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 2019

FINANCIAL HIGHLIGHTS

- Revenue was approximately RMB919,456,000 for the six months ended 30 June 2019, representing a decrease of approximately 5.8% when compared to the six months ended 30 June 2018.

- Profit attributable to owners of the parent amounted to approximately RMB48,709,000 for the six months ended 30 June 2019, representing a decrease of approximately 27.8% when compared to the six months ended 30 June 2018.

- Gross profit margin was 26.8% for the six months ended 30 June 2019 (the six months ended 30 June 2018: 26.5%).

- Basic earnings per share attributable to the owners of the parent was approximately RMB2.75 cents for the six months ended 30 June 2019 (the six months ended 30 June 2018: approximately RMB3.81 cents).

- The Board has resolved not to declare any interim dividend for the six months ended 30 June 2019 (the six months ended 30 June 2018: HK0.4367 cent (approximately RMB0.3810 cent)).

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 2019, together with the comparative figures for the six months ended 30 June 2018.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

		For the six months ended 30 June	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	*4*	**919,456**	975,675
Cost of sales		**(673,255)**	(716,752)
Gross profit		**246,201**	258,923
Other income and gains	*4*	**17,186**	8,526
Selling and distribution expenses		**(60,857)**	(65,859)
Administrative expenses		**(125,093)**	(109,476)
Impairment losses on financial assets, net		**(201)**	—
Other expenses		**(2,942)**	(2,661)
Share of profits of joint ventures		**7,142**	13,211
Finance income	*5*	**2,464**	2,394
Finance costs	*6*	**(20,930)**	(18,864)
PROFIT BEFORE TAX	*7*	**62,970**	86,194
Income tax expense	*8*	**(12,220)**	(18,807)
PROFIT FOR THE PERIOD		**50,750**	67,387

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(Continued)

For the six months ended 30 June 2019

	Notes	For the six months ended 30 June 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Attributable to:			
Owners of the parent		**48,709**	67,465
Non-controlling interests		**2,041**	(78)
		50,750	67,387
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		**RMB0.0275**	RMB0.0381

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**50,750**	67,387
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)**	(293)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(464)**	(293)
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	**17,281**	—
Income tax effect	**(4,321)**	—
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**12,960**	—
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**12,496**	(293)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**63,246**	67,094
Attributable to:		
Owners of the parent	**61,205**	67,172
Non-controlling interests	**2,041**	(78)
	63,246	67,094

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	**30 June 2019 RMB'000 (Unaudited)**	31 December 2018 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*11*	**815,316**	730,316
Investment properties		**44,032**	44,663
Right-of-use assets		**243,182**	—
Prepaid land lease payments		—	215,217
Intangible assets		**7,024**	7,224
Investments in joint ventures		**168,033**	163,892
Prepayments for acquiring property, plant and equipment		**60,158**	56,063
Equity investments designated at fair value through other comprehensive income		**56,606**	39,325
Deferred tax assets		**11,637**	11,345
Total non-current assets		**1,405,988**	1,268,045
CURRENT ASSETS			
Inventories		**430,546**	409,974
Trade and notes receivables	*12*	**763,314**	712,983
Prepayments and other receivables		**270,212**	241,755
Debt investment at fair value through profit or loss		—	30,510
Due from related parties		**95,811**	85,017
Pledged deposits		**226,559**	215,004
Cash and cash equivalents		**90,124**	78,752
Total current assets		**1,876,566**	1,773,995

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
As at 30 June 2019

	Notes	**30 June 2019 RMB'000 (Unaudited)**	31 December 2018 RMB'000 (Audited)
CURRENT LIABILITIES			
Trade and notes payables	*13*	**921,651**	848,432
Other payables and accruals		**231,753**	246,856
Interest-bearing bank and other borrowings		**743,471**	629,664
Due to the ultimate controlling shareholder		**1,026**	1,110
Due to related parties		**50,712**	67,819
Income tax payable		**48,145**	47,860
Total current liabilities		**1,996,758**	1,841,741
NET CURRENT LIABILITIES		**(120,192)**	(67,746)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,285,796**	1,200,299
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**190,624**	168,136
Government grants		**13,053**	8,681
Deferred tax liabilities		**43,613**	41,092
Total non-current liabilities		**247,290**	217,909
Net assets		**1,038,506**	982,390

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

As at 30 June 2019

	Notes	**30 June 2019**	31 December 2018
		RMB'000	*RMB'000*
		(Unaudited)	(Audited)
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**142,956**	142,956
Reserves		**854,295**	800,220
		997,251	943,176
Non-controlling interests		**41,255**	39,214
Total equity		**1,038,506**	982,390

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2019 have 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 2018.

