

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



2021
Interim Report



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhou Minfeng
(Chairman and Chief Executive)
Mr. Wu Bichao *(Vice-chairman)*

Non-executive Directors

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

Independent non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

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

AUTHORISED REPRESENTATIVES

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

REGISTERED OFFICE

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

HEADQUARTERS IN CHINA

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL BANKERS

Bank of China
Agricultural Bank of China

LEGAL ADVISER AS TO HONG KONG LAW

Hui & Lam Solicitors LLP

AUDITOR

Ernst & Young

SHARE REGISTRARS

Principal Share Registrar and Transfer Office in the Cayman Islands

Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3,
Building D, P.O. Box 1586,
Gardenia Court, Camana Bay,
Grand Cayman, KY1-1110,
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

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

LISTING EXCHANGE INFORMATION

The Stock Exchange of Hong Kong Limited
Main Board

STOCK CODE

6830

COMPANY WEBSITE

www.cn-huazhong.com

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND MARKET REVIEW

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

For the six months ended 30 June 2021, the Group's revenue was approximately RMB892,299,000, representing an increase of approximately 17.6% as compared to approximately RMB758,941,000 for the six months ended 30 June 2020. Profit attributable to the owners of the parent for the six months ended 30 June 2021 was approximately RMB34,170,000, representing an increase of approximately 56.9% as compared to RMB21,781,000 for the six months ended 30 June 2020.

FINANCIAL REVIEW

Revenue

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

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

	For the six months ended 30 June			
	2021		2020	
	Revenue (Unaudited) RMB'000	Gross profit margin %	Revenue (Unaudited) RMB'000	Gross profit margin %
Automotive interior and exterior structural and decorative parts	758,775	25.9	585,523	24.5
Moulds and tooling	36,487	22.8	78,870	29.5
Casings and liquid tanks of air conditioners and heaters	53,858	24.0	29,871	15.5
Non-automotive products	25,056	52.1	9,480	19.6
Sale of raw materials	18,123	1.6	55,197	15.5
Total	892,299	25.9	758,941	24.0

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2021, the total revenue generated from automotive interior and exterior structural and decorative parts was RMB758,775,000 (the six months ended 30 June 2020: RMB585,523,000), accounting for 85.0% of the Group's total revenue for the six months ended 30 June 2021 (the six months ended 30 June 2020: 77.2%). Gross profit margin increased slightly from 24.5% for the six months ended 30 June 2020 to 25.9% for the six months ended 30 June 2021. The increase in revenue was mainly due to the rise in sales order as a result from the recover of the automotive markets.

For the six months ended 30 June 2021, revenue from moulds and tooling was RMB36,487,000 (the six months ended 30 June 2020: RMB78,870,000), accounting for 4.1% of the Group's total revenue for the six months ended 30 June 2021 (the six months ended 30 June 2020: 10.4%). Gross profit margin decreased from 29.5% for the six months ended 30 June 2020 to 22.8% for the six months ended 30 June 2021.

For the six months ended 30 June 2021, revenue from casings and liquid tanks of air conditioners and heaters was RMB53,858,000 (the six months ended 30 June 2020: RMB29,871,000), accounting for 6.1% of the Group's total revenue for the six months ended 30 June 2021 (the six months ended 30 June 2020: 3.9%). Gross profit margin increased from 15.5% for the six months ended 30 June 2020 to 24.0% for the six months ended 30 June 2021.

For the six months ended 30 June 2021, revenue from non-automotive products was RMB25,056,000 (the six months ended 30 June 2020: RMB9,480,000), accounting for 2.8% of the Group's total revenue for the six months ended 30 June 2021 (the six months ended 30 June 2020: 1.2%). Gross profit margin increased significantly from 19.6% for the six months ended 30 June 2020 to 52.1% for the six months ended 30 June 2021.

For the six months ended 30 June 2021, revenue from sale of raw materials was RMB18,123,000 (the six months ended 30 June 2020: RMB55,197,000), accounting for 2.0% of the Group's total revenue for the six months ended 30 June 2021 (the six months ended 30 June 2020: 7.3%). The gross profit margin decreased from 15.5% for the six months ended 30 June 2020 to 1.6% for the six months ended 30 June 2021.

For the six months ended 30 June 2021, the overall gross profit margin increased slightly to 25.9% (the six months ended 30 June 2020: 24.0%).

Other Income and Gains

Other income and gains of the Group for the six months ended 30 June 2021 amounted to RMB15,575,000 (the six months ended 30 June 2020: RMB17,066,000), representing a decrease of approximately 8.7% as compared to the six months ended 30 June 2020.

