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HUAZHONG IN-VEHICLE HOLDINGS COMPANY LIMITED
華眾車載控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6830)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS

- Revenue was approximately RMB2 billion, representing a decrease of approximately 7.8% when compared to that of the year ended 31 December 2019.

- Profit attributable to owners of the parent amounted to approximately RMB107.6 million, representing an increase of approximately 27.9% when compared to that of the year ended 31 December 2019.

- Gross profit margin was 24.2%, representing an increase of about 1.8% when compared to that of the year ended 31 December 2019.

- Basic earnings per share attributable to owners of the parent was approximately RMB6.08 cents (2019: approximately RMB4.75 cents).

- The Board recommends the payment of a final dividend of RMB0.6080 cent (equivalent to HK0.7262 cent at exchange rate 1:0.8372) per ordinary share for the year ended 31 December 2020 (2019: RMB0.4750 cent per share (equivalent to HK0.5206 cent per share). During the Year, no interim dividend was declared.

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Huazhong In-Vehicle Holdings Company Limited (the "**Company**") is pleased to announce the consolidated financial results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2020 (the "**Year**"), together with the comparative figures for the year ended 31 December 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2020

	Notes	**2020** *RMB'000*	2019 *RMB'000*
REVENUE	*3*	**2,004,817**	2,173,549
Cost of sales		**(1,519,759)**	(1,687,672)
Gross profit		**485,058**	485,877
Other income and gains	*4*	**40,933**	39,900
Selling and distribution expenses		**(137,251)**	(131,432)
Administrative expenses		**(246,459)**	(248,000)
(Impairment losses)/reversal of impairment losses on financial assets, net		**(3,686)**	(2,177)
Other expenses		**(1,053)**	(6,760)
Share of profits of:			
Joint ventures		**29,590**	13,220
Finance income	*5*	**5,091**	4,979
Finance costs		**(37,728)**	(43,818)
PROFIT BEFORE TAX	*6*	**134,495**	111,789
Income tax expense	*7*	**(24,034)**	(24,157)
PROFIT FOR THE YEAR		**110,461**	87,632
Attributable to:			
Owners of the parent		**107,574**	84,087
Non-controlling interests		**2,887**	3,545
		110,461	87,632
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
Basic			
— For profit for the year		**RMB0.0608**	RMB0.0475
Diluted			
— For profit for the year		**RMB0.0608**	RMB0.0475

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	2020 *RMB'000*	2019 *RMB'000*
PROFIT FOR THE YEAR	**110,461**	87,632
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	—	4,805
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	—	4,805
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	**9,648**	20,824
Income tax effect	**(2,412)**	(5,206)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**7,236**	15,618
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**7,236**	20,423
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**117,697**	108,055
Attributable to:		
Owners of the parent	**114,810**	104,510
Non-controlling interests	**2,887**	3,545
	117,697	108,055

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**908,998**	818,505
Investment properties		**34,777**	42,363
Right-of-use assets		**233,990**	238,415
Intangible assets		**5,784**	6,539
Investments in joint ventures		**200,701**	171,111
Prepayments for acquiring property, plant and equipment		**48,400**	72,194
Equity investments designated at fair value through other comprehensive income		**69,797**	60,149
Deferred tax assets		**10,838**	10,554
Total non-current assets		**1,513,285**	1,419,830
CURRENT ASSETS			
Inventories		**292,160**	361,648
Trade and notes receivables	*10*	**819,678**	781,605
Prepayments and other receivables		**290,468**	285,471
Amounts due from related parties		**63,538**	61,218
Pledged deposits		**173,220**	207,839
Cash and cash equivalents		**94,429**	188,250
Total current assets		**1,733,493**	1,886,031
CURRENT LIABILITIES			
Trade and notes payables	*11*	**965,541**	977,753
Other payables and accruals		**246,909**	235,270
Interest-bearing bank and other borrowings		**548,254**	811,196
Amounts due to the ultimate controlling shareholder		**—**	254
Amounts due to related parties		**49,588**	77,302
Income tax payable		**42,622**	43,833
Total current liabilities		**1,852,914**	2,145,608

