposits	3,131	2,261
Interest income on loans and receivables	2,989	—
	<hr/>	<hr/>
	<b>6,120</b>	<b>2,261</b>
	<hr/> <hr/>	<hr/> <hr/>

#### 6. FINANCE COSTS

	<b>For the six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Interest expense on interest-bearing bank borrowings	17,721	19,140
Interest expense on lease liabilities	174	177
	<hr/>	<hr/>
	<b>17,895</b>	<b>19,317</b>
	<hr/> <hr/>	<hr/> <hr/>

## 7. PROFIT BEFORE TAX

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

	<b>For the six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Cost of inventories recognised	<b>661,462</b>	577,037
Depreciation of property, plant and equipment	<b>53,448</b>	44,298
Depreciation of right-of-use assets	<b>5,153</b>	4,693
Depreciation of investment properties	<b>1,547</b>	1,669
Amortisation of intangible assets	<b>613</b>	606
Lease payments under short-term leases	<b>8,440</b>	6,392
Employee benefit expense (excluding directors' and chief executive's remuneration): Wages, salaries and other benefits	<b>125,054</b>	95,946
Gross rental income	<b>(9,544)</b>	(8,685)
Direct expenses that generated rental income	<b>2,176</b>	1,660
Rental income, net	<b>(7,368)</b>	(7,025)
Foreign exchange difference, net	<b>8,115</b>	3,037
Impairment of trade receivables	<b>347</b>	1,300
Reversal of write-down of inventories to net realisable value	—	(744)
Gain on disposal of items of property, plant and equipment	<b>(638)</b>	(25)

## 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	
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
Current income tax		
— Charge for the period	12,719	27,182
Deferred income tax	<u>(3,998)</u>	<u>(19,024)</u>
Total tax charge for the period	<u><u>8,721</u></u>	<u><u>8,158</u></u>

## 9. DIVIDENDS

	For the six months ended 30 June	
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
Final declared — HK0.6080 cent per ordinary share (2020: HK0.5206 cent)	<u><u>10,757</u></u>	<u><u>8,404</u></u>

The board of directors has resolved not to declare any interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: 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 2021 (the six months ended 30 June 2020: 1,769,193,800).

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

	<b>For the six months ended 30 June</b>	
	<b>2021</b>	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Earnings</b>		
Profit attributable to owners of the parent used in the basic and diluted earnings per share calculation	<b>34,170</b>	21,781
	<b>For the six months ended 30 June</b>	
	<b>Number of shares</b>	
	<b>2021</b>	2020
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<b>1,769,193,800</b>	1,769,193,800

## **11. PROPERTY, PLANT AND EQUIPMENT**

During the six months ended 30 June 2021, the Group acquired property, plant and equipment with a total cost of RMB51,032,000 (the six months ended 30 June 2020: RMB116,016,000).

Asset with a net book value of RMB3,215,000 were disposed of by the Group during the six months ended 30 June 2021 (30 June 2020: RMB7,735,000), resulting in a net gain on disposal of RMB638,000 (30 June 2020: RMB25,000).

## 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:

	<b>30 June 2021 RMB'000 (Unaudited)</b>	31 December 2020 RMB'000 (Audited)
Within 3 months	569,760	626,037
3 to 6 months	84,534	70,703
6 months to 1 year	46,152	89,171
Over 1 year	36,140	33,767
	<u>736,586</u>	<u>819,678</u>

## 13. TRADE AND NOTES PAYABLES

An ageing analysis of the trade and notes payables of the Group as at 30 June 2021, based on the invoice date, is as follows:

	<b>30 June 2021 RMB'000 (Unaudited)</b>	31 December 2020 RMB'000 (Audited)
Within 3 months	646,517	669,463
3 to 12 months	219,613	259,743
1 to 2 years	10,610	34,682
2 to 3 years	10,584	—
Over 3 years	1,645	1,653
	<u>888,969</u>	<u>965,541</u>

#### **14. EVENTS AFTER THE REPORTING PERIOD**

There is no material subsequent event undertaken by the Group after 30 June 2021.

