

# 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



# 2020

Interim Report

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Zhou Minfeng (*Chairman and Chief Executive*)  
Mr. Chang Jingzhou

### Non-executive Directors

Ms. Lai Cairong  
Mr. Wang Yuming  
Mr. Guan Xin  
Mr. Yu Zhuoping

### Independent non-executive Directors

Mr. Wong Luen Cheung Andrew (*Vice-chairman*)  
Mr. Yu Shuli  
Mr. Tian Yushi  
Mr. Xu Jiali  
Mr. Wu Bichao

## AUDIT COMMITTEE

Mr. Yu Shuli (*Chairman*)  
Mr. Tian Yushi  
Mr. Xu Jiali

## REMUNERATION COMMITTEE

Mr. Yu Shuli (*Chairman*)  
Mr. Zhou Minfeng  
Mr. Tian Yushi

## NOMINATION COMMITTEE

Mr. Zhou Minfeng (*Chairman*)  
Mr. Yu Shuli  
Mr. Tian Yushi

## COMPANY SECRETARY

Ms. Ho Wing Yan (*ACIS, ACS(PE)*)

## AUTHORISED REPRESENTATIVES

Mr. Zhou Minfeng  
Ms. Ho Wing Yan (*ACIS, ACS(PE)*)

## REGISTERED OFFICE

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## HEADQUARTERS IN CHINA

No. 104 Zhenan Road  
Xizhou Town  
Xiangshan County  
Zhejiang Province  
China

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 19, 36th Floor, China Merchants Tower  
Shun Tak Centre  
Nos. 168-200 Connaught Road Central  
Hong Kong

## PRINCIPAL BANKERS

Bank of China  
Agricultural Bank of China

## LEGAL ADVISER AS TO HONG KONG LAW

Hui & Lam Solicitors LLP

## AUDITOR

Ernst & Young

## SHARE REGISTRARS

### *Principal Share Registrar and Transfer Office in the Cayman Islands*

SMP Partners (Cayman) Limited  
Royal Bank House - 3rd Floor,  
24 Shedden Road, P.O. Box 1586,  
Grand Cayman, KY1-1110,  
Cayman Islands

### *Hong Kong Branch Share Registrar and Transfer Office*

Tricor Investor Services Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## LISTING EXCHANGE INFORMATION

The Stock Exchange of Hong Kong Limited  
Main Board

## STOCK CODE

6830

## COMPANY WEBSITE

[www.cn-huazhong.com](http://www.cn-huazhong.com)

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS AND MARKET REVIEW

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

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

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

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

## FINANCIAL REVIEW

### Revenue

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

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

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

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

## Other Income and Gains

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

## Selling and Distribution Expenses

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

## Administrative Expenses

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

## Share of Profits of Joint Ventures

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

## Finance Income

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

## Finance Costs

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

## Taxes

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### Liquidity and Financial Resources

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

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

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

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

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

### Capital Commitments

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

### Foreign Exchange Exposure

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

### Capital Structure

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

### Contingent Liabilities

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

## Pledge of Assets

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

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

## Gearing Ratio

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

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

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

## Employees and Remuneration Policies

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

## Events After the Reporting Period

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



## MANAGEMENT DISCUSSION AND ANALYSIS

### PROSPECT

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

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

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

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

### Forward Looking Statements

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

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

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## CORPORATE GOVERNANCE CODE

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

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

### Code Provision A.2.1

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

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

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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

## UPDATES ON DIRECTORS’ INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes of information of the Directors are as follows:

The appointment letter of Ms. Guan Xin, a non-executive Director, has been renewed for a term of three years commencing from 19 June 2020 to 18 June 2023.

The appointment letter of Mr. Yu Zhuoping, a non-executive Director, has been renewed for a term of two years commencing from 19 June 2020 to 18 June 2022.

The appointment letter of Mr. Yu Shuli, an independent non-executive Director, has been renewed for a term of three years commencing from 19 June 2020 to 18 June 2023.

The appointment letter of Mr. Tian Yushi, an independent non-executive Director, has been renewed for a term of three years commencing from 19 June 2020 to 18 June 2023.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

The appointment letter of Mr. Xu Jiali, an independent non-executive Director, has been renewed for a term of three years commencing from 19 June 2020 to 18 June 2023.

The appointment letter of Mr. Wu Bichao, an independent non-executive Director, has been renewed for a term of one year commencing from 27 May 2020 to 26 May 2021.

