# 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 2021

## FINANCIAL HIGHLIGHTS

- Revenue was approximately RMB1.9 billion, representing a decrease of approximately 5.5% when compared to that of the year ended 31 December 2020.
- Profit attributable to owners of the parent amounted to approximately RMB50.7 million, representing a decrease of approximately 52.9% when compared to that of the year ended 31 December 2020.
- Gross profit margin was approximately 22.5%, representing a decrease of about 1.7% when compared to that of the year ended 31 December 2020.
- Basic earnings per share attributable to owners of the parent was approximately RMB2.86 cents (2020: approximately RMB6.08 cents).
- The Board recommends the payment of a final dividend of RMB0.4296 cent (equivalent to HK0.5276 cent at exchange rate 1:0.8143) per ordinary share for the year ended 31 December 2021 (2020: RMB0.6080 cent per share (equivalent to HK0.7262 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 2021 (the "**Year**"), together with the comparative figures for the year ended 31 December 2020.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*Year ended 31 December 2021*

| | *Notes* | **2021** *RMB'000* | 2020 *RMB'000* |
|---|---|---|---|
| **REVENUE** | *4* | **1,894,983** | 2,004,817 |
| Cost of sales | | **(1,468,079)** | (1,519,759) |
| **Gross profit** | | **426,904** | 485,058 |
| Other income and gains, net | *4* | **90,486** | 40,933 |
| Selling and distribution expenses | | **(125,417)** | (137,251) |
| Administrative expenses | | **(267,213)** | (246,459) |
| Impairment losses on financial assets, net | | **(12,632)** | (3,686) |
| Other expenses | | **(12,383)** | (1,053) |
| Share of profits of: | | | |
| Joint ventures | | **30,228** | 29,590 |
| Finance income | *5* | **9,332** | 5,091 |
| Finance costs | | **(36,090)** | (37,728) |
| **PROFIT BEFORE TAX** | *6* | **103,197** | 134,495 |
| Income tax expense | *7* | **(28,117)** | (24,034) |
| **PROFIT FOR THE YEAR** | | **75,080** | 110,461 |
| Attributable to: | | | |
| Owners of the parent | | **50,673** | 107,574 |
| Non-controlling interests | | **24,407** | 2,887 |
| | | **75,080** | 110,461 |
| **EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT** | *9* | | |
| Basic | | | |
| — For profit for the year | | **RMB0.0286** | RMB0.0608 |
| Diluted | | | |
| — For profit for the year | | **RMB0.0286** | RMB0.0608 |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*Year ended 31 December 2021*

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **PROFIT FOR THE YEAR** | **75,080** | 110,461 |
| **OTHER COMPREHENSIVE INCOME** | | |
| **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 | **(7,452)** | 9,648 |
| Income tax effect | **1,863** | (2,412) |
| Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods | **(5,589)** | 7,236 |
| **OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX** | **(5,589)** | 7,236 |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | **69,491** | 117,697 |
| Attributable to: | | |
| Owners of the parent | **45,084** | 114,810 |
| Non-controlling interests | **24,407** | 2,887 |
| | **69,491** | 117,697 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*31 December 2021*

| | Notes | 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **961,376** | 908,998 |
| Investment properties | | **32,473** | 34,777 |
| Right-of-use assets | | **222,153** | 233,990 |
| Intangible assets | | **5,091** | 5,784 |
| Investments in joint ventures | | **220,929** | 200,701 |
| Prepayments for acquiring property, plant and equipment | | **37,671** | 48,400 |
| Equity investments designated at fair value through other comprehensive income | | **62,345** | 69,797 |
| Pledged deposits | | **56,000** | — |
| Deferred tax assets | | **16,938** | 10,838 |
| Total non-current assets | | **1,614,976** | 1,513,285 |
| **CURRENT ASSETS** | | | |
| Inventories | | **322,951** | 292,160 |
| Trade and notes receivables | 10 | **815,353** | 819,678 |
| Prepayments and other receivables | | **350,532** | 290,468 |
| Amounts due from related parties | | **44,513** | 63,538 |
| Pledged deposits | | **99,306** | 173,220 |
| Cash and cash equivalents | | **61,676** | 94,429 |
| Total current assets | | **1,694,331** | 1,733,493 |
| **CURRENT LIABILITIES** | | | |
| Trade and notes payables | 11 | **955,726** | 965,541 |
| Other payables and accruals | | **249,920** | 246,909 |
| Interest-bearing bank and other borrowings | | **551,971** | 548,254 |
| Amounts due to related parties | | **58,867** | 49,588 |
| Income tax payable | | **56,657** | 42,622 |
| Total current liabilities | | **1,873,141** | 1,852,914 |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION** *(continued)*
*31 December 2021*