#### **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 2021.



## **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.

For the six months ended 30 June 2021, the Group's revenue was approximately RMB892,299,000, representing an increase of approximately 17.6% as compared to approximately RMB758,941,000 for the six months ended 30 June 2020. Profit attributable to the owners of the parent for the six months ended 30 June 2021 was approximately RMB34,170,000, representing an increase of approximately 56.9% as compared to RMB21,781,000 for the six months ended 30 June 2020.

### **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			
	2021		2020	
	Revenue (Unaudited) RMB'000	Gross profit margin %	Revenue (Unaudited) RMB'000	Gross profit margin %
Automotive interior and exterior structural and decorative parts	758,775	25.9	585,523	24.5
Moulds and tooling	36,487	22.8	78,870	29.5
Casings and liquid tanks of air conditioners and heaters	53,858	24.0	29,871	15.5
Non-automotive products	25,056	52.1	9,480	19.6
Sale of raw materials	18,123	1.6	55,197	15.5
Total	<u>892,299</u>	<u>25.9</u>	<u>758,941</u>	<u>24.0</u>

For the six months ended 30 June 2021, the total revenue generated from automotive interior and exterior structural and decorative parts was RMB758,775,000 (the six months ended 30 June 2020: RMB585,523,000), accounting for 85.0% of the Group's total revenue for the six months ended 30 June 2021 (the six months ended 30 June 2020: 77.2%). Gross profit margin increased slightly from 24.5% for the six months ended 30 June 2020 to 25.9% for the six months ended 30 June 2021. The increase in revenue was mainly due to the rise in sales order as a result from the recover of the automotive markets.

For the six months ended 30 June 2021, revenue from moulds and tooling was RMB36,487,000 (the six months ended 30 June 2020: RMB78,870,000), accounting for 4.1% of the Group's total revenue for the six months ended 30 June 2021 (the six months ended 30 June 2020: 10.4%). Gross profit margin decreased from 29.5% for the six months ended 30 June 2020 to 22.8% for the six months ended 30 June 2021.

For the six months ended 30 June 2021, revenue from casings and liquid tanks of air conditioners and heaters was RMB53,858,000 (the six months ended 30 June 2020: RMB29,871,000), accounting for 6.0% of the Group's total revenue for the six months ended 30 June 2021 (the six months ended 30 June 2020: 3.9%). Gross profit margin increased from 15.5% for the six months ended 30 June 2020 to 24.0% for the six months ended 30 June 2021.

For the six months ended 30 June 2021, revenue from non-automotive products was RMB25,056,000 (the six months ended 30 June 2020: RMB9,480,000), accounting for 2.8% of the Group's total revenue for the six months ended 30 June 2021 (the six months ended 30 June 2020: 1.2%). Gross profit margin increased significantly from 19.6% for the six months ended 30 June 2020 to 52.1% for the six months ended 30 June 2021.

For the six months ended 30 June 2021, revenue from sale of raw materials was RMB18,123,000 (the six months ended 30 June 2020: RMB55,197,000), accounting for 2.0% of the Group's total revenue for the six months ended 30 June 2021 (the six months ended 30 June 2020: 7.3%). The gross profit margin decreased from 15.5% for the six months ended 30 June 2020 to 1.6% for the six months ended 30 June 2021.

For the six months ended 30 June 2021, the overall gross profit margin increased slightly to 25.9% (the six months ended 30 June 2020: 24.0%).

### **Other Income and Gains**

Other income and gains of the Group for the six months ended 30 June 2021 amounted to RMB15,575,000 (the six months ended 30 June 2020: RMB17,066,000), representing a decrease of approximately 8.7% as compared to the six months ended 30 June 2020.

### **Selling and Distribution Expenses**

The Group's selling and distribution expenses for the six months ended 30 June 2021 amounted to approximately RMB68,899,000, representing an increase of approximately 24.7% as compared to RMB55,248,000 in the six months ended 30 June 2020. The increase was mainly due to the increase in packing and transportation expenses as a result of the increase in sales volume.