	2020	2019
	RMB'000	*RMB'000*
NET CURRENT LIABILITIES	**(119,421)**	(259,577)
TOTAL ASSETS LESS CURRENT LIABILITIES	**(1,393,864)**	1,160,253
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**173,392**	38,492
Government grants	**19,154**	12,538
Deferred tax liabilities	**17,102**	34,299
Total non-current liabilities	**209,648**	85,329
Net assets	**1,184,216**	1,074,924
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**142,956**	142,956
Reserves	**1,000,514**	894,109
	1,143,470	1,037,065
Non-controlling interests	**40,746**	37,859
Total equity	**1,184,216**	1,074,924

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for equity investments which have been measured at fair value. The financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

The financial statements have been prepared under the going concern basis notwithstanding that the Group had net current liabilities of RMB119,421,000 as at 31 December 2020. The Directors of the Company are of the opinion that based on the available unutilised banking facilities as at 31 December 2020, the Group will have the necessary liquid funds to finance its working capital and to meet its capital expenditure requirements. Accordingly, the Directors are of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*
Amendments to IFRS 16	*Covid-19-Related Rent Concessions (early adopted)*
Amendments to IAS 1 and IAS 8	*Definition of Material*

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised IFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "**Conceptual Framework**") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(c) Amendments to IFRS 9, IAS 39 and IFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("**RFR**"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

(d) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 June 2020. The amendments did not have any impact on the financial position and performance of the Group.

(e) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

3. OPERATING SEGMENT INFORMATION

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

Geographical information

(a) Revenue from external customers

	2020	2019
	RMB'000	*RMB'000*
Mainland China	**1,937,367**	1,987,353
Overseas	**67,450**	186,196
Total	**2,004,817**	2,173,549

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

(b) Non-current assets

	2020	2019
	RMB'000	*RMB'000*
Mainland China	**1,432,650**	1,349,127

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

Revenue from operations of approximately RMB790,301,000 (2019: RMB786,668,000) was derived from sales to a single customer, including sales to a group of entities which are known to be under common control with that customer.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2020	2019
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Sales of plastic parts and automotive parts	**1,836,702**	1,899,770
Sales of moulds and tooling	**168,115**	273,779
	2,004,817	2,173,549

Revenue from contracts with customers

(i) Disaggregated revenue information

All the revenue from contracts with customers is derived from the one single segment as defined in note 3. And the category of revenue from contracts with customers according to geographical region is the same with the geographical information in note 3(a).

The recognition timing of all the revenue from contracts with customers is goods transferred at a point in time.

The revenue recognised during the year ended 31 December 2020 that was included in contract liabilities at the beginning of the year was approximately RMB54,483,000 (2019: approximately RMB94,383,000).

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of products and materials: The performance obligation is satisfied upon delivery of the products and materials and payment is generally due within 30 to 90 days from delivery, except for new customers, where payment in advance is normally required. Some contracts provide customers with a right of return and volume rebates which give rise to variable consideration subject to constraint.

All the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2020 are expected to be recognised within one year as the performance obligations are part of contracts that have an original expected duration of one year or less.

	2020	2019
	RMB'000	*RMB'000*
Other income		
Government grants	**21,963**	5,963
Dividend income from equity investments designated at fair value through other comprehensive income	**1,811**	—
Management fee	**3,784**	3,600
Net rental income from investment property operating leases, net: fixed payments	**12,102**	12,262
Compensation of demolition	—	7,686
Others	**4,709**	7,722
	44,369	37,233
Other gains		
Gain on sales of scrap materials	**950**	937
(Loss)/gain on disposal of items of property, plant and equipment	**(107)**	1,087
Loss on disposal of items of investment properties	**(3,610)**	—
Gain on disposal of a subsidiary	—	643
Other	**(669)**	—
	(3,436)	2,667
	40,933	39,900