Going concern basis

Notwithstanding that the Group had consolidated net current liabilities of RMB120,192,000 as at 30 June 2019, the 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 2019, the Group had unutilised credit facilities from banks of approximately RMB1,049,625,000; 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 consolidated financial information on a going concern basis, notwithstanding the Group's financial and liquidity positions at 30 June 2019.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
IFRS 16	*Lease*
Amendments to IFRS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IFRS 28	*Long-term Interests in Associates and Joint Ventures*
IFRIC-23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015-2017 Cycle	Amendments to IFRS 3, IFRS 11, IFRS 12 and IAS 23

Other than as explained below regarding the impact of IFRS 16 *Leases*, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of IFRS 16 *Leases* are described below:

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

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

New definition of a lease

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

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

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

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

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank and other borrowings.

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

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

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

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics.

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

	Increase/(decrease) *RMB'000* (Unaudited)
Assets	
Increase in right-of-use assets	226,423
Decrease in prepaid land lease payments — non-current portion	(215,217)
Decrease in prepaid land lease payments — current portion	(4,947)
Increase in total assets	6,259
Liabilities	
Increase in interest-bearing bank and other borrowings	6,259
Increase in total liabilities	6,259

Summary of new accounting policies

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

Right-of-use assets

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

Lease liabilities

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

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

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

The carrying amounts of the Group's right-of-use assets and lease liabilities (included within 'interest-bearing bank and other borrowings'), and the movement during the period are as follow:

	Right-of-use assets		Lease
	Land use right	**Warehouse**	**liabilities**
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January 2019	220,164	6,259	6,259
Addition	19,839	1,937	1,937
Depreciation charge	(2,720)	(2,297)	—
Interest expense	—	—	210
Payments	—	—	(2,457)
As at 30 June 2019	237,283	5,899	5,949

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 2019 and 31 December 2018, respectively, which is based on the locations of assets and excludes financial instruments and deferred tax assets.

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Mainland China	**1,305,079**	1,182,626
Overseas	**32,666**	34,749
Total	**1,337,745**	1,217,375

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 2019 and 30 June 2018 is as follows:

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Type of goods or service		
Revenue		
Sales of plastic parts and automotive parts	**765,818**	871,670
Sales of moulds and tooling	**153,638**	104,005
	919,456	975,675
Other income		
Management service	**1,971**	—
Total revenue from contracts with customers	**921,427**	975,675
Geographical markets		
Mainland China	**819,482**	861,047
Overseas	**101,945**	114,628
Total revenue from contracts with customers	**921,427**	975,675
Timing of revenue recognition		
Goods transferred at a point in time	**919,456**	975,675
Services transferred over time	**1,971**	—
Total revenue from contracts with customers	**921,427**	975,675

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Rental income	**6,040**	3,417
Government grants	**4,934**	1,457
Dividend received from equity investments at fair value through other comprehensive income	**2,014**	—
Management fee	**1,971**	—
Gain on disposal of items of property, plant and equipment	**1,178**	519
Reversal of impairment of trade receivables	—	1,500
Gain on disposal of an associate	—	547
Others	**1,049**	1,086
Total	**17,186**	8,526

5. FINANCE INCOME

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest income on bank deposits	**2,464**	2,394

6. FINANCE COSTS

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest expense on interest-bearing bank borrowings	**20,720**	18,864
Interest expense on lease liabilities	**210**	—
	20,930	18,864

7. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories recognised	**673,255**	716,752
Depreciation of property, plant and equipment	**44,516**	38,019
Depreciation of right-of-use assets	**5,017**	—
Depreciation of investment properties	**1,265**	1,254
Amortisation of prepaid land lease payments	—	2,488
Amortisation of intangible assets	**721**	479
Research and development costs	**35,801**	32,675
Lease payments under short-term leases	**8,305**	4,550
Auditor's remuneration	**1,500**	1,632
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages, salaries and other benefits	**119,686**	103,910
Pension scheme contributions	**9,954**	9,630
	129,640	113,540
Gross rental income	**(8,892)**	(4,999)
Less: Direct expenses that generated rental income	**2,852**	1,582
Rental income, net	**(6,040)**	(3,417)
Foreign exchange difference, net	**1,586**	1,194
Impairment of trade receivables recognised/(reversed)	**201**	(1,500)
Gain on disposal of investment in an associate	—	(547)
Write-down of inventories to net realisable value	—	161
Gain on disposal of items of property, plant and equipment	**(1,178)**	(519)
Government grants	**(4,934)**	(1,457)
Interest income	**(2,464)**	(2,394)

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	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax		
— Charge for the period	**13,875**	19,913
Deferred income tax	**(1,655)**	(1,106)
Total tax charge for the period	**12,220**	18,807

9. DIVIDENDS

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Final declared — HK0.4714 cent per ordinary share	**7,130**	—
Interim — Nil (2018: HK0.4367 cent) per ordinary share	**—**	6,741
Total	**7,130**	6,741

The board of directors has resolved not to declare any interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: HK0.4367 cent (approximately RMB0.3810 cent)).

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 2019 (the six months ended 30 June 2018: 1,769,193,800).

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

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to owners of the parent used in the basic and diluted earnings per share calculation	**48,709**	67,465

	For the six months ended 30 June Number of shares	
	2019	2018
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**1,769,193,800**	1,769,193,800

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group acquired property, plant and equipment with a total cost of RMB156,062,000 (the six months ended 30 June 2018: RMB95,663,000).

Included in the property, plant and equipment as at 30 June 2019 were certain buildings with a net carrying value of RMB94,502,000 (31 December 2018: RMB114,689,000), of which the property ownership certificates have not been obtained. The directors are of the view that the Group is entitled to lawfully and validly occupy and use the above mentioned buildings. The directors are also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at 30 June 2019.

Certain of the Group's buildings and machineries with a net carrying value of RMB10,364,000 as at 30 June 2019 (31 December 2018: RMB16,643,000) were pledged to secure bank loans granted to the Group.

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 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**647,535**	626,490
3 to 6 months	**87,681**	78,792
6 months to 1 year	**23,796**	4,294
Over 1 year	**4,302**	3,407
	763,314	712,983

13. TRADE AND NOTES PAYABLES

An ageing analysis of the trade and notes payables of the Group as at 30 June 2019, based on the invoice date, is as follows:

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**668,973**	575,199
3 to 12 months	**246,538**	269,432
1 to 2 years	**4,800**	1,995
2 to 3 years	**528**	1,126
Over 3 years	**812**	680
	921,651	848,432

Certain notes payable were secured by pledged deposits of the Group with a carrying value of RMB101,159,000 as at 30 June 2019 (31 December 2018: RMB68,087,000).

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 2019, the China's automobile industry has suffering a downturn. According to the statistics from China Association of Automobile Manufacturers, over 12.13 million vehicles were manufactured and over 12.32 million vehicles were sold in the first half of 2019, representing a decrease of 13.7% and 12.4%, respectively.

The sales volume of the top ten automobile manufacturers reached approximately 15.67 million units during the first half of 2019, accounting for 77.3% 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 2019, the Group's revenue was approximately RMB919,456,000, representing a decrease of approximately 5.8% as compared to approximately RMB975,675,000 for the six months ended 30 June 2018. Profit attributable to the owners of the parent for the six months ended 30 June 2019 was approximately RMB48,709,000, representing a decrease of approximately 27.8% as compared to RMB67,465,000 for the six months ended 30 June 2018.

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			
	2019		2018	
	Revenue (Unaudited)	**Gross profit margin**	Revenue (Unaudited)	Gross profit margin
	RMB'000	***%***	*RMB'000*	*%*
Automotive interior and exterior structural and decorative parts	**656,053**	**31.8**	738,055	30.9
Moulds and tooling	**153,638**	**11.5**	104,005	11.0
Casings and liquid tanks of air conditioners and heaters	**40,616**	**13.5**	58,627	13.0
Non-automotive products	**26,475**	**45.6**	23,882	38.9
Sale of raw materials	**42,674**	**5.1**	51,106	5.2
Total	**919,456**	**26.8**	975,675	26.5