Selling and Distribution Expenses

The Group's selling and distribution expenses for the six months ended 30 June 2021 amounted to approximately RMB68,899,000, representing an increase of approximately 24.7% as compared to RMB55,248,000 in the six months ended 30 June 2020. The increase was mainly due to the increase in packing and transportation expenses as a result of the increase in sales volume.

Administrative Expenses

The Group's administrative expenses for the six months ended 30 June 2021 amounted to approximately RMB129,638,000, representing an increase of approximately 32.0% as compared to RMB98,176,000 in the six months ended 30 June 2020. This was mainly attributable to the increase of salary and welfare, R&D expense and professional service fee during the period.

Share of Profits of Joint Ventures

During the six months ended 30 June 2021, the Group recorded RMB18,291,000 of the share of profits of joint ventures, while a share of profits of joint ventures of RMB8,639,000 was recorded for the six months ended 30 June 2020.

Finance Income

The Group's finance income increase significantly by approximately 170.7% from approximately RMB2,261,000 for the six months ended 30 June 2020 to approximately RMB6,120,000 for the six months ended 30 June 2021. The increase in finance income was mainly attributable to the increase in cash and bank balance and interest income from loan provided to supplier.

Finance Costs

The Group's finance costs decrease from approximately RMB19,317,000 for the six months ended 30 June 2020 to approximately RMB17,895,000 for the six months ended 30 June 2021, representing a decrease of approximately 7.4%. The decrease in finance costs was mainly due to the decrease in finance costs during the six months ended 30 June 2021.

Taxes

The Group's tax expenses increase by approximately 6.9% from approximately RMB8,158,000 for the six months ended 30 June 2020 to approximately RMB8,721,000 for the six months ended 30 June 2021. The increase was mainly due to the increase in taxable profits in the six months ended 30 June 2021 as compared to the six months ended 30 June 2020.

Liquidity and Financial Resources

For the six months ended 30 June 2021, the net cash used in operating activities amounted to approximately RMB15,168,000 (the six months ended 30 June 2020: net cash used in operating activities approximately RMB86,732,000).

The net cash used in investing activities amounted to approximately RMB41,583,000 (the six months ended 30 June 2020: net cash used in investing activities of approximately RMB66,821,000) and the net cash flow generated from financing activities amounted to approximately RMB83,219,000 (the six months ended 30 June 2020: net cash flow generated from financing activities of approximately RMB42,404,000). The cash used in investing activities was mainly attributable to the payment for purchase of property, plant and machinery and right-of-use assets. The net cash generated from financing activities was mainly attributable to bank loans.

As a result of the cumulative effect described above, the Group recorded a net cash inflow of approximately RMB26,468,000 for the six months ended 30 June 2021 (the six months ended 30 June 2020: net cash outflow of approximately RMB111,149,000).

As at 30 June 2021, the Group's cash and cash equivalents (including cash and bank deposits) amounted to approximately RMB120,897,000 (31 December 2020: approximately RMB94,429,000).

As at 30 June 2021, the Group's interest-bearing bank borrowings were approximately RMB820,311,000 (31 December 2020: approximately RMB716,855,000), among of which, approximately RMB635,990,000 would be due within one year (31 December 2020: approximately RMB543,683,000). The borrowings of the Group were subject to interests payable at rates ranging from 3.8% to 5.0% per annum. The Board of the Company expects that the bank borrowings will either be repaid by internally generated funds or rolled over upon maturity and will continue to provide funding to the Group's operations.

Capital Commitments

As at 30 June 2021, the Group had capital commitments amounting to approximately RMB130,472,000 (31 December 2020: approximately RMB137,364,000) for the acquisition of property, plant and equipment.

Foreign Exchange Exposure

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

Capital Structure

The total number of issued and fully paid ordinary shares of the Company as at 30 June 2021 was 1,769,193,800.

Contingent Liabilities

As at 30 June 2021, the Group had no significant contingent liabilities (31 December 2020: Nil).

Pledge of Assets

As at 30 June 2021, the Group’s assets of approximately RMB149,221,000 (31 December 2020: approximately RMB164,560,000) were pledged to secure some of the Group’s interest-bearing bank and other borrowings. The book values of the pledged assets are set out below:

	30 June 2021 (Unaudited) RMB’000	31 December 2020 (Audited) RMB’000
Property, plant and equipment	7,527	18,694
Investment properties	1,321	929
Right-of-use assets — Prepaid land lease payments	31,373	35,937
Pledged deposits	109,000	109,000
Total	149,221	164,560

Gearing Ratio

As at 30 June 2021, the Group’s gearing ratio was approximately 62.3% (31 December 2020: 62.3%). The gearing ratio is derived by dividing net liabilities (including interest-bearing and other bank borrowings, trade and notes payables, other payables and accruals, and payables to related parties and the ultimate controlling shareholder less cash and cash equivalents) by total capital (including equity attributable to owners of the parent company) plus net liabilities at the end of the period under review.