5. FINANCE INCOME

	2020	2019
	RMB'000	*RMB'000*
Interest income on bank deposits	**5,091**	4,979

6. PROFIT BEFORE TAX

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

	2020	2019
	RMB'000	*RMB'000*
Cost of inventories sold	**1,519,759**	1,687,672
Depreciation of property, plant and equipment	**103,022**	87,147
Depreciation of investment properties	**3,162**	3,435
Amortisation of right-of-use assets	**9,592**	10,214
Amortisation of intangible assets	**1,223**	1,148
Research and development costs	**71,235**	67,584
Lease payments not included in the measurement of lease liabilities	**26,785**	4,665
Auditors' remuneration	**2,500**	2,500
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	**224,048**	249,855
Pension scheme costs	**6,140**	14,861
	230,188	264,716
Gross rental income	**(17,034)**	(15,961)
Direct expenses for generating rental income	**4,932**	3,699
Rental income, net	**(12,102)**	(12,262)
Foreign exchange differences, net	**(506)**	2,429
Impairment losses on financial assets, net	**3,686**	2,177
Gain on disposal of a subsidiary	**—**	(643)
Loss/(gain) on disposal of items of property, plant, and equipment	**107**	(1,087)
Loss on disposal of items of investment properties	**3,610**	—
Dividend income from equity investments designated at fair value through other comprehensive income	**(1,811)**	—
Government grants	**(21,963)**	(5,963)
Interest income on bank deposits	**(5,091)**	(4,979)

7. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "**BVI**"), the Group is not subject to any income tax in the Cayman Islands and the BVI.

No Hong Kong profits tax has been provided as there was no assessable profit earned in or derived from Hong Kong during the year ended 31 December 2020 (2019: Nil).

All of the Group's subsidiaries registered in the People's Republic of China (the "**PRC**") that have operations only in Mainland China are subject to PRC enterprise income tax ("**EIT**") at a rate of 25% on the taxable income as reported in their PRC statutory accounts adjusted in accordance with relevant PRC income tax laws except the entities stated as follows.

Pursuant to the relevant tax rules in the PRC, Chongqing Huazhong and Chengdu Huazhong were qualified as Western China development enterprises, and were entitled to a preferential rate of 15% during the year ended 31 December 2020 (2019: 15%).

In December 2020, Ningbo Huazhong Moulding Manufacturing Co., Ltd. ("**Ningbo Huazhong Moulding**") was accredited as a "High and New Technology Enterprise" to enjoy a preferential rate of 15% for the three years ended 31 December 2020, 2021 and 2022.

In November 2018, Foshan Huazhong Moulding was accredited as a "High and New Technology Enterprise" to enjoy a preferential rate of 15% for the three years ended 31 December 2018, 2019 and 2020.

In September 2019, Changchun Huateng was accredited as a "High and New Technology Enterprise" to enjoy a preferential rate of 15% for the three years ended 31 December 2019, 2020 and 2021.

In November 2019, Ningbo Huazhong Plastic extended to be accredited as a "High and New Technology Enterprise" to enjoy a preferential rate of 15% for the three years ended 31 December 2019, 2020 and 2021.

The major components of income tax expense of the Group are as follows:

	2020	2019
	RMB'000	*RMB'000*
Current income tax		
Charge for the year	**45,693**	39,453
Over provision in prior years	**(1,766)**	(4,087)
Deferred income tax	**(19,893)**	(11,209)
Total tax charge for the year	**24,034**	24,157

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the PRC of 25% to the tax expense at the effective tax rate for each of the years is as follows:

	2020	2019
	RMB'000	*RMB'000*
Profit before tax	**134,495**	111,789
Tax at the statutory tax rate	**33,624**	27,947
Tax rate differences for specific provincial or local tax authority	**(8,337)**	(12,771)
Tax losses not recognised	**17,502**	21,543
Profits attributable to joint ventures	**(7,398)**	(3,305)
Adjustments in respect of current tax of previous periods	**(1,766)**	(4,087)
Non-taxable income	**(1,680)**	(738)
Expenses not deductible for tax	**2,641**	1,654
Utilisation of tax losses in previous years	**(187)**	(770)
Tax incentives on eligible expenditures	**(10,365)**	(7,262)
Effect on opening deferred tax of decrease in rates	**—**	1,946
Tax charge for the year at the effective rate	**24,034**	24,157