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **NET CURRENT LIABILITIES** | **(178,810)** | (119,421) |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | **1,436,166** | 1,393,864 |
| **NON-CURRENT LIABILITIES** | | |
| Interest-bearing bank and other borrowings | **167,692** | 173,392 |
| Government grants | **17,903** | 19,154 |
| Deferred tax liabilities | **13,723** | 17,102 |
| Total non-current liabilities | **199,318** | 209,648 |
| **Net assets** | **1,236,848** | 1,184,216 |
| **EQUITY** | | |
| **Equity attributable to owners of the parent** | | |
| Issued capital | **142,956** | 142,956 |
| Reserves | **1,034,841** | 1,000,514 |
| | **1,177,797** | 1,143,470 |
| **Non-controlling interests** | **59,051** | 40,746 |
| **Total equity** | **1,236,848** | 1,184,216 |

## 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 certain 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 RMB178,810,000 as at 31 December 2021. The Directors of the Company are of the opinion that based on the available unutilised banking facilities as at 31 December 2021, 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 2021. 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 earnings, 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 following revised IFRSs for the first time for the current year's financial statements.

| | |
|---|---|
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 | *Interest Rate Benchmark Reform – Phase 2* |
| Amendment to IFRS 16 | *Covid-19-Related Rent Concessions* |
| Amendment to IFRS 16 | *Covid-19-Related Rent Concessions beyond 30 June 2021(early adopted)* |

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

(a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

(b) Amendment to IFRS 16 issued in April 2021 extends the availability of the 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 by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

    The Group has early adopted the amendment on 1 January 2021. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

## 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*

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Mainland China | **1,823,417** | 1,937,367 |
| Overseas | **71,566** | 67,450 |
| Total | **1,894,983** | 2,004,817 |

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

*(b) Non-current assets*

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Mainland China | **1,535,693** | 1,432,650 |

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 RMB658,002,000 (2020:RMB790,301,000) 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:

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| ***Revenue from contracts with customers*** | | |
| Sales of plastic parts and automotive parts | **1,814,518** | 1,836,702 |
| Sales of moulds and tooling | **80,465** | 168,115 |
| | **1,894,983** | 2,004,817 |

**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 based on 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 the goods transferred at a point in time.

The revenue recognised during the year ended 31 December 2021 that was included in contract liabilities at the beginning of the year was approximately RMB18,318,000 (2020: approximately RMB54,483,000).

*(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 2021 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.

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Other income** | | |
| Government grants | **11,154** | 21,963 |
| Dividend income from equity investments designated at fair value through other comprehensive income | **1,811** | 1,811 |
| Management fee | **3,781** | 3,784 |
| Net rental income from investment property operating leases, net: fixed payments | **11,192** | 12,102 |
| Others | **905** | 4,709 |
| | **28,843** | 44,369 |
| **Other gains/(losses),net** | | |
| Gain on sales of scrap materials | **1,397** | 950 |
| Gain/(loss) on disposal of items of property, plant and equipment and right-of-use assets | **51,409** | (107) |
| Gain on disposal of long-term trade payables | **8,480** | — |
| Loss on disposal of items of investment properties | **—** | (3,610) |
| Others | **339** | (669) |
| | **61,525** | (3,436) |
| | **90,468** | 40,933 |

## 5. FINANCE INCOME

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Interest income on loans and receivables | **2,989** | — |
| Interest income on bank deposits | **6,343** | 5,091 |
| | **9,332** | 5,091 |

