

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 2022

FINANCIAL HIGHLIGHTS

- Revenue was approximately RMB774,818,000 for the six months ended 30 June 2022, representing a decrease of approximately 13.2% when compared to the six months ended 30 June 2021.
- Profit attributable to owners of the parent amounted to approximately RMB27,259,000 for the six months ended 30 June 2022, representing a decrease of approximately 20.2% when compared to the six months ended 30 June 2021.
- Gross profit margin was 26.8% for the six months ended 30 June 2022 (the six months ended 30 June 2021: 25.9%).
- Basic earnings per share attributable to the owners of the parent was approximately RMB1.54 cents for the six months ended 30 June 2022 (the six months ended 30 June 2021: approximately RMB1.93 cents).
- The Board has resolved not to declare any interim dividend for the six months ended 30 June 2022 (the six months ended 30 June 2021: 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 2022, together with the comparative figures for the six months ended 30 June 2021.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

		For the six months ended 30 June	
		2022	2021
	Notes	RMB'000 (Unaudited)	RMB'000 (Unaudited)
REVENUE	4	774,818	892,299
Cost of sales		<u>(567,050)</u>	<u>(661,462)</u>
Gross profit		207,768	230,837
Other income and gains	4	24,881	15,575
Selling and distribution expenses		(56,524)	(68,899)
Administrative expenses		(121,721)	(129,638)
Impairment losses on financial assets, net		472	(347)
Other expenses		(461)	(8,888)
Share of profits of joint ventures		1,861	18,291
Finance income	5	2,568	6,120
Finance costs	6	(14,676)	(17,895)
		<u> </u>	<u> </u>
PROFIT BEFORE TAX	7	44,168	45,156
Income tax expense	8	(13,260)	(8,721)
		<u> </u>	<u> </u>
PROFIT FOR THE PERIOD		30,908	36,435
		<u> </u>	<u> </u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(Continued)*

For the six months ended 30 June 2022

		For the six months ended 30 June	
	<i>Notes</i>	2022	2021
		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Attributable to:			
Owners of the parent		27,259	34,170
Non-controlling interests		3,649	2,265
		<hr/>	<hr/>
		30,908	36,435
		<hr/> <hr/>	<hr/> <hr/>
EARNINGS PER SHARE			
ATTRIBUTABLE TO			
ORDINARY EQUITY			
HOLDERS OF THE PARENT			
(expressed in RMB per share)	<i>10</i>		
Basic and diluted			
— For profit for the period		RMB0.0154	RMB0.0193
		<hr/> <hr/>	<hr/> <hr/>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**

For the six months ended 30 June 2022

	For the six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	30,908	36,435
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	—	—
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	—	—
Other comprehensive 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	—	—
Income tax effect	—	—
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	—	—
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	—	—
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	30,908	36,435
Attributable to:		
Owners of the parent	27,259	34,170
Non-controlling interests	3,649	2,265
	30,908	36,435

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	<i>Notes</i>	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	<i>11</i>	985,273	961,376
Investment properties		31,906	32,473
Right-of-use assets		226,871	222,153
Intangible assets		6,309	5,091
Investments in joint ventures		95,163	220,929
Prepayments for acquiring property, plant and equipment		36,717	37,671
Equity investments designated at fair value through other comprehensive income		62,345	62,345
Pledged deposits		—	56,000
Deferred tax assets		19,294	16,938
		<hr/>	<hr/>
Total non-current assets		1,463,878	1,614,976
CURRENT ASSETS			
Inventories		374,671	322,951
Trade and notes receivables	<i>12</i>	663,587	815,353
Prepayments and other receivables		349,408	350,532
Amounts due from related parties		58,522	44,513
Pledged deposits		164,078	99,306
Cash and cash equivalents		177,834	61,676
		<hr/>	<hr/>
Total current assets		1,788,100	1,694,331

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

As at 30 June 2022

	<i>Notes</i>	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
CURRENT LIABILITIES			
Trade and notes payables	<i>13</i>	832,685	955,726
Other payables and accruals		330,345	249,920
Interest-bearing bank and other borrowings		388,903	551,971
Amounts due to related parties		6,587	58,867
Income tax payable		56,390	56,657
		<hr/>	<hr/>
Total current liabilities		1,614,910	1,873,141
		<hr/>	<hr/>
NET CURRENT ASSETS/ (LIABILITIES)		173,190	(178,810)
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,637,068	1,436,166
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		249,781	167,692
Government grants		17,792	17,903
Deferred tax liabilities		19,451	13,723
		<hr/>	<hr/>
Total non-current liabilities		287,024	199,318
		<hr/>	<hr/>
Net assets		1,350,044	1,236,848
		<hr/> <hr/>	<hr/> <hr/>