8. DIVIDENDS

	2020	2019
	RMB'000	*RMB'000*
Interim — 2020:Nil (2019: Nil) per ordinary share	—	—
Proposed final — 2020: HK0.7262 cent (2019: HK0.5206 cent) per ordinary share	**10,757**	8,409
	10,757	8,409

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. These financial statements have not reflected this proposed dividend.

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

The calculation of the basic earnings per share amount is based on the profit attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,769,193,800 (2019: 1,769,193,800) in issue during the year.

During the year ended 31 December 2020, the calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the share option scheme, where applicable. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the basic earnings per share amounts presented for the year ended 31 December 2020 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the year.

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

	2020	2019
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**107,574**	84,087
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,769,193,800**	1,769,193,800

10. TRADE AND NOTES RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Trade receivables	**666,974**	684,155
Notes receivable at fair value through other comprehensive income	**163,492**	104,552
	830,466	788,707
Impairment of trade receivables	**(10,788)**	(7,102)
	819,678	781,605

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to three months for major customers. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

The Group's notes receivable are all aged within six months and are neither past due nor impaired.

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

	2020	2019
	RMB'000	*RMB'000*
Within 3 months	**486,240**	556,610
3 to 6 months	**47,008**	86,272
6 months to 1 year	**89,171**	22,246
Over 1 year	**33,767**	11,925
	656,186	677,053

Movements in the loss allowance for impairment of trade receivables are as follows:

	2020	2019
	RMB'000	*RMB'000*
At beginning of year	**7,102**	4,925
Impairment losses/(reversal of impairment), net	**3,686**	2,177
At end of year	**10,788**	7,102

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on aging for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type and customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than two year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2020

	Expected loss rate	**Gross carrying amount** *RMB'000*	**Impairment** *RMB'000*
General item:			
Current and within 1 year	0.54%	620,793	3,374
More than one year but within 2 years	16.05%	46,181	7,414
		666,974	10,788

As at 31 December 2019

	Expected loss rate	Gross carrying amount *RMB'000*	Impairment *RMB'000*
General item:			
Current and within 1 year	0.37%	667,612	2,484
More than one year but within 2 years	27.92%	16,543	4,618
		684,155	7,102

11. TRADE AND NOTES PAYABLES

An ageing analysis of the trade and notes payables of the Group as at 31 December 2020, based on the invoice date, is as follows:

	2020	2019
	RMB'000	*RMB'000*
Within 3 months	**669,463**	697,204
3 to 12 months	**259,743**	278,891
1 to 2 years	**34,682**	—
2 to 3 years	—	130
Over 3 years	**1,653**	1,528
	965,541	977,753

The trade payables are non-interest-bearing and normally settled on terms of 30 to 90 days. Notes payable are generally with a maturity period of six months.

Certain notes payable were secured by deposits of the Group with a carrying value of approximately RMB64,220,000 as at 31 December 2020 (2019: approximately RMB88,938,000).

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

During 2020, the automobile industry production and sales level had declined slightly as a result of a slowing global economy. According to the statistics from China Association of Automobile Manufacturers, over 25.22 million vehicles were manufactured and over 25.31 million vehicles were sold in 2020, representing a decrease of approximately 2% and approximately 1.9%, respectively, from the previous year. In terms of sales and manufacturing volumes, China has again ranked number one in the world for another year.

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 the 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.

BUSINESS REVIEW

The Group offers one-stop solutions to its customers, from the design and manufacture of moulds and tooling for mass production of specific products to the development and manufacture of new products which meet its customers' functional requirements and specifications.