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

During the six months ended 30 June 2021, the Group did not have any significant investments or material acquisition or disposal of subsidiaries, associates and joint ventures. There was no plan authorised by the Board for any material investments or additions of capital assets as at the date of this report.

Employees and Remuneration Policies

As at 30 June 2021, the Group had 2,790 employees (30 June 2020: 2,778). Total staff costs of the Group (excluding Directors' and chief executive's remuneration) for six months ended 30 June 2021 was approximately RMB125,054,000 (the six months ended 30 June 2020: approximately RMB95,946,000). The Group's remuneration policies were in line with relevant legislation, market conditions and the performance of our employees. Share options would be granted to certain eligible persons with outstanding performance and contributions to the Group.

Events After the Reporting Period

There is no material subsequent event undertaken by the Group after 30 June 2021 and up to the date of this report.

PROSPECT

In the first half of 2021, although factors including the shortage of chips and increase in the price of raw materials have posed challenges to the market of passenger vehicles, the automobile industry continues to recover in general. Both manufacturing and sales volumes recorded a significant year-on-year increase. According to the statistics from China Association of Automobile Manufacturers ("CAAM"), the manufacturing and sales volumes of automobiles in China in the first half of the year amounted to 12.569 million and 12.891 million respectively, representing a year-on-year increase of 24.2% and 25.6%. The manufacturing and sales volumes increased by 3.4% and 4.4% respectively as compared to the corresponding period in 2019. In 2020, the automobile market in China rebounded rapidly after hitting rock bottom, which has displayed a significant rising trend in the first half of 2021. CAAM estimated that in 2021, the sales volume of automobiles is expected to reach 27.00 million, representing a year-on-year increase of approximately 6.7%. Among which, the sales volume of passenger vehicles was approximately 22.10 million, representing a year-on-year increase of approximately 9.5%. The sales volume of new energy automobiles was approximately 2.40 million, representing a significant year-on-year increase of approximately 76%. Being a leading tier-one supplier of mid-to-high-end automotive parts in China, the Group will benefit from the quick recovery of automobile industry with the implementation of favourable policies. It expected that revenue and profit will increase continuously, and enterprise value will be enhanced constantly in 2021.

As national and local policies continue to bode well for new energy automotive track, coupled with extending financial subsidies for new energy automotive and a series of supporting policies conducive to its rapid and high-quality development, the number of new energy automotive remains on a rise, and the rapid development of new energy automotive is set to become the main force in achieving the "dual carbon" goal, promoting the comprehensive green transformation of the economic and social development. Looking forward to the second half of the year, the Group will give full play to its technology strength of "replacing steel with plastics" to meet the greater demand of new energy automotive for lightweight materials, devote greater efforts to devise the development direction of new energy automotive, and explore more customers and orders for new energy automotive. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Given stable increase in new orders, the Group expects to keep expanding the production capacity of new plants by enhancing the level of automation. At the same time, the Group will intensify efforts on internal optimisation and research and development to ensure its leading position in the industry with the lightweight technology strength of “replacing steel with plastics”. The Group will also seize the long-term cooperation opportunities with high-end and joint venture auto and electric auto brand customers, and vigorously develop the high-value added fabric segment and other one-stop parts solution to improve its business volume. In addition, the Group will pay continuous attention to opportunities for expanding the upstream and downstream industrial chain as well as potential merger and acquisition opportunities which create synergies with the existing businesses. As always, the Group will maintain robust financial position, business sustainability and profitability, guard against potential risk factors with higher flexibility, and seize the industrial development opportunities ahead, so as to deliver better and sustainable returns for shareholders.

Forward Looking Statements

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

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE CODE

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

The Board is of the view that the Company has complied with all applicable code provisions set out in the CG Code throughout the six months ended 30 June 2021, except for the following deviations.

Code Provision A.2.1

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the “**Model Code**”) as the code of conduct governing dealings by all the Directors in the securities of the Company. Specific enquiries have been made with all Directors, who have confirmed that, during the six months ended 30 June 2021, they were in compliance with the required provisions set out in the Model Code.