## 6. PROFIT BEFORE TAX

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

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Cost of inventories sold | **1,468,079** | 1,519,759 |
| Depreciation of property, plant and equipment | **105,899** | 103,022 |
| Depreciation of investment properties | **2,951** | 3,162 |
| Amortisation of right-of-use assets | **10,889** | 9,592 |
| Amortisation of intangible assets | **1,224** | 1,223 |
| Research and development costs | **75,632** | 71,235 |
| Lease payments not included in the measurement of lease liabilities | **12,850** | 26,785 |
| Auditors' remuneration | **2,500** | 2,500 |
| Employee benefit expense (excluding directors' and chief executive's remuneration): | | |
| Wages and salaries | **249,906** | 224,048 |
| Pension scheme costs | **11,380** | 6,140 |
| | **261,286** | 230,188 |
| Gross rental income | **(16,672)** | (17,034) |
| Direct expenses for generating rental income | **5,480** | 4,932 |
| Rental income, net | **(11,192)** | (12,102) |
| Foreign exchange differences, net | **9,813** | (506) |
| Impairment losses on financial assets, net | **12,632** | 3,686 |
| (Gain)/loss on disposal of items of property, plant, and equipment and right-of-use assets | **(51,409)** | 107 |
| 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)** | (1,811) |
| Government grants | **(11,154)** | (21,963) |
| Interest income on bank deposits | **(6,343)** | (5,091) |

## 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 2021 (2020: 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, Chengdu Huazhong was qualified as Western China development enterprises, and was entitled to a preferential rate of 15% during the year ended 31 December 2021 (2020: 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 December 2020, Tianjin Huayou 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 2019, Chongqing Huazhong 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 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 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.

During the year of 2021 and 2020, the portion of annual taxable income amount of Wuhu Huazhong and Nanchang Huayue (as small low-profit enterprises) which did not exceed RMB1,000,000 shall be computed at a reduced rate of 25% as taxable income amount, and be subject to enterprise income tax at 20% tax rate; the portion of annual taxable income amount which exceeds RMB1,000,000 but does not exceed RMB3,000,000 shall be computed at a reduced rate of 50% as taxable income amount, and be subject to enterprise income tax at 20% tax rate.

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

| | 2021 *RMB'000* | 2020 *RMB'000* |
|---|---|---|
| Current income tax | | |
| Charge for the year | **36,090** | 45,693 |
| Overprovision in prior years | **(357)** | (1,766) |
| Deferred income tax | **7,616** | (19,893) |
| Total tax charge for the year | **28,117** | 24,034 |

A reconciliation of the tax expense applicable to profit before tax at the statutory rate of 25% for Mainland China in which the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate to the effective tax rate, are as follows:

| | 2021 *RMB'000* | 2020 *RMB'000* |
|---|---|---|
| Profit before tax | **103,197** | 134,495 |
| Tax at the statutory tax rate | **25,799** | 33,624 |
| Tax rate differences for specific provincial or local tax authority | **(118)** | (8,337) |
| Tax losses not recognised | **24,357** | 17,502 |
| Profits attributable to joint ventures | **(7,557)** | (7,398) |
| Adjustments in respect of current tax of previous periods | **(357)** | (1,766) |
| Non-taxable income | **(2,186)** | (1,680) |
| Expenses not deductible for tax | **1,952** | 2,641 |
| Utilisation of tax losses in previous years | **(1,709)** | (187) |
| Tax incentives on eligible expenditures | **(15,097)** | (10,365) |
| Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries rates | **3,033** | — |
| Tax charge for the year at the effective rate | **28,117** | 24,034 |

## 8. DIVIDENDS

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Interim — 2021:Nil (2020: Nil) per ordinary share | **—** | — |
| Proposed final — 2021: HK0.5276 cent (2020: HK0.7262 cent) per ordinary share | **7,601** | 10,757 |
| | **7,601** | 10,757 |

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 (2020: 1,769,193,800) in issue during the year.