The Group offers a wide range of automobile body parts, including internal and external structural and decorative parts (such as front/rear bumper, front-end carrier, dashboard, ABCD-pillars, air inlet grille and rocker panel), air conditioning unit casings and liquid tanks through our subsidiaries and jointly controlled entities. We also manufacture fabric used for ABCD-pillar and headliner for automobile through one of our jointly controlled entities.

The Group also produces moulds and tooling for our manufacturing arm, with the ability to produce moulds and tooling for complex or large-size automobile body parts such as bumper and front-end carrier. Apart from automobile-related products, the Group also manufactures other products such as top cowl cover for engine of motorboat and office chair parts.

During the Year, the Group faced with continuously increasing production costs. As such, the Group rigorously enforced the implementation of cost controls, improved staff quality and strengthened administrative efficiency internally. Externally, the Group strived to fortify the long-term cooperation with customers, develop new market opportunities, maintain sound business operation capability, consolidate the Group's resources and improve market competitiveness. These actions successfully helped the Group in achieving the annual targets, and laid the foundation for its sustainable operation in the future.

For the Year, the Group's revenue was approximately RMB2.00 billion, representing a decrease of approximately 7.8% as compared to approximately RMB2.17 billion in 2019. Profit attributable to the owners of the parent for the Year was approximately RMB107.6 million, representing an increase of approximately 27.9% as compared to approximately RMB84.1 million in 2019.

OPERATIONS ANALYSIS

The Board believes that the Group's achievements are attributable to the following aspects:

- The Group provides one-stop product development and manufacturing solutions to customers. This vertically integrated service has enabled the Group to improve production efficiency, shorten the roll-out time for new products, stringently control production cost and quality throughout the whole production process and strengthen its business relationships with customers.

- The Group has strong R&D capacity to develop new products with customers simultaneously. This enables the Group to establish close relationships with its major customers and deepen its understanding of the customers' needs.

- The Group established production bases that are located close to the production bases of most of the key automakers in China. The geographic proximity advantage enables the Group to provide services to its customers in a timely manner, strengthen its relationships with these customers and reduce transportation costs, and thereby further enhancing its competitiveness.

- The Group maintains long-term business relationships with both domestic and multinational automakers, while rigorously engaging new customers.

- The Group is equipped with strong production capabilities and refined manufacturing technology. The Group has adopted the most advanced technologies and production equipment in this industry.

- The Group has an experienced management team with deep knowledge and understanding of the automobile body parts industry.

- The Group monitors its product quality in a stringent manner. It implements sophisticated quality monitoring procedures to select and examine raw materials, semi-finished and finished products to ensure a high standard of quality.

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-automobile products; and

(v) sale of raw materials.

	2020		2019	
		Gross profit		Gross profit
	Revenue	**Margin**	Revenue	Margin
	RMB'000	***%***	*RMB'000*	*%*
Automotive interior and exterior structural and decorative parts	**1,660,257**	**25.1**	1,532,396	29.8
Moulds and tooling	**168,115**	**21.5**	273,779	-6.5
Casings and liquid tanks of air conditioners and heaters	**123,397**	**13.7**	107,192	13.5
Non-automobile products	**37,129**	**37.5**	51,582	40.5
Sale of raw materials	**15,919**	**7.3**	208,600	5.7
Total	**2,004,817**	**24.2**	2,173,549	22.4

For the Year, the total revenue generated from automotive interior and exterior structural and decorative parts was approximately RMB1,660,257,000 (2019: approximately RMB1,532,396,000), accounting for approximately 82.8% of the Group's total revenue for the Year (2019: approximately 70.5%). The increase was primarily because of the expansion of new markets and new customers during the Year. Gross profit margin decreased slightly from approximately 29.8% in 2019 to approximately 25.1% in 2020.

For the Year, revenue from moulds and tooling was approximately RMB168,115,000 (2019: approximately RMB273,779,000), accounting for approximately 8.4% of the Group's total revenue for the Year (2019: approximately 12.6%). Gross profit margin increased from -6.5% in 2019 to 21.5% in the Year. The increase in gross profit margin was mainly attribute to the close of the subsidiary located in Germany.