UPDATES ON DIRECTORS’ INFORMATION

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

Mr. Wu Bichao, an independent non-executive Director, has been appointed as the vice-chairman of the Board with effect from 27 January 2021 and re-designated as an executive Director with effect from 1 March 2021.

The appointment letter of Mr. Wu Bichao, an executive Director, has been renewed for a term of three years commencing from 1 March 2021 to 29 February 2024.

The appointment letter of Ms. Lai Cairong, a non-executive Director, has been renewed for a term of three years commencing from 2 June 2021 to 1 June 2024.

The appointment letter of Mr. Wong Luen Cheung Andrew, an independent non-executive Director, has been renewed for a term of three years commencing from 2 June 2021 to 1 June 2024.

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

As at 30 June 2021, the Directors and the chief executive of the Company had the following interests or short positions in the shares (the "Shares"), underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors and the chief executive of the Company are taken and deemed to have under such provisions of the SFO, or which are required to be and are recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

Long positions in the Company

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

Notes:

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

Save as disclosed above, as at 30 June 2021, none of the Directors or the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register maintained by the Company pursuant to Section 352 of the SFO or which had been notified to the Company and the Stock Exchange pursuant to the Model Code.

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

SHARE OPTION SCHEMES

2011 Share Option Scheme

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

The 2011 Share Option Scheme was terminated by the shareholders of the Company (the “**Shareholders**”) at the annual general meeting of the Company held on 2 June 2021. Outstanding share options granted under the 2011 Share Option Scheme prior to such termination shall continue to be valid and, subject to the vesting schedule, exercisable in accordance with the 2011 Share Option Scheme.

There were no outstanding options, and there were no options granted, exercised, lapsed or cancelled pursuant to the 2011 Share Option Scheme during the six months ended 30 June 2021 and as at the date of this report.

2021 Share Option Scheme

The adoption of a new share option scheme (the “**2021 Share Option Scheme**”) was approved by the Shareholders at the annual general meeting of the Company held on 2 June 2021. The purpose of the 2021 Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group and to encourage participants to work towards enhancing value of the Company and its shares for the benefits of the Company and the Shareholders as a whole. The 2021 Share Option Scheme was adopted for a period of 10 years commencing from 2 June 2021. No share option has been granted, exercised, lapsed or cancelled under the 2021 Share Option Scheme up to the date of this report.

ARRANGEMENT FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in “Share Option Schemes” above, at no time during the six months ended 30 June 2021 were rights to acquire benefits by means of the acquisition of Shares or debentures of the Company granted to any Director or their respective spouses or minor children, or were such rights exercised by them, or was the Company, its holding company or any of its subsidiaries a party to any arrangements which enable the Directors of the Company to acquire benefits by means of the acquisition of Shares in, or debt securities (including debentures) of the Company or any other body corporate.

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

So far as is known to any Director or the chief executive of the Company, as at 30 June 2021, the persons or corporations (other than Director or the chief executive of the Company) who had interests or short positions in the Shares and underlying Shares which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long positions in the Company

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

Notes:

- (1) Huayou Holdings is wholly-owned by Mr. Zhou Minfeng.
- (2) Ms. Chen Chun'er is the spouse of Mr. Zhou Minfeng.
- (3) Shares held by Huayou Holdings, in which Mr. Zhou Minfeng is deemed to be interested by virtue of Huayou Holdings being wholly-owned by Mr. Zhou Minfeng.

Save as disclosed above, as at 30 June 2021, the Directors and the chief executive of the Company are not aware of any other person or corporation having an interest or short position in the Shares and underlying Shares which would require disclosure to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

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

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

Note:

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

Save as disclosed above, as at 30 June 2021, the Directors and the chief executive of the Company are not aware of any other person or corporation who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) consists of three members, namely Mr. Yu Shuli (chairman), Mr. Tian Yushi and Mr. Xu Jiali, all of them were the independent non-executive Directors. The primary duties of the Audit Committee are to review and supervise the financial reporting process, risk management and internal control systems of the Group.

Disclosure of financial information in this report complies with Appendix 16 of the Listing Rules. The Audit Committee has provided supervision over the Group’s financial reporting process. The Audit Committee has reviewed the accounting standards and practices adopted by the Group and discussed the auditing and financial reporting matters, including the review of the interim results of the Group for the six months ended 30 June 2021. The Audit Committee has reviewed the interim results of the Group for the six months ended 30 June 2021 and is of the view that the announcement of interim results for the six months ended 30 June 2021 is prepared in accordance with applicable accounting standards, rules and regulations and appropriate disclosures have been duly made.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2021.