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

As at 30 June 2022

	30 June 2022	31 December 2021
<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	1,054,499	1,034,841
	<u>1,197,455</u>	<u>1,177,797</u>
Non-controlling interests	152,589	59,051
Total equity	<u>1,350,044</u>	<u>1,236,848</u>

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2022 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 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 2021, except for the adoption of the following revised International Financial Reporting Standards (“IFRSs”) for the first time for the current period’s financial information.

<i>Amendments to IFRS 3</i>	<i>Reference to the Conceptual Framework</i>
<i>Amendments to IAS 16</i>	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
<i>Amendments to IAS 37</i>	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to IFRS 2018-2020</i>	<i>Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41</i>

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

- (a) Amendments to IFRS 3 replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting issued in June 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC-Int21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities

and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.

- (b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) Annual Improvements to IFRS 2018-2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are applicable to the Group are as follows:

- IFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
- IFRS 16 Leases: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

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.

Revenue from external customers

(a) Revenue from external customers

	For the six months ended 30 June	
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
Mainland China	744,873	858,170
Overseas	29,945	34,129
	<u>774,818</u>	<u>892,299</u>

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

(b) Non-current assets

The following table presents non-current asset information for the Group as at 30 June 2022 and 31 December 2021 respectively, which is based on the locations of assets and excludes financial instruments and deferred tax assets.

	30 June 2022 <i>RMB'000</i> (Unaudited)	31 December 2021 <i>RMB'000</i> (Audited)
	Mainland China	<u>1,382,239</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 2022 and 30 June 2021 is as follows:

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<i>Type of goods or service</i>		
Revenue		
Sales of plastic parts and automotive parts	720,855	855,812
Sales of moulds and tooling	53,963	36,487
	<hr/> 774,818 <hr/>	<hr/> 892,299 <hr/>
Other income		
Management service	1,776	1,960
	<hr/> 776,594 <hr/>	<hr/> 894,259 <hr/>
Total revenue from contracts with customers	776,594	894,259
	<hr/> 776,594 <hr/>	<hr/> 894,259 <hr/>
<i>Geographical markets</i>		
Mainland China	746,649	860,130
Overseas	29,945	34,129
	<hr/> 776,594 <hr/>	<hr/> 894,259 <hr/>
Total revenue from contracts with customers	776,594	894,259
	<hr/> 776,594 <hr/>	<hr/> 894,259 <hr/>
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time	774,818	892,299
Services transferred over time	1,776	1,960
	<hr/> 776,594 <hr/>	<hr/> 894,259 <hr/>
Total revenue from contracts with customers	776,594	894,259
	<hr/> 776,594 <hr/>	<hr/> 894,259 <hr/>

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2022	2021
	RMB'000	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Rental income	3,851	7,368
Government grants	4,274	3,966
Dividends received from equity investments designated at fair value through other comprehensive income	1,509	—
Management fee	1,776	1,960
Gain on disposal of items of property, plant and equipment	—	638
Gain on sales of scrap materials	651	—
Foreign exchange gain	1,314	—
Revaluation gain on previously held equity interest	785	—
Gain on bargain purchase	8,915	—
Others	1,806	1,643
Total	<u>24,881</u>	<u>15,575</u>

5. FINANCE INCOME

	For the six months ended 30 June	
	2022	2021
	RMB'000	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest income on bank deposits	2,568	3,131
Interest income on loans and receivables	—	2,989
	<u>2,568</u>	<u>6,120</u>

6. FINANCE COSTS

	For the six months ended 30 June	
	2022	2021
	RMB'000	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest expense on interest-bearing bank borrowings	14,271	17,721
Interest expense on lease liabilities	405	174
	<u>14,676</u>	<u>17,895</u>

7. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories recognised	567,050	661,462
Depreciation of property, plant and equipment	63,267	53,448
Depreciation of right-of-use assets	6,205	5,153
Depreciation of investment properties	1,963	1,547
Amortisation of intangible assets	652	613
Lease payments under short-term leases	10,567	8,440
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages, salaries and other benefits	125,211	125,054
Gross rental income	(6,123)	(9,544)
Direct expenses that generated rental income	2,272	2,176
Rental income, net	(3,851)	(7,368)
Foreign exchange difference, net	(1,314)	8,115
Gain on bargain purchase	(8,915)	—
Impairment of trade receivables	(472)	347
Reversal of write-down of inventories to net realisable value	666	—
Revaluation gain on previously held equity interest	(785)	—
Loss/(Gain) on disposal of items of property, plant and equipment	5	(638)

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	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current income tax		
— Charge for the period	7,300	12,719
Deferred income tax	5,960	(3,998)
Total tax charge for the period	<u>13,260</u>	<u>8,721</u>

9. DIVIDENDS

	For the six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Final declared — HK0.5276 cent per ordinary share (2021: HK0.6080 cent)	7,601	10,757

The board of directors has resolved not to declare any interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: 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 2022 (the six months ended 30 June 2021: 1,769,193,800).

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

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to owners of the parent used in the basic and diluted earnings per share calculation	<u><u>27,259</u></u>	<u><u>34,170</u></u>
	For the six months ended 30 June	
	Number of shares	
	2022	2021
	(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 2022, the Group acquired property, plant and equipment with a total cost of RMB44,043,000 (the six months ended 30 June 2021: RMB51,032,000), excluding property, plant and equipment acquired through a business combination disclosed in note 14 to the interim condensed consolidated financial information. Assets with net book value of RMB14,777,000 were transferred from investment properties to property, plant and equipment.

Assets with a net book value of RMB16,173,000 were transferred to Investment Properties. Assets with a net book value of RMB5,000 were disposed of by the Group during the six months ended 30 June 2022 (30 June 2021: RMB3,215,000), resulting in a net loss on disposal of RMB5,000 (30 June 2021: RMB638,000).

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 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 3 months	546,955	713,502
3 to 6 months	46,797	61,863
6 months to 1 year	52,344	21,247
Over 1 year	17,491	18,741
	<u>663,587</u>	<u>815,353</u>

13. TRADE AND NOTES PAYABLES

An ageing analysis of the trade and notes payables of the Group as at 30 June 2022, based on the invoice date, is as follows:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 3 months	541,350	729,980
3 to 12 months	266,337	192,896
1 to 2 years	12,463	18,172
2 to 3 years	6,701	14,678
Over 3 years	5,834	—
	<u>832,685</u>	<u>955,726</u>

Certain notes payable was secured by pledged deposits of the Group with a carrying value of RMB108,078,000 as at 30 June 2022 (31 December 2021: RMB46,306,000).

14. BUSINESS COMBINATION

On 17 March 2004, Ningbo Roekona-Zoeppritex-Tex-Line Co., Ltd. (“Ningbo Hualete”) was established in Zhejiang Province, the PRC, with a 41% equity interest beneficially held by the Group. On 24 December 2010, the Group acquired an additional 9% equity interest in Ningbo Hualete from Ningbo Huayou Properties Co., Ltd. (“Ningbo Huayou Properties”), a related party. Prior to 6 May 2022, Ningbo Hualete was a joint venture which was owned as to 50% by the Group.

On 6 May 2022 (“Acquisition date”), the Group acquired additional 15% interest in Ningbo Hualete from zwissTEX Germany GmbH, an independent third party. The purchase consideration for the acquisition was in the form of cash, with EUR1,500,000 (equivalent to RMB10,429,650) paid on the 30 May 2022 and the remaining EUR3,000,000 (equivalent to RMB20,859,300) paid on July and August 2022. Upon the completion of the acquisition, Ningbo Hualete was an indirect non-wholly-owned subsidiary of the Company and was consolidated into the consolidated financial statements of the Group.

The Group considers that upon Completion, the equity interest in Ningbo Hualete held by the Group will enhance the cooperation between the Group and Ningbo Hualete and reduce the operating costs.