For the Year, revenue from casings and liquid tanks of air conditioners and heaters was approximately RMB123,397,000 (2019: approximately RMB107,192,000), accounting for approximately 6.2% of the Group's total revenue for the Year (2019: approximately 4.9%). Gross profit margin increased slightly from approximately 13.5% in 2019 to approximately 13.7% in the Year.

For the Year, revenue from non-automobile products was approximately RMB37,129,000 (2019: approximately RMB51,582,000), accounting for approximately 1.9% of the Group's total revenue for the Year (2019: approximately 2.4%). Gross profit margin decreased slightly from approximately 40.5% in 2019 to approximately 37.5% in the Year.

For the Year, revenue from sale of raw materials was approximately RMB15,919,000 (2019: approximately RMB208,600,000), accounting for approximately 0.8% of the Group's total revenue for the Year (2019: approximately 9.6%). Gross profit margin increased to approximately 7.3% (2019: approximately 5.7%) during the Year.

Other Income and Gains

Other income and gains of the Group for the Year amounted to approximately RMB40,933,000 (2019: approximately RMB39,900,000), representing an increase of 2.6% from last year.

Selling and Distribution Expenses

The Group's selling and distribution expenses for the Year amounted to approximately RMB137,251,000 (2019: approximately RMB131,432,000). The proportion of selling and distribution expenses in sales revenue for the Year was approximately 6.8% (2019: approximately 6.0%).

Administrative Expenses

The Group's administrative expenses for the Year amounted to approximately RMB246,459,000, representing a decrease of approximately 0.6% as compared to approximately RMB248,000,000 in 2019.

Share of Profits of Joint Ventures

During the Year, the Group recorded approximately RMB29,590,000 of the share of profits of joint ventures as compared to the share of profits of approximately RMB13,220,000 for 2019.

Finance Income

The Group's finance income increased by approximately 2.2% from approximately RMB4,979,000 in 2019 to approximately RMB5,091,000 in the Year.

Finance Costs

The Group's finance costs decrease from approximately RMB43,818,000 in 2019 to approximately RMB37,728,000 in the Year, representing a decrease of approximately 13.9%, which was attributable to a decrease of bank borrowing balance during the Year.

Taxes

The Group's tax expenses decreased by approximately 0.5% from approximately RMB24,157,000 in 2019 to approximately RMB24,034,000 in the Year.

Liquidity and Financial Resources

For the Year, the net cash generated from operating activities was approximately RMB217,462,000 (2019: approximately RMB275,899,000). The cash generated from operating activities was mainly from the profits during the Year.

The net cash used in investing activities was approximately RMB146,150,000 (2019: approximately RMB204,771,000). The net cash used in financing activities was approximately RMB165,133,000 (2019: net cash generated approximately RMB38,370,000). The net cash used in investing activities was mainly for the purchase of property, plant and equipment. The net cash used in financing activities was mainly used for repayment of bank loans.

As a result of the above-mentioned comprehensive factors, the net cash outflow of the Group was approximately RMB93,821,000 (2019: net cash inflow of approximately RMB109,498,000).

As at 31 December 2020, the cash and cash equivalents of the Group (including cash and bank deposits) was approximately RMB94,429,000 (31 December 2019: approximately RMB188,250,000).

As at 31 December 2020, the interest-bearing bank borrowings of the Group were approximately RMB716,855,000 (31 December 2019: approximately RMB845,986,000). All the interest-bearing bank borrowings were borrowed in RMB, and approximately RMB543,683,000 were due within one year. All the bank borrowings were borrowed at fixed interest rate.

The Board expects that the bank loans would either be settled by fund from internal resources or rolled over as it was due. All principal banks will continue to provide fund to the Group for its business operation.

Capital Commitments

As at 31 December 2020, the Group had capital commitments amounting to approximately RMB137,364,000 (31 December 2019: approximately RMB160,011,000) mainly including commitment for purchasing property, plant, and equipment.