For the six months ended 30 June 2019, the total revenue generated from automotive interior and exterior structural and decorative parts was RMB656,053,000 (the six months ended 30 June 2018: RMB738,055,000), accounting for 71.4% of the Group's total revenue for the six months ended 30 June 2019 (the six months ended 30 June 2018: 75.6%). Gross profit margin increased slightly from 30.9% for the six months ended 30 June 2018 to 31.8% for the six months ended 30 June 2019. 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 2019, revenue from moulds and tooling was RMB153,638,000 (the six months ended 30 June 2018: RMB104,005,000), accounting for 16.7% of the Group's total revenue for the six months ended 30 June 2019 (the six months ended 30 June 2018: 10.7%). Gross profit margin increased slightly from 11.0% for the six months ended 30 June 2018 to 11.5% for the six months ended 30 June 2019. During the period, the increase in revenue from moulds and tooling was mainly due to the increase demand of moulds and tooling for new car models from the customers.

For the six months ended 30 June 2019, revenue from casings and liquid tanks of air conditioners and heaters was RMB40,616,000 (the six months ended 30 June 2018: RMB58,627,000), accounting for 4.4% of the Group's total revenue for the six months ended 30 June 2019 (the six months ended 30 June 2018: 6.0%). Gross profit margin increased slightly from 13.0% for the six months ended 30 June 2018 to 13.5% for the six months ended 30 June 2019.

For the six months ended 30 June 2019, revenue from non-automotive products was RMB26,475,000 (the six months ended 30 June 2018: RMB23,882,000), accounting for 2.9% of the Group's total revenue for the six months ended 30 June 2019 (the six months ended 30 June 2018: 2.4%). Gross profit margin increased from 38.9% for the six months ended 30 June 2018 to 45.6% for the six months ended 30 June 2019. The increase in gross profit margin was mainly due to the increase in demand of certain products with higher gross margin.

For the six months ended 30 June 2019, revenue from sale of raw materials was RMB42,674,000 (the six months ended 30 June 2018: RMB51,106,000), accounting for 4.6% of the Group's total revenue for the six months ended 30 June 2019 (the six months ended 30 June 2018: 5.2%). The gross profit margin remained stable of around 5.1% for the six months ended 30 June 2019 (the six months ended 30 June 2018: 5.2%).

For the six months ended 30 June 2019, the overall gross profit margin increased slightly to 26.8% (the six months ended 30 June 2018: 26.5%).

Other Income and Gains

Other income and gains of the Group for the six months ended 30 June 2019 amounted to RMB17,186,000 (the six months ended 30 June 2018: RMB8,526,000), representing an increase of approximately 101.6% as compared to the six months ended 30 June 2018. The increase was mainly due to the increase in rental income, government grants, dividend received from equity investments and management fee income.

Selling and Distribution Expenses

The Group's selling and distribution expenses for the six months ended 30 June 2019 amounted to approximately RMB60,857,000, representing a decrease of approximately 7.6% as compared to RMB65,859,000 in the six months ended 30 June 2018. 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 2019 amounted to approximately RMB125,093,000, representing an increase of approximately 14.3% as compared to RMB109,476,000 in the six months ended 30 June 2018. 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 2019, the Group recorded RMB7,142,000 of the share of profits of joint ventures, while a share of profits of joint ventures of RMB13,211,000 was recorded for the six months ended 30 June 2018.

Finance Income

The Group's finance income increased slightly by approximately 2.9% from approximately RMB2,394,000 for the six months ended 30 June 2018 to approximately RMB2,464,000 for the six months ended 30 June 2019. The increase in finance income was mainly attributable to the increase in cash and bank balance.

Finance Costs

The Group's finance costs increased from approximately RMB18,864,000 for the six months ended 30 June 2018 to approximately RMB20,930,000 for the six months ended 30 June 2019, representing an increase of approximately 11.0%. The increase in finance costs was mainly due to the increase in bank and other borrowings during the six months ended 30 June 2019.

Taxes

The Group's tax expenses decreased by approximately 35.0% from approximately RMB18,807,000 for the six months ended 30 June 2018 to approximately RMB12,220,000 for the six months ended 30 June 2019. The decrease was mainly due to the decrease in taxable profits in the six months ended 30 June 2019 as compared to the six months ended 30 June 2018.