The Group has measured the non-controlling interests in the acquiree at fair value.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of Ningbo Hualete as at the acquisition date were as follows:

	Fair value recognised on acquisition <i>RMB '0000</i> (Unaudited)
Property, plant and equipment	44,522
Intangible assets	1,870
Deferred tax assets	2,864
Inventories	33,407
Trade and notes receivables	186,358
Cash and cash equivalents	13,193
Trade and notes payables	(14,620)
Other payables and accruals	(10,491)
Deferred tax liability	(277)
	<hr/>
Total identifiable net assets at fair value	256,826
Non-controlling interest measured at fair value	(89,889)
Gain on bargain purchase recognized in profit or loss	(8,915)
	<hr/>
Purchase consideration transferred	158,022
Satisfied by:	
Cash	31,289
Other payables and accruals	(1,680)
Investments in joint ventures measured at fair value	128,413
	<hr/> <hr/>

An analysis of the cash flows in respect of the acquisition of a subsidiary as of 30 June 2022 is as follows:

	<i>RMB '0000</i> (Unaudited)
Cash consideration	(10,430)
Cash and bank balances acquired	13,193
Net outflow of cash and cash equivalents	
included in cash flows from investing activities	2,763
Transaction costs of the acquisition included	
in cash flows from operating activities	(17)
	<hr/>
	2,746
	<hr/> <hr/>

The Group incurred transaction costs of RMB17,000 for this acquisition. These transaction costs have been expensed and are included in other expenses in the interim condensed consolidated statement of profit or loss.

Since the acquisition, Ningbo Hualetе contributed RMB13,228,000 to the Group's revenue and RMB327,000 to the consolidated loss for the six months ended 30 June 2022.

Had the combination taken place at the beginning of the period, the revenue from continuing operations of the Group and the profit of the Group for the period would have been RMB796,276,000 and RMB30,951,000 respectively.

15. EVENTS AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Group after 30 June 2022.

16. 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 29 August 2022.

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 2022, the Group's revenue was approximately RMB774,818,000, representing a decrease of approximately 13.2% as compared to approximately RMB892,299,000 for the six months ended 30 June 2021. Profit attributable to the owners of the parent for the six months ended 30 June 2022 was approximately RMB27,259,000, representing a decrease of approximately 20.2% as compared to RMB34,170,000 for the six months ended 30 June 2021.

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			
	2022		2021	
	Revenue (Unaudited) RMB'000	Gross profit margin %	Revenue (Unaudited) RMB'000	Gross profit margin %
Automotive interior and exterior structural and decorative parts	626,785	28.1	758,775	25.9
Moulds and tooling	53,963	14.9	36,487	22.8
Casings and liquid tanks of air conditioners and heaters	45,109	23.5	53,858	24.0
Non-automotive products	25,833	39.8	25,056	52.1
Sale of raw materials	23,128	12.5	18,123	1.6
Total	<u>774,818</u>	<u>26.8</u>	<u>892,299</u>	25.9

For the six months ended 30 June 2022, the total revenue generated from automotive interior and exterior structural and decorative parts was approximately RMB626,785,000 (the six months ended 30 June 2021: approximately RMB758,775,000), accounting for approximately 80.9% of the Group's total revenue for the six months ended 30 June 2022 (the six months ended 30 June 2021: approximately 85.0%). Gross profit margin increase from approximately 25.9% for the six months ended 30 June 2021 to approximately 28.1% for the six months ended 30 June 2022. The decrease in revenue was mainly due to the drop in sales order as a result of the Covid-19 pandemic.

For the six months ended 30 June 2022, revenue from moulds and tooling was approximately RMB53,963,000 (the six months ended 30 June 2021: approximately RMB36,487,000), accounting for approximately 7.0% of the Group's total revenue for the six months ended 30 June 2022 (the six months ended 30 June 2021: approximately 4.1%). Gross profit margin decreased from approximately 22.8% for the six months ended 30 June 2021 to approximately 14.9% for the six months ended 30 June 2022.

For the six months ended 30 June 2022, revenue from casings and liquid tanks of air conditioners and heaters was approximately RMB45,109,000 (the six months ended 30 June 2021: approximately RMB53,858,000), accounting for approximately 5.8% of the Group's total revenue for the six months ended 30 June 2022 (the six months ended 30 June 2021: approximately 6.1%). Gross profit margin decreased slightly from approximately 24.0% for the six months ended 30 June 2021 to approximately 23.5% for the six months ended 30 June 2022.

For the six months ended 30 June 2022, revenue from non-automotive products was approximately RMB25,833,000 (the six months ended 30 June 2021: approximately RMB25,056,000), accounting for approximately 3.3% of the Group's total revenue for the six months ended 30 June 2022 (the six months ended 30 June 2021: approximately 2.8%). Gross profit margin decreased from approximately 52.1% for the six months ended 30 June 2021 to approximately 39.8% for the six months ended 30 June 2022.