INTERIM DIVIDENDS

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2021 (the six months ended 30 June 2020: Nil).

APPRECIATION

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

On behalf of the Board

Zhou Minfeng

Chairman and Chief Executive

Zhejiang, the PRC, 26 August 2021

** For identification purposes only*

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

	Notes	For the six months ended 30 June	
		2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
REVENUE	4	892,299	758,941
Cost of sales		(661,462)	(577,037)
Gross profit		230,837	181,904
Other income and gains	4	15,575	17,066
Selling and distribution expenses		(68,899)	(55,248)
Administrative expenses		(129,638)	(98,176)
Impairment losses on financial assets, net		(347)	(1,300)
Other expenses		(8,888)	(4,493)
Share of profits of joint ventures		18,291	8,639
Finance income	5	6,120	2,261
Finance costs	6	(17,895)	(19,317)
PROFIT BEFORE TAX	7	45,156	31,336
Income tax expense	8	(8,721)	(8,158)
PROFIT FOR THE PERIOD		36,435	23,178
Attributable to:			
Owners of the parent		34,170	21,781
Non-controlling interests		2,265	1,397
		36,435	23,178
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (expressed in RMB per share)	10		
Basic and diluted — For profit for the period		RMB0.0193	RMB0.0123

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	For the six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
PROFIT FOR THE PERIOD	36,435	23,178
OTHER COMPREHENSIVE INCOME		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	—	—
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	—	—
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	—	(11,360)
Income tax effect	—	2,840
Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods	—	(8,520)
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	—	(8,520)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	36,435	14,658
Attributable to:		
Owners of the parent	34,170	13,261
Non-controlling interests	2,265	1,397
	36,435	14,658

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Notes	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	902,904	908,998
Investment properties		33,761	34,777
Right-of-use assets		231,107	233,990
Intangible assets		5,171	5,784
Investments in joint ventures		214,492	200,701
Prepayments for acquiring property, plant and equipment		46,764	48,400
Equity investments designated at fair value through other comprehensive income		69,797	69,797
Deferred tax assets		13,700	10,838
Total non-current assets		1,517,696	1,513,285
CURRENT ASSETS			
Inventories		321,103	292,160
Trade and notes receivables	12	736,586	819,678
Prepayments and other receivables		378,621	290,468
Due from related parties		87,507	63,538
Pledged deposits		176,220	173,220
Cash and cash equivalents		120,897	94,429
Total current assets		1,820,934	1,733,493
CURRENT LIABILITIES			
Trade and notes payables	13	888,969	965,541
Other payables and accruals		272,531	246,909
Interest-bearing bank borrowings		635,990	543,683
Lease liabilities		2,435	4,571
Due to related parties		66,509	49,588
Income tax payable		43,375	42,622
Total current liabilities		1,909,809	1,852,914
NET CURRENT LIABILITIES		(88,875)	(119,421)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,428,821	1,393,864

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

Notes	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	184,321	173,172
Lease liabilities	93	220
Government grants	18,547	19,154
Deferred tax liabilities	15,966	17,102
Total non-current liabilities	218,927	209,648
Net assets	1,209,894	1,184,216
EQUITY		
Equity attributable to owners of the parent		
Issued capital	142,956	142,956
Reserves	1,023,927	1,000,514
	1,166,883	1,143,470
Non-controlling interests	43,011	40,746
Total equity	1,209,894	1,184,216

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to owners of the parent										
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserve funds RMB'000	Merger reserve RMB'000	Exchange fluctuation reserve RMB'000	Fair value reserve of equity investments designated at fair value through other comprehensive income RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2021 (audited)	142,956	8,157*	(9,776)*	102,754*	88,278*	—	24,842*	786,259*	1,143,470	40,746	1,184,216
Profit for the period	—	—	—	—	—	—	—	34,170	34,170	2,265	36,435
Other comprehensive income for the period:											
Changes in fair value of equity investment designated at fair value through other comprehensive income, net of tax	—	—	—	—	—	—	—	—	—	—	—
Total comprehensive income for the period	—	—	—	—	—	—	—	34,170	34,170	2,265	36,435
Final 2020 dividends	—	—	—	—	—	—	—	(10,757)	(10,757)	—	(10,757)
Transfer to statutory reserve funds and discretionary surplus reserve	—	—	—	—	—	—	—	—	—	—	—
As at 30 June 2021 (unaudited)	142,956	8,157*	(9,776)*	102,754*	88,278*	—	24,842*	809,672*	1,166,883	43,011	1,209,894
As at 1 January 2020 (audited)	142,956	8,157*	(1,371)*	98,848*	88,278*	—*	17,606*	682,591*	1,037,065	37,859	1,074,924
Profit for the period	—	—	—	—	—	—	—	21,781	21,781	1,397	23,178
Other comprehensive income for the period:											
Changes in fair value of equity investment designated at fair value through other comprehensive income, net of tax	—	—	—	—	—	—	(8,520)	—	(8,520)	—	(8,520)
Total comprehensive income for the period	—	—	—	—	—	—	(8,520)	21,781	13,261	1,397	14,658
Final 2019 dividends	—	—	(8,404)	—	—	—	—	—	(8,404)	—	(8,404)
Transfer to statutory reserve funds and discretionary surplus reserve	—	—	—	—	—	—	—	—	—	—	—
As at 30 June 2020 (unaudited)	142,956	8,157*	(9,775)*	98,848*	88,278*	—*	9,086*	704,372*	1,041,922	39,256	1,081,178