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2020, the Directors and the chief executive of the Company had the following interests or short positions in the shares (the "Shares"), underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which have been notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors and the chief executive of the Company are taken and deemed to have under such provisions of the SFO, or which are required to be and are recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

#### Long positions in the Company

Name of Director	Capacity/ Nature of interest	Number of Shares	Approximate percentage of the issued Shares
Mr. Zhou Minfeng	Interests of controlled corporation <sup>(1)</sup>	1,320,000,000	74.61%
	Spouse's interest	1,100,000 <sup>(2)</sup>	0.06%
Mr. Chang Jingzhou	Beneficial owner	840,400	0.05%
Mr. Wong Luen Cheung Andrew	Beneficial owner	1,000,000	0.06%

Notes:

- (1) Mr. Zhou Minfeng is deemed to be interested in Shares held by Huayou Holdings Company Limited ("Huayou Holdings") by virtue of Huayou Holdings being wholly-owned by Mr. Zhou Minfeng.
- (2) Ms. Chen Chun'er, the spouse of Mr. Zhou Minfeng, has interest in 1,100,000 Shares. Therefore, Mr. Zhou Minfeng is deemed to be interested in Ms. Chen Chun'er's Shares.

Save as disclosed above, as at 30 June 2020, none of the Directors or the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register maintained by the Company pursuant to Section 352 of the SFO or which had been notified to the Company and the Stock Exchange pursuant to the Model Code.

At no time was the Company, its holding company, or any of its subsidiaries a party to any arrangements to enable the Directors and the chief executive of the Company (including their spouse and children under 18 years of age) to hold any interest or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

## SHARE OPTION SCHEME

### Share Option Scheme

The Company adopted a share option scheme (the “Share Option Scheme”) on 15 December 2011 for the purpose of giving certain eligible persons an opportunity to have a personal stake in the Company and motivating them to optimize their future performance and efficiency to the Group and/or rewarding them for their past contributions, and attracting and retaining, or otherwise maintaining on-going relationships with, such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group.

There were no outstanding options, and there were no options granted, exercised, lapsed or cancelled pursuant to the Share Option Scheme during the six months ended 30 June 2020 and as at the date of this report.

### ARRANGEMENT FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in “Share Option Schemes” above, at no time during the six months ended 30 June 2020 were rights to acquire benefits by means of the acquisition of Shares or debentures of the Company granted to any Director or their respective spouses or minor children, or were such rights exercised by them, or was the Company, its holding company or any of its subsidiaries a party to any arrangements which enable the Directors of the Company to acquire benefits by means of the acquisition of Shares in, or debt securities (including debentures) of the Company or any other body corporate.

### SUBSTANTIAL SHAREHOLDERS’ INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as is known to any Director or the chief executive of the Company, as at 30 June 2020, the persons or corporations (other than Director or the chief executive of the Company) who had interests or short positions in the Shares and underlying Shares which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under Section 336 of the SFO were as follows:

#### Long positions in the Company

Name	Capacity/Nature of Interest	Number of Shares	Approximate percentage of the issued Shares
Huayou Holdings <sup>(1)</sup>	Beneficial owner	1,320,000,000	74.61%
Chen Chun'er <sup>(2)</sup>	Beneficial owner	1,100,000	0.06%
	Spouse's interest	1,320,000,000 <sup>(3)</sup>	74.61%

Notes:

(1) Huayou Holdings is wholly-owned by Mr. Zhou Minfeng.

(2) Spouse of Mr. Zhou Minfeng.

(3) Shares held by Huayou Holdings, in which Mr. Zhou Minfeng is deemed to be interested by virtue of Huayou Holdings being wholly-owned by Mr. Zhou Minfeng.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

Save as disclosed above, as at 30 June 2020, the Directors and the chief executive of the Company are not aware of any other person or corporation having an interest or short position in the Shares and underlying Shares which would require disclosure to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Direct or indirect interests in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group:

Name	Shareholder	Approximate percentage of shareholding
Shanghai Huaxin	Shanghai Automobile Air Conditioner Factory* (上海汽車空調器廠)	30%
Shanghai Huaxin	Shanghai Beicai Industrial Co., Ltd. (上海北蔡工業有限公司)	19%
Changxing Huaxin Automobile Latex and Plastic Co., Ltd (“ <b>Changxing Huaxin</b> ”) <sup>(1)</sup>	Shanghai Automobile Air Conditioner Factory* (上海汽車空調器廠)	30%
Changxing Huaxin <sup>(1)</sup>	Shanghai Beicai Industrial Co., Ltd. (上海北蔡工業有限公司)	19%

Note:

- (1) Shanghai Automobile Air Conditioner Factory\* (上海汽車空調器廠) and Shanghai Beicai Industrial Co., Ltd. (上海北蔡工業有限公司) directly hold 30% and 19% interests in Shanghai Huaxin, respectively. Changxing Huaxin is wholly-owned by Shanghai Huaxin and as a result, Shanghai Automobile Air Conditioner Factory\* (上海汽車空調器廠) and Shanghai Beicai Industrial Co., Ltd. (上海北蔡工業有限公司) also indirectly hold 30% and 19% interests in Changxing Huaxin, respectively.