During the year ended 31 December 2021, 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 2021 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:

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Earnings** | | |
| Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation | **50,673** | 107,574 |
| **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

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade receivables | **717,195** | 666,974 |
| Notes receivables | **109,046** | 163,492 |
| | **826,241** | 830,466 |
| Impairment of trade receivables | **(10,888)** | (10,788) |
| | **815,353** | 819,678 |

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, for which there was no recent history of default and past due amounts. As at 31 December 2021 and 2020, the loss allowance was assessed to be minimal.

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:

| | 2021 | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 3 months | **630,097** | 486,240 |
| 3 to 6 months | **36,322** | 47,008 |
| 6 months to 1 year | **21,147** | 89,171 |
| Over 1 year | **18,741** | 33,767 |
| | **706,307** | 656,186 |

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

| | 2021 | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| At beginning of year | **10,788** | 7,102 |
| Impairment losses | **12,632** | 3,686 |
| Amount written off as uncollectible | **(12,532)** | — |
| At end of year | **10,888** | 10,788 |

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 years 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 2021**

| | **Expected loss rate** | **Gross carrying amount** *RMB'000* | **Impairment** *RMB'000* |
|---|---|---|---|
| General item: | | | |
| Current and within 1 year | 0.55% | 686,334 | 3,769 |
| More than one year but within 2 years | 23.07% | 30,861 | 7,119 |
| | | 717,195 | 23,420 |

**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 |

## 11. TRADE AND NOTES PAYABLES

An ageing analysis of the trade and notes payables of the Group as at 31 December 2021, based on the invoice date, is as follows:

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 3 months | **729,980** | 669,463 |
| 3 to 12 months | **192,896** | 259,743 |
| 1 to 2 years | **18,172** | 34,682 |
| 2 to 3 years | **14,678** | — |
| Over 3 years | **—** | 1,653 |
| | **955,726** | 965,541 |

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 pledged deposits of the Group with a carrying value of approximately RMB46,306,000 as at 31 December 2021 (2020: approximately RMB64,220,000).

## MANAGEMENT DISCUSSION AND ANALYSIS

## MARKET REVIEW

During 2021, the automobile industry production and sales level had increased slightly. According to the statistics from China Association of Automobile Manufacturers, over 26.08 million vehicles were manufactured and over 26.27 million vehicles were sold in 2021, representing an increase of approximately 3.4% and approximately 3.8%, 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 RMB1.9 billion, representing an decrease of approximately 5.5% as compared to approximately RMB2.0 billion in 2020. Profit attributable to the owners of the parent for the Year was approximately RMB50.7 million, representing a decrease of approximately 52.9% as compared to approximately RMB107.6 million in 2020.

## 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.

| | **2021** | | 2020 | |
|---|---|---|---|---|
| | | **Gross profit** | | Gross profit |
| | **Revenue** | **Margin** | Revenue | Margin |
| | ***RMB'000*** | ***%*** | *RMB'000* | *%* |
| Automotive interior and exterior structural and decorative parts | **1,575,822** | **23.1** | 1,660,257 | 25.1 |
| Moulds and tooling | **80,465** | **11.2** | 168,115 | 21.5 |
| Casings and liquid tanks of air conditioners and heaters | **148,595** | **18.3** | 123,397 | 13.7 |
| Non-automobile products | **50,699** | **47.3** | 37,129 | 37.5 |
| Sale of raw materials | **39,402** | **5.7** | 15,919 | 7.3 |
| **Total** | **1,894,983** | **22.5** | 2,004,817 | 24.2 |

For the Year, the total revenue generated from automotive interior and exterior structural and decorative parts was approximately RMB1,575,822,000 (2020: approximately RMB1,660,257,000), accounting for approximately 83.2% of the Group's total revenue for the Year (2020: approximately 82.8%). Gross profit margin decreased slightly from approximately 25.1% in 2020 to approximately 23.1% in 2021.

For the Year, revenue from moulds and tooling was approximately RMB80,465,000 (2020: approximately RMB168,115,000), accounting for approximately 4.2% of the Group's total revenue for the Year (2020: approximately 8.4%). Gross profit margin decreased from 21.5% in 2020 to 11.2% in the Year.