* These reserve accounts comprise the consolidated reserves of RMB1,023,927,000 (31 December 2020: RMB898,966,000) in the interim condensed consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Notes	For the six months ended 30 June	
		2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Cash flows from operating activities:			
Profit before tax		45,156	31,336
Adjustments for:			
Finance costs	6	17,895	19,317
Share of profits of joint ventures		(18,291)	(8,639)
Dividend income from equity investments at fair value through other comprehensive income		—	(1,811)
Interest income	5	(6,120)	(2,261)
Gain on disposal of items of property, plant and equipment	4	(638)	(25)
Release of government grants		(608)	(549)
Depreciation of property, plant and equipment		53,448	44,298
Depreciation of right-of use assets		5,153	4,693
Depreciation of investment properties		1,547	1,669
Amortisation of intangible assets		613	606
Reversal of write-down of inventories to net realisable value		—	(744)
Impairment of trade receivables net	7	347	1,300
		98,502	89,190
(Increase)/decrease in inventories		(28,943)	19,094
Decrease in trade and notes receivables		82,745	17,797
Increase in prepayments and other receivables		(88,153)	(117,651)
Increase in amounts due from related parties		(23,969)	(28,415)
Increase in amounts due from the ultimate shareholder		—	(471)
(Decrease) in trade and notes payables		(76,572)	(78,951)
Increase in other payables and accruals		22,793	6,384
Increase/(decrease) in amounts due to related parties		13,395	(11,277)
(Decrease)/increase in pledged deposits		(3,000)	44,175
Decrease in amounts due to the ultimate shareholder		—	(254)
Cash (used in) operations		(3,202)	(60,379)
Income tax paid		(11,966)	(26,353)
Net cash flows used in operating activities		(15,168)	(86,732)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Notes	For the six months ended 30 June	
		2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Cash flows from investing activities:			
Interest received	5	6,120	2,261
Prepayments and purchases of items of property, plant and equipment		(49,396)	(83,673)
Prepayments for right-of-use assets		(2,191)	—
Purchases of items of intangible assets		(68)	—
Proceeds from disposal of items of property, plant and equipment		3,853	7,760
Receipt of government grants for property, plant and equipment and right-of-use assets		99	5,020
Dividend income from equity investments at fair value through other comprehensive income		—	1,811
Net cash flows used in investing activities		(41,583)	(66,821)
Cash flows from financing activities:			
New bank loans		758,000	859,575
Repayment of bank loans		(654,544)	(780,003)
Principal portion of lease payment		(2,516)	(2,129)
Interest paid		(17,721)	(19,140)
Increase/(decrease) in pledged deposits		—	(15,899)
Net cash flows generated from financing activities		83,219	42,404
Net decrease/increase in cash and cash equivalents		26,468	(111,149)
Cash and cash equivalents at beginning of the period		94,429	188,250
Cash and cash equivalents at end of the period		120,897	77,101
Analysis of balances of cash and cash equivalents			
Cash and cash equivalents as stated in the interim condensed consolidated statement of cash flows		120,897	77,101
Cash and bank balances		120,897	77,101
Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position		120,897	77,101

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

1. CORPORATE INFORMATION

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

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

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with International Accounting Standard (“**IAS**”) 34 *Interim Financial Reporting*.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2020.

Going concern basis

Notwithstanding that the Group had consolidated net current liabilities of RMB88,875,000 as at 30 June 2021, the interim condensed consolidated financial information have been prepared by the directors of the Company on a going concern basis.