Save as disclosed above, as at 30 June 2020, the Directors and the chief executive of the Company are not aware of any other person or corporation who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

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

### **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

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

### **INTERIM DIVIDENDS**

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

### **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.

On behalf of the Board

**Zhou Minfeng**

*Chairman and Chief Executive*

Zhejiang, the PRC, 26 August 2020

*\* For identification purposes only*

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

	Notes	For the six months ended 30 June	
		2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
<b>REVENUE</b>	4	<b>758,941</b>	919,456
Cost of sales		<b>(577,037)</b>	(673,255)
Gross profit		<b>181,904</b>	246,201
Other income and gains	4	<b>17,066</b>	17,186
Selling and distribution expenses		<b>(55,248)</b>	(60,857)
Administrative expenses		<b>(98,176)</b>	(125,093)
Impairment losses on financial assets, net		<b>(1,300)</b>	(201)
Other expenses		<b>(4,493)</b>	(2,942)
Share of profits of joint ventures		<b>8,639</b>	7,142
Finance income	5	<b>2,261</b>	2,464
Finance costs	6	<b>(19,317)</b>	(20,930)
<b>PROFIT BEFORE TAX</b>	7	<b>31,336</b>	62,970
Income tax expense	8	<b>(8,158)</b>	(12,220)
<b>PROFIT FOR THE PERIOD</b>		<b>23,178</b>	50,750
Attributable to:			
Owners of the parent		<b>21,781</b>	48,709
Non-controlling interests		<b>1,397</b>	2,041
		<b>23,178</b>	50,750
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (expressed in RMB per share)</b>	10		
Basic and diluted			
— For profit for the period		<b>RMB0.0123</b>	RMB0.0275

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

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



# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

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

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
<b>CURRENT LIABILITIES</b>			
Trade and notes payables	13	898,802	977,753
Other payables and accruals		249,998	235,270
Interest-bearing bank borrowings		866,558	808,642
Lease liabilities		3,547	2,554
Due to the ultimate controlling shareholder		—	254
Due to related parties		66,025	77,302
Income tax payable		44,662	43,833
<b>Total current liabilities</b>		<b>2,129,592</b>	2,145,608
<b>NET CURRENT LIABILITIES</b>		<b>(273,896)</b>	(259,577)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,173,260</b>	1,160,253
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings		59,000	37,344
Lease liabilities		1,298	1,148
Government grants		17,069	12,538
Deferred tax liabilities		14,715	34,299
<b>Total non-current liabilities</b>		<b>92,082</b>	85,329
<b>Net assets</b>		<b>1,081,178</b>	1,074,924
<b>EQUITY</b>			
Equity attributable to owners of the parent:			
Issued capital		142,956	142,956
Reserves		898,966	894,109
		<b>1,041,922</b>	1,037,065
Non-controlling interests		39,256	37,859
<b>Total equity</b>		<b>1,081,178</b>	1,074,924