For the Year, revenue from casings and liquid tanks of air conditioners and heaters was approximately RMB148,595,000 (2020: approximately RMB123,397,000), accounting for approximately 7.8% of the Group's total revenue for the Year (2020: approximately 6.2%). Gross profit margin increased from approximately 13.7% in 2020 to approximately 18.3% in the Year.

For the Year, revenue from non-automobile products was approximately RMB50,699,000 (2020: approximately RMB37,129,000), accounting for approximately 2.7% of the Group's total revenue for the Year (2020: approximately 1.9%). Gross profit margin increased slightly from approximately 37.5% in 2020 to approximately 47.3% in the Year.

For the Year, revenue from sale of raw materials was approximately RMB39,402,000 (2020: approximately RMB15,919,000), accounting for approximately 2.1% of the Group's total revenue for the Year (2020: approximately 0.8%). Gross profit margin decreased to approximately 5.7% (2020: approximately 7.3%) during the Year.

**Other Income and Gains**

Other income and gains of the Group for the Year amounted to approximately RMB90,468,000 (2020: approximately RMB40,933,000), representing an increase of approximately 121.0% from last year. The increase was mainly attributable to the compensation of demolition amounting to RMB57,695,000 of a factory during the year,

### Selling and Distribution Expenses

The Group's selling and distribution expenses for the Year amounted to approximately RMB125,417,000 (2020: approximately RMB137,251,000). The proportion of selling and distribution expenses in sales revenue for the Year was approximately 6.6% (2020: approximately 6.8%).

### Administrative Expenses

The Group's administrative expenses for the Year amounted to approximately RMB267,213,000, representing an increase of approximately 8.4% as compared to approximately RMB246,459,000 in 2020.

### Share of Profits of Joint Ventures

During the Year, the Group recorded approximately RMB30,228,000 of the share of profits of joint ventures as compared to the share of profits of approximately RMB29,590,000 for 2020.

### Finance Income

The Group's finance income increased by approximately 83.3% from approximately RMB5,091,000 in 2020 to approximately RMB9,332,000 in the Year.

### Finance Costs

The Group's finance costs decrease from approximately RMB37,728,000 in 2020 to approximately RMB36,090,000 in the Year, representing a decrease of approximately 4.3%, which was attributable to a decrease of borrowing cost during the Year.

### Taxes

The Group's tax expenses increased by approximately 17.0% from approximately RMB24,034,000 in 2020 to approximately RMB28,117,000 in the Year.

**Liquidity and Financial Resources**

For the Year, the net cash generated from operating activities was approximately RMB148,635,000 (2020: approximately RMB217,462,000). The cash generated from operating activities was mainly from the profits during the Year.

The net cash used in investing activities was approximately RMB113,589,000 (2020: approximately RMB146,150,000). The net cash used in financing activities was approximately RMB67,799,000 (2020: net cash used approximately RMB165,133,000). 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 interest and dividends payment.

As a result of the above-mentioned comprehensive factors, the net cash outflow of the Group was approximately RMB32,753,000 (2020: net cash outflow of approximately RMB93,821,000).

As at 31 December 2021, the cash and cash equivalents of the Group (including cash and bank deposits) was approximately RMB61,676,000 (31 December 2020: approximately RMB94,429,000).

As at 31 December 2021, the interest-bearing bank borrowings of the Group were approximately RMB713,373,000 (31 December 2020: approximately RMB716,855,000). All the interest-bearing bank borrowings were borrowed in RMB, and approximately RMB549,273,000 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 2021, the Group had capital commitments amounting to approximately RMB122,960,000 (31 December 2020: approximately RMB137,364,000) 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 2021 was 1,769,193,800.

## Contingent Liabilities

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

**Pledge of Assets**

As at 31 December 2021, the Group's assets of approximately RMB168,080,000 (2020: RMB164,560,000) were pledged to secure some of the Group's interest-bearing bank borrowings. The book value of the pledged assets is set out below:

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Property, plant and equipment | **25,556** | 18,694 |
| Investment properties | **785** | 929 |
| Right-of-use assets — prepaid land lease payments | **32,739** | 35,937 |
| Pledged deposits | **109,000** | 109,000 |
| Total | **168,080** | 164,560 |

As at 31 December 2021, deposits with book value of approximately RMB46,306,000 (2020: approximately RMB64,220,000) were used as security to provide guarantee for the issue of notes payable.