### **Administrative Expenses**

The Group's administrative expenses for the six months ended 30 June 2021 amounted to approximately RMB129,638,000, representing an increase of approximately 32.0% as compared to RMB98,176,000 in the six months ended 30 June 2020. This was mainly attributable to the increase 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 2021, the Group recorded RMB18,291,000 of the share of profits of joint ventures, while a share of profits of joint ventures of RMB8,639,000 was recorded for the six months ended 30 June 2020.

## **Finance Income**

The Group's finance income increase significantly by approximately 170.7% from approximately RMB2,261,000 for the six months ended 30 June 2020 to approximately RMB6,120,000 for the six months ended 30 June 2021. The increase in finance income was mainly attributable to the increase in cash and bank balance and interest income from loan provided to supplier.

## **Finance Costs**

The Group's finance costs decrease from approximately RMB19,317,000 for the six months ended 30 June 2020 to approximately RMB17,895,000 for the six months ended 30 June 2021, representing a decrease of approximately 7.4%. The decrease in finance costs was mainly due to the decrease in finance costs during the six months ended 30 June 2021.

## **Taxes**

The Group's tax expenses increase by approximately 6.9% from approximately RMB8,158,000 for the six months ended 30 June 2020 to approximately RMB8,721,000 for the six months ended 30 June 2021. The increase was mainly due to the increase in taxable profits in the six months ended 30 June 2021 as compared to the six months ended 30 June 2020.

## **Liquidity and Financial Resources**

For the six months ended 30 June 2021, the net cash used in operating activities amounted to approximately RMB15,168,000 (the six months ended 30 June 2020: net cash used in operating activities approximately RMB86,732,000).

The net cash used in investing activities amounted to approximately RMB41,583,000 (the six months ended 30 June 2020: net cash used in investing activities of approximately RMB66,821,000) and the net cash flow generated from financing activities amounted to approximately RMB83,219,000 (the six months ended 30 June 2020: net cash flow generated from financing activities of approximately RMB42,404,000). 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 inflow of approximately RMB26,468,000 for the six months ended 30 June 2021 (the six months ended 30 June 2020: net cash outflow of approximately RMB111,149,000).

As at 30 June 2021, the Group's cash and cash equivalents (including cash and bank deposits) amounted to approximately RMB120,897,000 (31 December 2020: approximately RMB94,429,000).

As at 30 June 2021, the Group's interest-bearing bank borrowings were approximately RMB820,311,000 (31 December 2020: approximately RMB716,855,000), among of which, approximately RMB635,990,000 would be due within one year (31 December 2020: approximately RMB543,683,000). The borrowings of the Group were subject to interests payable at rates ranging from 3.8% to 5.0% 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 2021, the Group had capital commitments amounting to approximately RMB130,472,000 (31 December 2020: approximately RMB137,364,000) for the acquisition of property, plant and equipment.

## Foreign Exchange Exposure

The sales and purchases of the Group are mainly denominated in Renminbi (“RMB”). The cash and cash equivalents of the Group are mainly denominated in RMB and Hong Kong dollars. The borrowings are denominated in RMB. 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 2021 was 1,769,193,800.

## Contingent Liabilities

As at 30 June 2021, the Group had no significant contingent liabilities (31 December 2020: Nil).

## Pledge of Assets

As at 30 June 2021, the Group’s assets of approximately RMB149,221,000 (31 December 2020: approximately RMB164,560,000) 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:

	<b>30 June 2021</b> <b>(Unaudited)</b> <i>RMB’000</i>	31 December 2020 <b>(Audited)</b> <i>RMB’000</i>
Property, plant and equipment	7,527	18,694
Investment properties	1,321	929
Right-of-use assets — Prepaid land lease payments	31,373	35,937
Pledged deposits	109,000	109,000
	<hr/>	<hr/>
Total	<b>149,221</b>	<b>164,560</b>

## **Gearing Ratio**

As at 30 June 2021, the Group's gearing ratio was approximately 62.3% (31 December 2020: 62.3%). 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 2021, 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 announcement.