For the six months ended 30 June 2022, revenue from sale of raw materials was approximately RMB23,128,000 (the six months ended 30 June 2021: approximately RMB18,123,000), accounting for approximately 3.0% of the Group's total revenue for the six months ended 30 June 2022 (the six months ended 30 June 2021: approximately 2.0%). The gross profit margin increased from approximately 1.6% for the six months ended 30 June 2021 to 12.5% for the six months ended 30 June 2022.

For the six months ended 30 June 2022, the overall gross profit margin increased slightly to approximately 26.8% (the six months ended 30 June 2021: approximately 25.9%).

Other Income and Gains

Other income and gains of the Group for the six months ended 30 June 2022 amounted to approximately RMB24,881,000 (the six months ended 30 June 2021: approximately RMB15,575,000), representing an increase of approximately 59.7% as compared to the six months ended 30 June 2021.

Selling and Distribution Expenses

The Group's selling and distribution expenses for the six months ended 30 June 2022 amounted to approximately RMB56,524,000, representing a decrease of approximately 18.0% as compared to approximately RMB68,899,000 in the six months ended 30 June 2021. The decrease was mainly due to the decrease 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 2022 amounted to approximately RMB121,721,000, representing a decrease of approximately 6.1% as compared to approximately RMB129,638,000 in the six months ended 30 June 2021. This was mainly attributable to decrease of research and development expense during the period.

Share of Profits of Joint Ventures

During the six months ended 30 June 2022, the Group recorded approximately RMB1,861,000 of the share of profits of joint ventures, while a share of profits of joint ventures of approximately RMB18,291,000 was recorded for the six months ended 30 June 2021.

Finance Income

The Group's finance income decrease by approximately 58.0% from approximately RMB6,120,000 for the six months ended 30 June 2021 to approximately RMB2,568,000 for the six months ended 30 June 2022. The decrease in finance income was mainly attributable to the decrease in interest income from loan provided to supplier.

Finance Costs

The Group's finance costs decrease from approximately RMB17,895,000 for the six months ended 30 June 2021 to approximately RMB14,676,000 for the six months ended 30 June 2022, representing a decrease of approximately 18.0%. The decrease in finance costs was mainly due to the decrease of interest-bearing bank borrowings during the six months ended 30 June 2022.

Taxes

The Group's tax expenses increase by approximately 52.0% from approximately RMB8,721,000 for the six months ended 30 June 2021 to approximately RMB13,260,000 for the six months ended 30 June 2022. The increase was mainly due to the increase of deferred income tax expense in the six months ended 30 June 2022 as compared to the six months ended 30 June 2021.

Liquidity and Financial Resources

For the six months ended 30 June 2022, the net cash flows from operating activities amounted to approximately RMB230,166,000 (the six months ended 30 June 2021: net cash used in operating activities approximately RMB15,168,000).

The net cash used in investing activities amounted to approximately RMB7,935,000 (the six months ended 30 June 2021: net cash used in investing activities of approximately RMB41,583,000) and the net cash used in financing activities amounted to approximately RMB106,073,000 (the six months ended 30 June 2021: net cash flow generated from financing activities of approximately RMB83,219,000). The cash used in investing activities was mainly attributable to the payment for purchase of property, plant and machinery and advances of loan to a supplier. The net cash used in financing activities was mainly attributable to repayment of bank loans.

As a result of the cumulative effect described above, the Group recorded a net cash inflow of approximately RMB116,158,000 for the six months ended 30 June 2022 (the six months ended 30 June 2021: net cash inflow of approximately RMB26,468,000).

As at 30 June 2022, the Group's cash and cash equivalents (including cash and bank deposits) amounted to approximately RMB177,834,000 (31 December 2021: approximately RMB61,676,000).

As at 30 June 2022, the Group's interest-bearing bank borrowings were approximately RMB624,900,000 (31 December 2021: approximately RMB713,373,000), among of which, approximately RMB384,800,000 would be due within one year (31 December 2021: approximately RMB549,273,000). The borrowings of the Group were subject to interests payable at rates ranging from 3.5% to 4.4% 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 2022, the Group had capital commitments amounting to approximately RMB121,784,000 (31 December 2021: approximately RMB122,960,000) 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 2022 was 1,769,193,800.