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to owners of the parent										
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserve funds RMB'000	Merger reserve RMB'000	Exchange fluctuation reserve RMB'000	Fair value reserve of equity investments designated at fair value through other comprehensive income RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2020 (audited)	142,956	8,157*	(1,371)*	98,848*	88,278*	—*	17,606*	682,591*	1,037,065	37,859	1,074,924
Profit for the period	—	—	—	—	—	—	—	21,781	21,781	1,397	23,178
Other comprehensive income for the period:											
Changes in fair value of equity investment designated at fair value through other comprehensive income, net of tax	—	—	—	—	—	—	(8,520)	—	(8,520)	—	(8,520)
Total comprehensive income for the period	—	—	—	—	—	—	(8,520)	21,781	13,261	1,397	14,658
Final 2019 dividends	—	—	(8,404)	—	—	—	—	—	(8,404)	—	(8,404)
Transfer to statutory reserve funds and discretionary surplus reserve	—	—	—	—	—	—	—	—	—	—	—
As at 30 June 2020 (unaudited)	142,956	8,157*	(9,775)*	98,848*	88,278*	—*	9,086*	704,372*	1,041,922	39,256	1,081,178
As at 1 January 2019 (audited)	142,956	8,157*	5,759*	64,318*	88,278*	(1,314)*	1,988*	633,034*	943,176	39,214	982,390
Profit for the period	—	—	—	—	—	—	—	48,709	48,709	2,041	50,750
Other comprehensive income for the period:											
Exchange differences on translation of foreign operations	—	—	—	—	—	(464)	—	—	(464)	—	(464)
Changes in fair value of equity investment designated at fair value through other comprehensive income, net of tax	—	—	—	—	—	—	12,960	—	12,960	—	12,960
Total comprehensive income for the period	—	—	—	—	—	(464)	12,960	48,709	61,205	2,041	63,246
Final 2018 dividends	—	—	(7,130)	—	—	—	—	—	(7,130)	—	(7,130)
Transfer to statutory reserve funds and discretionary surplus reserve	—	—	—	974	—	—	—	(974)	—	—	—
As at 30 June 2019 (unaudited)	142,956	8,157*	(1,371)*	65,292*	88,278*	(1,778)*	14,948*	680,769*	997,251	41,255	1,038,506

\* These reserve accounts comprise the consolidated reserves of RMB898,966,000 (31 December 2019: RMB894,109,000) in the interim condensed consolidated statement of financial position.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Notes	For the six months ended 30 June	
		2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
<b>Cash flows from operating activities:</b>			
Profit before tax		31,336	62,970
Adjustments for:			
Finance costs	6	19,317	20,930
Share of profits of joint ventures		(8,639)	(7,142)
Dividend income from equity investments at fair value through other comprehensive income		(1,811)	—
Interest income	5	(2,261)	(2,464)
Gain on disposal of items of property, plant and equipment	4	(25)	(1,178)
Release of government grants		(549)	(563)
Depreciation of property, plant and equipment		44,298	44,516
Depreciation of right-of use assets		4,693	5,017
Depreciation of investment properties		1,669	1,266
Amortisation of intangible assets		606	721
Reversal of write-down of inventories to net realisable value		(744)	—
Impairment of trade receivables net	7	1,300	201
		<b>89,190</b>	<b>124,274</b>
Decrease/(increase) in inventories		19,094	(17,571)
Decrease/(increase) in trade and notes receivables		17,797	(50,532)
Increase in prepayments and other receivables		(117,651)	(32,811)
Increase in amounts due from related parties		(28,415)	(10,794)
Increase in amounts due from the ultimate shareholder		(471)	—
(Decrease)/increase in trade and notes payables		(78,951)	73,219
Increase/(decrease) in other payables and accruals		6,384	(21,559)
Decrease in amounts due to related parties		(11,277)	(17,107)
(Decrease)/increase in pledged deposits		44,175	(33,072)
Decrease in amounts due to the ultimate shareholder		(254)	(84)
Cash (used in)/generated from operations		(60,379)	13,963
Income tax paid		(26,353)	(14,015)
Net cash flows used in operating activities		<b>(86,732)</b>	<b>(52)</b>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Notes	For the six months ended 30 June	
		2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
<b>Cash flows from investing activities:</b>			
Interest received	5	2,261	2,464
Prepayments and purchases of items of property, plant and equipment		(83,673)	(160,967)
Prepayments for right-of-use assets		—	(19,839)
Purchases of items of intangible assets		—	(505)
Proceeds from disposal of items of property, plant and equipment		7,760	26,943
Receipt of government grants for property, plant and equipment and right-of-use assets		5,020	5,071
Dividend income from equity investments at fair value through other comprehensive income		1,811	—
Proceeds from expiration of financial assets at fair value through profit or loss		—	30,510
Net cash flows used in investing activities		(66,821)	(116,323)
<b>Cash flows from financing activities:</b>			
New bank loans		859,575	319,318
Repayment of bank loans		(780,003)	(189,911)
Principal portion of lease payment		(2,129)	(2,457)
Interest paid		(19,140)	(20,720)
Increase/(decrease) in pledged deposits		(15,899)	21,517
Net cash flows generated from financing activities		42,404	127,747
<b>Net decrease/increase in cash and cash equivalents</b>		<b>(111,149)</b>	<b>11,372</b>
Cash and cash equivalents at beginning of the period		188,250	78,752
Cash and cash equivalents at end of the period		77,101	90,124
<b>Analysis of balances of cash and cash equivalents</b>			
Cash and cash equivalents as stated in the interim condensed consolidated statement of cash flows		77,101	90,124
Cash and bank balances		77,101	90,124
Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position		77,101	90,124

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

## 1. CORPORATE INFORMATION

Huazhong In-Vehicle Holdings Company Limited (the “**Company**”) is a limited liability company incorporated in the Cayman Islands on 3 December 2010. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 12 January 2012 (the “**Listing Date**”).