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

- (i) As at 30 June 2021, the Group had unutilised credit facilities from banks of approximately RMB813,105,000; and
- (ii) The directors continue to take action to tighten cost controls over various operating expenses, and are actively seeking new investment and business opportunities with an aim to attaining profitable and positive cash flow operations;

In the opinion of the directors of the Company, in light of the measures taken to date, together with the expected results of other measures in progress, it is appropriate to prepare the interim condensed consolidated financial information on a going concern basis, notwithstanding the Group’s financial and liquidity positions at 30 June 2021.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendments to IFRS 16	<i>Covid-19-Related Rent Concessions Before 30 June 2021</i>

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

3. OPERATING SEGMENT INFORMATION

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

The following table presents non-current asset information for the Group as at 30 June 2021 and 31 December 2020, respectively, which is based on the locations of assets and excludes financial instruments and deferred tax assets.

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Mainland China	1,434,199	1,432,650

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

4. REVENUE, OTHER INCOME AND GAINS

The disaggregation of the Group's revenue from contracts with customers, including sales of goods and rendering of services below, for the six months ended 30 June 2021 and 30 June 2020 is as follows:

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
<i>Type of goods or service</i>		
Revenue		
Sales of plastic parts and automotive parts	855,812	680,071
Sales of moulds and tooling	36,487	78,870
	892,299	758,941
<i>Other income</i>		
Management service	1,960	1,823
Total revenue from contracts with customers	894,259	760,764
<i>Geographical markets</i>		
Mainland China	860,130	739,644
Overseas	34,129	21,120
Total revenue from contracts with customers	894,259	760,764
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time	892,299	758,941
Services transferred over time	1,960	1,823
Total revenue from contracts with customers	894,259	760,764

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

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

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Rental income	7,368	7,025
Government grants	3,966	6,073
Dividends received from equity investments designated at fair value through other comprehensive income	—	1,811
Management fee	1,960	1,823
Gain on disposal of items of property, plant and equipment	638	25
Others	1,643	309
Total	15,575	17,066

5. FINANCE INCOME

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Interest income on bank deposits	3,131	2,261
Interest income on loans and receivables	2,989	—
Total	6,120	2,261

6. FINANCE COSTS

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Interest expense on interest-bearing bank borrowings	17,721	19,140
Interest expense on lease liabilities	174	177
Total	17,895	19,317

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

7. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Cost of inventories recognised	661,462	577,037
Depreciation of property, plant and equipment	53,448	44,298
Depreciation of right-of-use assets	5,153	4,693
Depreciation of investment properties	1,547	1,669
Amortisation of intangible assets	613	606
Lease payments under short-term leases	8,440	6,392
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages, salaries and other benefits	125,054	95,946
Gross rental income	(9,544)	(8,685)
Direct expenses that generated rental income	2,176	1,660
Rental income, net	(7,368)	(7,025)
Foreign exchange difference, net	8,115	3,037
Impairment of trade receivables	347	1,300
Reversal of write-down of inventories to net realisable value	—	(744)
Gain on disposal of items of property, plant and equipment	(638)	(25)

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

8. INCOME TAX

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

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Current income tax		
— Charge for the period	12,719	27,182
Deferred income tax	(3,998)	(19,024)
Total tax charge for the period	8,721	8,158

9. DIVIDENDS

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Final declared — HK0.6080 cent per ordinary share (2020: HK0.5206 cent)	10,757	8,404

The board of directors has resolved not to declare any interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

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

The calculation of basic earnings per share for the period is based on the consolidated net profit attributable to owners of the parent and the weighted average number of ordinary shares of 1,769,193,800 in issue during the six months ended 30 June 2021 (the six months ended 30 June 2020: 1,769,193,800).

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

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Earnings		
Profit attributable to owners of the parent used in the basic and diluted earnings per share calculation	34,170	21,781
	For the six months ended 30 June	
	Number of shares	
	2021 (Unaudited)	2020 (Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	1,769,193,800	1,769,193,800

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired property, plant and equipment with a total cost of RMB51,032,000 (the six months ended 30 June 2020: RMB116,016,000).