## **Employees and Remuneration Policies**

As at 30 June 2021, the Group had 2,790 employees (30 June 2020: 2,778). Total staff costs of the Group (excluding Directors' and chief executive's remuneration) for six months ended 30 June 2021 was approximately RMB125,054,000 (the six months ended 30 June 2020: approximately RMB95,946,000). 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 2021 and up to the date of this announcement.



## PROSPECT

In the first half of 2021, although factors including the shortage of chips and increase in the price of raw materials have posed challenges to the market of passenger vehicles, the automobile industry continues to recover in general. Both manufacturing and sales volumes recorded a significant year-on-year increase. According to the statistics from China Association of Automobile Manufacturers (“CAAM”), the manufacturing and sales volumes of automobiles in China in the first half of the year amounted to 12.569 million and 12.891 million respectively, representing a year-on-year increase of 24.2% and 25.6%. The manufacturing and sales volumes increased by 3.4% and 4.4% respectively as compared to the corresponding period in 2019. In 2020, the automobile market in China rebounded rapidly after hitting rock bottom, which has displayed a significant rising trend in the first half of 2021. CAAM estimated that in 2021, the sales volume of automobiles is expected to reach 27.00 million, representing a year-on-year increase of approximately 6.7%. Among which, the sales volume of passenger vehicles was approximately 22.10 million, representing a year-on-year increase of approximately 9.5%. The sales volume of new energy automobiles was approximately 2.40 million, representing a significant year-on-year increase of approximately 76%. Being a leading tier-one supplier of mid-to-high-end automotive parts in China, the Group will benefit from the quick recovery of automobile industry with the implementation of favourable policies. It expected that revenue and profit will increase continuously, and enterprise value will be enhanced constantly in 2021.

As national and local policies continue to bode well for new energy automotive track, coupled with extending financial subsidies for new energy automotive and a series of supporting policies conducive to its rapid and high-quality development, the number of new energy automotive remains on a rise, and the rapid development of new energy automotive is set to become the main force in achieving the “dual carbon” goal, promoting the comprehensive green transformation of the economic and social development. Looking forward to the second half of the year, the Group will give full play to its technology strength of “replacing steel with plastics” to meet the greater demand of new energy automotive for lightweight materials, devote greater efforts to devise the development direction of new energy automotive, and explore more customers and orders for new energy automotive. Meanwhile, the Group will adhere to the strategy of targeting mid to high-end passenger vehicle brand customers to maintain the gross profit margin of the Group at a higher level.



Given stable increase in new orders, the Group expects to keep expanding the production capacity of new plants by enhancing the level of automation. At the same time, the Group will intensify efforts on internal optimisation and research and development to ensure its leading position in the industry with the lightweight technology strength of “replacing steel with plastics”. The Group will also seize the long-term cooperation opportunities with high-end and joint venture auto and electric auto brand customers, and vigorously develop the high-value added fabric segment and other one-stop parts solution to improve its business volume. In addition, the Group will pay continuous attention to opportunities for expanding the upstream and downstream industrial chain as well as potential merger and acquisition opportunities which create synergies with the existing businesses. As always, the Group will maintain robust financial position, business sustainability and profitability, guard against potential risk factors with higher flexibility, and seize the industrial development opportunities ahead, so as to deliver better and sustainable returns for shareholders.

### **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 2021, 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**”), 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 three executive Directors, four non-executive Directors and four 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 2021, 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 2021.

## **INTERIM DIVIDENDS**

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2021 (the six months ended 30 June 2020: 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 2021 and is of the view that the announcement of interim results for the six months ended 30 June 2021 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](http://www.hkexnews.hk)) and the Company (<http://www.cn-huazhong.com>). The interim report of the Company for the six months ended 30 June 2021 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 2021

*As at the date of this announcement, the executive Directors are Mr. Zhou Minfeng and Mr. Wu Bichao; 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 and Mr. Xu Jiali.*