The Company is an investment holding company. During the six months ended 30 June 2020, the Company and its subsidiaries (collectively referred to as the “**Group**”) were engaged in the manufacture and sale of automotive internal and external structural and decorative parts, moulds and tooling, casing and liquid tanks of air conditioning or heater units and other non-automotive products.

## 2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2020 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 2019.

### ***Going concern basis***

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

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

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

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

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") or the first time for the current period's financial information.

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

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

### 3. OPERATING SEGMENT INFORMATION

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

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

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

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

### 4. REVENUE, OTHER INCOME AND GAINS

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

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



## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

### 4. REVENUE, OTHER INCOME AND GAINS *(Continued)*

An analysis of other income and gains is as follows:

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

### 5. FINANCE INCOME

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

### 6. FINANCE COSTS

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

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

### 7. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Cost of inventories recognised	577,037	673,255
Depreciation of property, plant and equipment	44,298	44,516
Depreciation of right-of-use assets	4,693	5,017
Depreciation of investment properties	1,669	1,266
Amortisation of intangible assets	606	721
Lease payments under short-term leases	6,392	8,305
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages, salaries and other benefits	95,946	119,686
Gross rental income	(8,685)	(8,892)
Direct expenses that generated rental income	1,660	2,852
Rental income, net	(7,025)	(6,040)

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

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Foreign exchange difference, net	3,037	1,586
Impairment of trade receivables	1,300	201
Reversal of write-down of inventories to net realisable value	(744)	—
Gain on disposal of items of property, plant and equipment	(25)	(1,178)

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

### 8. INCOME TAX

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

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

### 9. DIVIDENDS

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Final declared — HK0.5206 cent (2019: HK0.4714 cent) per ordinary share	8,404	7,130

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

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

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

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

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

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
<b>Earnings</b>		
Profit attributable to owners of the parent used in the basic and diluted earnings per share calculation	21,781	48,709

	For the six months ended 30 June	
	Number of shares	
	2020 (Unaudited)	2019 (Unaudited)
<b>Shares</b>		
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 2020, the Group acquired property, plant and equipment with a total cost of RMB116,016,000 (the six months ended 30 June 2019: RMB156,062,000).

Assets with a net book value of RMB7,735,000 were disposed of by the group during the six months ended 30 June 2020(30 June 2019: RMB 25,765,000), resulting in a net gain on disposal of RMB 25,000 (30 June 2019:RMB 1,178,000)

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

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

### 13. TRADE AND NOTES PAYABLES

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

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

Certain notes payable were secured by pledged deposits of the Group with a carrying value of RMB44,763,000 as at 30 June 2020 (31 December 2019: RMB88,938,000).

### 14. COMMITMENTS

The Group had the following capital commitments at the end of the reporting:

	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
Contracted, but not provided for in respect of acquisition of: Property, plant and equipment	<b>142,105</b>	160,011

**NOTES TO INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION**

For the six months ended 30 June 2020

## 15. RELATED PARTY TRANSACTIONS

### (a) Related party transactions

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following material transactions with related parties during the period:

	Notes	For the six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Sales of goods to:	(i)		
Joint ventures		<b>35,307</b>	29,625
Entity with significant influence by Mr. Zhou's brother		<b>828</b>	1,172
Subsidiary of a joint venture		—	319
		<b>36,135</b>	31,116
Purchases of goods from:	(ii)		
Joint ventures		<b>27,157</b>	38,756
Entities with significant influence by Mr. Zhou's brother		<b>5,230</b>	2,507
Entity collectively controlled by Mr. Zhou's parents		<b>156</b>	18
		<b>32,543</b>	41,281
Gross rental income from:	(iii)		
Joint ventures		<b>5,397</b>	4,505
Subsidiary of a joint venture		<b>3,238</b>	3,936
		<b>8,635</b>	8,441
Rental expenses charged by:	(iii)		
Fellow subsidiary		—	384
Management fee from:	(iv)		
Joint venture		<b>1,823</b>	1,971

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

### 15. RELATED PARTY TRANSACTIONS *(Continued)*

#### (a) Related party transactions *(Continued)*

- Note (i): The sales of goods and raw materials to the related parties were made according to the prices and terms agreed between the related parties.
- Note (ii): The purchases of raw materials, goods and services from the related parties were made according to the prices and terms offered by the related parties.
- Note (iii): The gross rental income from and rental expenses charged by related parties were in accordance with the terms and conditions agreed between the related parties through lease agreements.
- Note (iv): The management fee from the related party was in accordance with the terms agreed between the related parties through management fee agreements.