**Gearing Ratio**

As at 31 December 2021, the Group's gearing ratio was approximately 62.0%, which was decreased slightly as compared with the gearing ratio of approximately 62.3% as at 31 December 2020. 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 announcement.

**Employees and Remuneration Policies**

The Group had a total of 3,127 (2020: 2,922) employees as at 31 December 2021. Total staff costs of the Group (excluding the Directors' and chief executive's remuneration) for the Year was approximately RMB261,286,000 (2020: approximately RMB230,188,000). The increase in staff cost was mainly attributable to the increase in average number of employees. 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 Year**

On March 3, 2022, the Group entered into the Equity Purchase Agreement to purchase the 15% equity interest of Ningbo Hualete, one of the joint ventures of the Company ("**Transaction**"). The consideration for the Transaction is EUR4,500,000 (equivalent to approximately RMB31,900,000). Upon the completion of the Transaction, Ningbo Hualete will become an indirect non-wholly-owned subsidiary of the Company and the financial results of Ningbo Hualete will be consolidated into the consolidated financial statements of the Group.

## PROSPECTS

In 2021, although adverse factors including the shortage of chips and the sustained high price of raw materials have affected the automobile market in China, the manufacturing and sales volumes of automobile made a turnaround from the downward trend over the last three consecutive years to a year-on-year increase. According to the statistics from China Association of Automobile Manufacturers ("**CAAM**"), the manufacturing and sales volumes of the domestic automobile market in 2021 amounted to 26.082 million and 26.275 million respectively, representing a year-on-year increase of 3.4% and 3.8%, marking an end to the downward trend that had continued for three consecutive years since 2018. CAAM estimated that in 2022, the automobile market will continue to experience steady and positive development and the manufacturing and sales volumes for the year are expected to outperform that of 2021. Being a leading tier-one supplier of mid-to-high-end automotive parts in China, the Group will continue to benefit from the increasing manufacturing and sales volumes of the domestic automobile market with the implementation of favourable policies.

The new energy automotive market has shifted from policy-driven to market-driven. In 2021, the sales volume for the year exceeded 3.50 million and the market share increased to 13.4%. In 2022, China will extend financial subsidies for the purchase of new energy automotive and other policies to bolster consumption in the new energy automotive market. With the growing market demand, the new energy automotive industry in China has entered a new development stage of scale and rapid development, at which upstream and downstream enterprises along the automotive industry chain constantly expand their business reach to strive for a share in the premium track of new energy automotive industry. The Group has successfully entered the supply chains of several electric auto brands and will continue to give full play to its technology strength of "replacing steel with plastics" to meet the greater demand of new energy automotive for lightweight materials, and devote greater efforts to devise the development direction of new energy automotive, to cater for the megatrend of developing more new energy automotive models for traditional automotive customers. Meanwhile, the Group will adhere to the strategy of targeting mid to high-end passenger vehicle brand customers to maintain the gross profit margin of the Group at a higher level.

### 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 C.2.1

Code provision C.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 C.2.1 of the CG Code. The Board believes that vesting the roles of both the Chairman and the Chief Executive in the same person can facilitate the effective execution of the Group's business strategies and operation. Furthermore, there are various experienced individuals in charge of the daily business operation 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 2021 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 RMB0.4296 cent (equivalent to HK0.5276 cent at exchange rate of HK$1 equals to RMB0.8143) per ordinary share for the Year (2020: RMB0.6080 cent per share (equivalent to HK0.7262 cent per share at an exchange rate of HK$1 equals to RMB0.8312)). 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 2022. The proposed final dividend is expected to be paid on or before 11 July 2022. 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 Monday, 30 May 2022 to Thursday, 2 June 2022 (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 Thursday, 2 June 2022 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 Friday, 27 May 2022.

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, 15 June 2022 to Friday, 17 June 2022 (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, 14 June 2022.

## 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, 30 March 2022

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