Foreign Exchange Exposure

The sales and purchases of the Group were mainly denominated in RMB. The cash and cash equivalents of the Group were mainly denominated in RMB and Hong Kong dollars. The borrowings are denominated in RMB. Since the Group's exposure to fluctuations in foreign exchange rates was minimal, 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 the foreign exchange exposure if it becomes significant to the Group.

Capital Structure

The total number of issued and fully paid ordinary shares of the Company as at 31 December 2020 was 1,769,193,800.

Contingent Liabilities

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

Pledge of Assets

As at 31 December 2020, the Group's assets of approximately RMB164,560,000 (2019: RMB182,770,000) were pledged to secure some of the Group's interest-bearing bank borrowings. The book value of the pledged assets is set out below:

	2020	2019
	RMB'000	*RMB'000*
Property, plant and equipment	**18,694**	16,649
Investment properties	**929**	1,884
Right-of-use assets — prepaid land lease payments	**35,937**	46,803
Pledged deposits	**109,000**	117,434
Total	**164,560**	182,770

As at 31 December 2020, deposits with book value of approximately RMB64,220,000 (2019: approximately RMB88,938,000) were used as security to provide guarantee for the issue of notes payable.

Gearing Ratio

As at 31 December 2020, the Group's gearing ratio was approximately 62.3%, which was decreased slightly as compared with the gearing ratio of approximately 65.3% as at 31 December 2019. The gearing ratio is derived by dividing net liabilities (including interest-bearing 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 respective years.

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

During the Year, the Group did not have any significant investments or 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

The Group had a total of 2,922 (2019: 3,300) employees as at 31 December 2020. Total staff costs of the Group (excluding the Directors' and chief executive's remuneration) for the Year was approximately RMB230,188,000 (2019: approximately RMB264,716,000). The decrease in staff cost was mainly attributable to the decrease in average number of employees. The Group's remuneration policies were in line with relevant legislation, market conditions and the performance of our employees.

Events after the Year

There were no significant events after the year up to the date of this announcement.

PROSPECTS

As affected by the outbreak of COVID-19 at the beginning of the year, the sales volume of automotives in 2020 was improving after a decline, showing a V-shaped rebound trend. Since the continued recovery in the industry after the second half of the year, the growth rate of passenger vehicles and new energy vehicles has returned to a right track. Since the third quarter of 2020, the wholesale and retail sales of automotives have accelerated and returned to a positive level. The industry has passed its trough and is steadily improving, thus opening a new round of its growth cycle. It is expected that the overall sales volume of the industry will achieve double-digit growth in 2021.[1] As a leading tier-one supplier of automotive parts in China, the Group has stable cooperation with mid to high-end auto brands. The "replacing steels with plastics" technology and experience is leading in the industry. It is expected that the Group will benefit from the continuous upward industry cycle, and its revenue and profit will continue to strengthen in 2021.

In the Central Economic Work Conference, Carbon Emission Peak and Carbon Neutrality has became one of the eight key tasks in 2021. China's carbon dioxide emission will reach its peak value by 2030. The policy goal will directly affect the automotive sector and will speed up the production of new energy automotives. The Group has currently entered into cooperation with various new energy automotives customers, and the original high-end joint venture automotives customers are also actively engaging in the research and development of new energy automotives models. Therefore, the Group will seize the opportunity of developing new energy parts, continue to invest in the research and development of "replacing steels with plastics" technology in a larger extent, so as to create high-strength and lightweight plastic parts and maintain its industry edge. Differing from traditional fuel automotives, new energy automotives put forward higher requirements for "weight reduction" of automotives. Lightweight automotives can improve the endurance mileage, and enhance the power, brakes and safety of automotives. As one of the most ideal alternative for lightweight and environmental-friendly automotives, plastic not only improves the safety in terms of flame retardant and strength, but also improves the material comfortability and is environmental friendly for its ease of recycling.[2] In addition, the Group has seized the opportunity of industry development. Three new plants have commenced operation in 2020, and the capacity utilization rate has reached 60% and above. In 2021, with the increase in new orders, it is expected that the capacity utilization rate of existing plants will continue to improve. Meanwhile, the Group is still in process of constructing new plants this year to support new orders. It is expected that the revenue will achieve significant growth in 2021.