Contingent Liabilities

As at 30 June 2022, the Group had no significant contingent liabilities (31 December 2021: Nil).

Pledge of Assets

As at 30 June 2022, the Group's assets of approximately RMB218,049,000 (31 December 2021: approximately RMB168,080,000) 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 2022 (Unaudited) <i>RMB'000</i>	31 December 2021 (Audited) <i>RMB'000</i>
Property, plant and equipment	24,364	25,556
Investment properties	785	785
Right-of-use assets —		
Prepaid land lease payments	37,828	32,739
Pledged deposits	155,072	109,000
	<hr/>	<hr/>
Total	218,049	168,080
	<hr/> <hr/>	<hr/> <hr/>

Gearing Ratio

As at 30 June 2022, the Group's gearing ratio was approximately 57.7% (31 December 2021: approximately 62.0%). 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

On 3 March 2022, Ningbo Huazhong Plastic Products Co., Ltd.*(寧波華眾塑料製品有限公司) (the “**Transferee**”), a wholly-owned subsidiary of the Company, entered into an equity purchase agreement with zwissTEX Germany GmbH (the “**Transferor**”), pursuant to which the Transferor has agreed to sell, and the Transferee has agreed to purchase, 15% equity interest of Ningbo Roekona-Zoeppritex-Tex-Line Co., Ltd.* (寧波華樂特汽車裝飾布有限公司) (the “**Target Company**”) at the consideration of EUR4.5 million (equivalent to approximately RMB31.3 million) (the “**Equity Purchase**”).

The Target Company is a company incorporated in the PRC with limited liability, the equity interest of which was owned as to 25% by the Transferor and Roekona Textilwerk GmbH & Co. KG (a third party independent of the Company and its connected persons (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited)) respectively and as to 50% by the Transferee before the completion of the Equity Purchase. Upon completion of the Equity Purchase, the Company indirectly holds 65% equity interest in the Target Company. The Target Company is principally engaged in the manufacture and sale of auto parts, design and manufacture of high-grade textiles.

The Board is of the view that, following the completion of the Equity Purchase, the Target Company will become a non-wholly owned subsidiary of the Group, which will enhance the cooperation between the Group and the Target Company and reduce the operating costs.

Save as disclosed herein, during the six months ended 30 June 2022, 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 2022, the Group had 2,991 employees (30 June 2021: 2,790). Total staff costs of the Group (excluding Directors' and chief executive's remuneration) for six months ended 30 June 2022 was approximately RMB125,211,000 (the six months ended 30 June 2021: approximately RMB125,054,000). 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 2022 and up to the date of this announcement.

PROSPECT

In the first half of 2022, although the impact of factors such as the domestic epidemic, the shortage of chips, the rising price of raw materials and power limitation have continued to weaken the automobile industry in China, with the introduction of a new round of stimulus measures, industrial prosperity is recovering rapidly. According to the statistics from China Association of Automobile Manufacturers (“CAAM”), the downtrend of manufacturing and sales volumes of domestic passenger vehicle has halted in first half of the year and amounted to 10.434 million and 10.355 million respectively, representing a year-on-year increase of 6.0% and 3.4%. CAAM believed that in the second half of the year, driven by the continuous implementation of measures to promote consumption, the confidence of market consumer will restore significantly. In addition, the effect of the policy of halving purchase tax will continue to emerge. It is expected that the manufacturing and sales volumes of automobile will maintain steady growth throughout the year, and the sales volume of automobile for the year will reach 27 million, representing an increase of about 3%. As a major player in China's automobile supply chain, Huazhong In-Vehicle is expected to take advantage of the industry's recovery to secure more orders from automobile brand customers, build a solid foundation for its business volume in the second half of the year and next year, and achieve better scale of economic effect to strive for excellent financial performance.

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 2022, except for the following deviations.

Code Provision C.2.1

Code provision C.2.1 of the CG Code stipulates that the roles 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 C.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 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 2022, 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 2022.

INTERIM DIVIDENDS

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2022 (the six months ended 30 June 2021: Nil).

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) consists of three members, namely Mr. Yu Shuli (chairman), Ms. Mu Wen 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 2022. The Audit Committee has reviewed the interim results of the Group for the six months ended 30 June 2022 and is of the view that the announcement of interim results for the six months ended 30 June 2022 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 2022 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, 29 August 2022

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. Xu Jiali and Ms. Mu Wen.

** For identification purposes only*