Liquidity and Financial Resources

For the six months ended 30 June 2019, the net cash used in operating activities amounted to approximately RMB52,000 (the six months ended 30 June 2018: net cash generated from operating activities approximately RMB96,932,000).

The net cash used in investing activities amounted to approximately RMB116,323,000 (the six months ended 30 June 2018: net cash used in investing activities of approximately RMB118,435,000) and the net cash flow generated from financing activities amounted to approximately RMB127,747,000 (the six months ended 30 June 2018: net cash flow generated from financing activities of approximately RMB47,400,000). 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 RMB11,372,000 for the six months ended 30 June 2019 (the six months ended 30 June 2018: net cash inflow of approximately RMB25,897,000).

As at 30 June 2019, the Group's cash and cash equivalents (including cash and bank deposits) amounted to approximately RMB90,124,000 (31 December 2018: approximately RMB78,752,000).

As at 30 June 2019, the Group's interest-bearing bank and other borrowings of the Group were approximately RMB934,095,000 (31 December 2018: approximately RMB797,800,000), among of which, approximately RMB743,471,000 would be due within one year (31 December 2018: approximately RMB629,664,000). The borrowings of the Group were subject to interests payable at rates ranging from 2.85% to 5.23% 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 2019, the Group had capital commitments amounting to approximately RMB197,680,000 (31 December 2018: approximately RMB156,941,000) 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 2019 was 1,769,193,800.

Contingent Liabilities

As at 30 June 2019, the Group had no significant contingent liabilities (31 December 2018: Nil).

Pledge of Assets

As at 30 June 2019, the Group's assets of approximately RMB185,073,000 (31 December 2018: approximately RMB213,489,000) 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 2019	31 December 2018
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Property, plant and equipment	**10,364**	16,643
Investment properties	**2,009**	2,133
Right-of-use assets	**47,300**	—
Prepaid land lease payments	**—**	47,796
Pledged deposits	**125,400**	146,917
Total	**185,073**	213,489

Gearing Ratio

As at 30 June 2019, the Group's gearing ratio was approximately 67.3% (31 December 2018: 66.6%). 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 2019, 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 2019, the Group had 3,416 employees (30 June 2018: 3,286). Total staff costs of the Group (excluding Directors' and chief executive's remuneration) for six months ended 30 June 2019 was approximately RMB129,640,000 (the six months ended 30 June 2018: approximately RMB113,540,000). The Group's remuneration policies were in line with relevant legislation, market conditions and the performance of our employees.

Events After the Reporting Period

There is no material subsequent event undertaken by the Group after 30 June 2019 and up to the date of this announcement.

PROSPECT

In the first half of 2019, China's auto market was sluggish, however, moving towards to the second half, there are signs of stabilization. Following the impacts led by the enforcement of the new National VI emission standards and the purchase tax subsidies cuts for new energy vehicles, the Group is optimistic that the sales of passenger vehicles will stabilize in next few months, along with the easing inventory pressure in the sales channels and the traditional peak season for car purchase in September and October. Particularly, luxury brands and joint-venture ("**JV**") brands with international brands, which have been outperforming in the market, are expected to maintain their growth momentum. The Group believes that China's auto market has strong fundamentals. The ongoing transformation and optimization of the industry structure will take the auto market to a higher quality development.

As one of the leading automobile body parts manufacturers in China, the Group continues to seize opportunities in the enormous market. With its solid and stable business relationships with a number of luxury and JV car makers in China, and its efforts in penetrating into the new energy vehicle segment, the Group's order book is developing steadily. The Group's newly built production bases in 2018 and 2019 will continue to ramp up and support news orders, thus enhancing the overall production efficiency.

Clinging to the trend of the environmental-friendly development in the auto industry, the Group has been one of the benchmarking enterprises of lightweight solutions in China, promoting plastics to replace steel for energy saving. The Group will never stop investing in research and development to stay at the forefront of plastic lightweight technology and product innovations for auto body parts, bringing customers the best solutions, thus creating 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 2019.

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 2019, 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 2019.

INTERIM DIVIDENDS

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2019 (the six months ended 30 June 2018: HK0.4367 cent (equivalent to RMB0.3810 cent)).

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 2019. The Audit Committee has reviewed the interim results of the Group for the six months ended 30 June 2019 and is of the view that the announcement of interim results for the six months ended 30 June 2019 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 2019 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 Executive Director

Hong Kong, 29 August 2019

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.