Looking ahead to 2021, with the recovery and reform throughout the industry, the overall trend of auto industry will remain improving. The Group will persistently carry out self-enhancement and internal-optimization, and continuously invest in research and development to ensure that it maintains its leading position and competitiveness in plastic lightweight technology. The Group will also seize the cooperation opportunities with high-end and joint venture auto and electric auto brands customers. It will vigorously develop the high-value added fabric segment and other one-stop parts solution to improve its business volume and overall gross profit margin. In addition, the Group will actively seek merger and acquisition opportunities to expand the upstream and downstream industrial chain. As always, the Group will closely monitor and respond swiftly to market dynamics, so as to maintain business sustainability and profitability.

1 Haitong Securities "V-Shaped Rebound Throughout the Year and the Growth is Expected to Continue"

2 Huaxi Securities "Less is More, the Acceleration of Lightweight Automotives Development"

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 complied with all applicable code provisions set out in the CG Code throughout the Year, except for the following deviation:

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 of the Company (the "**Chief Executive**"), such practice deviates from code provision A.2.1 of the CG Code. The Board believes that vesting the roles of both the Chairman and the Chief Executive in the same person can facilitate the effective execution of the Group's business strategies and operation. Furthermore, there are various experienced individuals in charge of the daily business operation in the Group and the Board comprises three executive Directors, four non-executive Directors and four independent non-executive Directors, with a balance of skill and experience appropriate for the Group's further development. The Board will review such deviation from time to time to enhance the best interest of the Group as a whole.

A full description of the Company's corporate governance will be set out in the 2020 annual report of the Company.

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 Year, they were in compliance with the required provisions set out in the Model Code. All of the Directors declared that they complied with the required standards of dealings as set out in the Model Code throughout the Year.

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 Year.

DIVIDENDS

The Board recommends the payment of a final dividend of RMB0.6080 cent (equivalent to HK0.7262 cent at exchange rate of HK$1 equals to RMB0.8372) per ordinary share for the Year (2019: RMB0.4750 cent per share (equivalent to HK0.5206 cent per share at an exchange rate of HK$1 equals to RMB0.91243)). The payment of dividends shall be subject to the approval of the Shareholders of the Company at the forthcoming annual general meeting of the Company (the "**AGM**") which will be held on 2 June 2021. The proposed final dividend is expected to be paid on or before 30 July 2021. During the Year, no interim dividend was declared.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining the Shareholders' right to attend and vote at the forthcoming AGM, the register of members of the Company will be closed from Friday, 28 May 2021 to Wednesday, 2 June 2021 (both days inclusive), during which period no transfer of shares in the Company will be registered. The holders of shares whose names appear on the register of members of the Company on Wednesday, 2 June 2021 will be entitled to attend and vote at the AGM. In order to qualify for attending and voting at the AGM, all transfer of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's Hong Kong share registrar and transfer office, Tricor Investor Services Limited (the "**Branch Share Registrar**"), at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Thursday, 27 May 2021.

In addition, for the purpose of ascertaining the Shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed from Wednesday, 16 June 2021 to Friday, 18 June 2021 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the entitlement to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Branch Share Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 15 June 2021.

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 are 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 annual results of the Group for the Year. The Audit Committee has reviewed the annual results of the Group for the Year and is of the view that the announcement of annual results for the Year is prepared in accordance with applicable accounting standards, rules and regulations and appropriate disclosures have been duly made.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of comprehensive income and consolidated statement of financial position, and the related notes thereto for the Year have been agreed by the Company's auditor to the amounts set out in the Group's consolidated financial statements for the year. The work performed by the Company's auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditor on this preliminary results announcement.

APPRECIATION

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

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (http://www.cn-huazhong.com). The annual report of the Company for the Year containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 29 March 2021

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