#### (b) Compensation of key management personnel of the Group

	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Wages, salaries and other benefits	1,324	1,771
Pension scheme contributions	16	20
Total compensation paid to key management personnel	1,340	1,791

### 16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
<b>Financial liabilities</b>				
Interest-bearing bank and other borrowings, non-current portion	59,000	37,344	59,000	37,344

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

### 16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

*(Continued)*

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade and notes receivables, trade and notes payables, financial assets included in prepayments and other receivables, financial liabilities included in other payables and accruals, amounts due from/to related parties, an amount due from/to the ultimate controlling shareholder and the current portion of interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair value of the non-current portion of interest-bearing bank and other borrowings has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The differences between the carrying amounts and fair values of those financial liabilities are not significant.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values of those financial assets and liabilities measured at fair value:

The fair values of certain of unlisted equity investments designated at fair value through other comprehensive income, have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and calculates an appropriate price multiple, such as enterprise value to earnings before interest, taxes, depreciation and amortisation ("**EV/EBITDA**") multiple and price to earnings ("**P/E**") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

The Group's notes receivable are managed with a business model under which notes receivable are both held to collect contractual cash flows and endorsed to suppliers prior to their expiry date. Accordingly, these notes receivable are measured as fair value through other comprehensive income. The Group has estimated the fair value of these notes receivable by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.



## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

### 16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(Continued)

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 30 June 2020 and 31 December 2019:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input (RMB'000)
Unlisted equity investment				
Investment A	Valuation multiples	Forward average P/E multiples of peers	30 June 2020: 11.04 to 37.15	10% increase/decrease in multiple would result in increase/decrease in fair value by 3,619
		Discount for lack of marketability	30 June 2020: 0.00% to 91.30%	10% increase/decrease in multiple would result in decrease/increase in fair value by 687
Investment B	Valuation multiples	Forward average P/E multiples of peers	30 June 2020: 28.15 to 50.37	10% increase/decrease in multiple would result in increase/decrease in fair value by 1,260
		Discount for lack of marketability	30 June 2020: 0.00% to 91.30%	10% increase/decrease in multiple would result in decrease/increase in fair value by 237
Investment A	Valuation multiples	Forward average P/E multiples of peers	2019: 3.88 to 37.32	10% increase/decrease in multiple would result in increase/decrease in fair value by 4,435
		Discount for lack of marketability	2019: 0.00% to 91.30%	10% increase/decrease in multiple would result in decrease/increase in fair value by 830
Investment B	Valuation multiples	Forward average P/E multiples of peers	2019: 19.15 to 53.29	10% increase/decrease in multiple would result in increase/decrease in fair value by 1,580

**NOTES TO INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION**

For the six months ended 30 June 2020

## 16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(Continued)

Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input (RMB'000)
Unlisted equity investment			
Investment B	Discount for lack of marketability	2019: 0.00% to 91.30%	10% increase/decrease in multiple would result in decrease/increase in fair value by 200

### Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

### Assets measured at fair value

As at 30 June 2020

	Fair value measurement using			
	Total RMB'000 (Unaudited)	Quoted prices in active markets Level 1 RMB'000 (Unaudited)	Significant observable inputs Level 2 RMB'000 (Unaudited)	Significant Unobservable inputs Level 3 RMB'000 (Unaudited)
Equity investments designated at fair value through other comprehensive income	48,789	—	—	48,789
Notes receivable at fair value through other comprehensive income	98,905	—	98,905	—

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

### 16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(Continued)

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets	Significant observable inputs	Significant Unobservable inputs	
Total	Level 1	Level 2	Level 3	
RMB'000	RMB'000	RMB'000	RMB'000	
(Audited)	(Audited)	(Audited)	(Audited)	
Equity investments designated at fair value through other comprehensive income	60,149	—	—	60,149
Notes receivable at fair value through other comprehensive income	104,552	—	104,552	—

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers out of Level 3.

### 17. EVENTS AFTER THE REPORTING PERIOD

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

### 18. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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