Asset with a net book value of RMB3,215,000 were disposed of by the Group during the six months ended 30 June 2021 (30 June 2020: RMB7,735,000), resulting in a net gain on disposal of RMB638,000 (30 June 2020: RMB25,000).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

12. TRADE AND NOTES RECEIVABLES

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within 3 months	569,760	626,037
3 to 6 months	84,534	70,703
6 months to 1 year	46,152	89,171
Over 1 year	36,140	33,767
	736,586	819,678

13. TRADE AND NOTES PAYABLES

An ageing analysis of the trade and notes payables of the Group as at 30 June 2021, based on the invoice date, is as follows:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within 3 months	646,517	669,463
3 to 12 months	219,613	259,743
1 to 2 years	10,610	34,682
2 to 3 years	10,584	—
Over 3 years	1,645	1,653
	888,969	965,541

14. COMMITMENTS

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Contracted, but not provided for in respect of acquisition of: Property, plant and equipment	130,472	137,364

**NOTES TO INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

For the six months ended 30 June 2021

15. RELATED PARTY TRANSACTIONS

(a) Related party transactions

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

	Notes	For the six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Sales of goods to:	(i)		
Joint ventures		42,071	35,307
Entity with significant influence by Mr. Zhou's brother		799	828
		42,870	36,135
Purchases of goods from:	(ii)		
Joint ventures		32,294	27,157
Entities with significant influence by Mr. Zhou's brother		4,069	5,230
Entities with significant influence by the key management person		2,611	—
Subsidiary of a joint venture		32	—
Entity collectively controlled by Mr. Zhou's parents		—	156
		39,006	32,543
Gross rental income from:	(iii)		
Joint ventures		4,950	5,397
Subsidiary of a joint venture		3,267	3,238
		8,217	8,635
Rental expenses charged by:	(iii)		
Fellow subsidiary		—	—
Management fee from:	(iv)		
Joint venture		1,960	1,823

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

15. RELATED PARTY TRANSACTIONS *(Continued)*

(a) Related party transactions *(Continued)*

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

(b) Compensation of key management personnel of the Group

	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Wages, salaries and other benefits	2,938	1,324
Pension scheme contributions	18	16
Total compensation paid to key management personnel	2,956	1,340

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Financial assets				
Equity investments designated at fair value through other comprehensive income	69,797	69,797	69,797	69,797
Financial liabilities				
Interest-bearing bank and other borrowings, non-current portion	184,321	173,172	184,132	173,172

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(Continued)

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

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

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

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

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

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(Continued)

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 30 June 2021 and 31 December 2020:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input (RMB'000)
Unlisted equity investment				
Investment A	Valuation multiples	Forward average P/E multiples of peers	30 June 2021: 11.34 to 37.35	10% increase/decrease in multiple would result in increase/decrease in fair value by 5,189
		Discount for lack of marketability	30 June 2021: 0.00% to 91.30%	10% increase/decrease in multiple would result in decrease/increase in fair value by 1,017
Investment B	Valuation multiples	Forward average P/E multiples of peers	30 June 2021: 17.77 to 39.87	10% increase/decrease in multiple would result in increase/decrease in fair value by 1,092
		Discount for lack of marketability	30 June 2021: 0.00% to 91.30%	10% increase/decrease in multiple would result in decrease/increase in fair value by 291
Investment A	Valuation multiples	Forward average P/E multiples of peers	2020: 11.04 to 37.15	10% increase/decrease in multiple would result in increase/decrease in fair value by 5,189
		Discount for lack of marketability	2020: 0.00% to 91.30%	10% increase/decrease in multiple would result in decrease/increase in fair value by 1,017
Investment B	Valuation multiples	Forward average P/E multiples of peers	2020: 17.77 to 39.87	10% increase/decrease in multiple would result in increase/decrease in fair value by 1,092

**NOTES TO INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

For the six months ended 30 June 2021

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(Continued)

Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input (RMB'000)
Unlisted equity investment			
Investment B	Discount for lack of marketability	2020: 0.00% to 91.30%	10% increase/decrease in multiple would result in decrease/increase in fair value by 291

Fair value hierarchy

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

Assets measured at fair value

As at 30 June 2021

	Fair value measurement using			
	Total RMB'000 (Unaudited)	Quoted prices in active markets Level 1 RMB'000 (Unaudited)	Significant observable inputs Level 2 RMB'000 (Unaudited)	Significant Unobservable inputs Level 3 RMB'000 (Unaudited)
Equity investments designated at fair value through other comprehensive income	69,797	—	—	69,797
Notes receivable at fair value through other comprehensive income	124,515	—	124,515	—

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(Continued)

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets	Significant observable inputs	Significant Unobservable inputs	
Total	Level 1	Level 2	Level 3	
RMB'000	RMB'000	RMB'000	RMB'000	
(Audited)	(Audited)	(Audited)	(Audited)	
Equity investments designated at fair value through other comprehensive income	69,797	—	—	69,797
Notes receivable at fair value through other comprehensive income	163,492	—	163,492	—

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

17. EVENTS AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Group after 30 June 2021.

18. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The unaudited interim condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 26 August 2021.