

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



2022
Interim Report

CONTENTS

2	Corporate Information
3	Management Discussion and Analysis
9	Corporate Governance and Other Information
15	Interim Condensed Consolidated Statement of Profit or Loss
16	Interim Condensed Consolidated Statement of Comprehensive Income
17	Interim Condensed Consolidated Statement of Financial Position
19	Interim Condensed Consolidated Statement of Changes in Equity
20	Interim Condensed Consolidated Statement of Cash Flows
22	Notes to Interim Condensed Consolidated Financial Information

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. Xu Jiali
Ms. Mu Wen

AUDIT COMMITTEE

Mr. Yu Shuli *(Chairman)*
Mr. Xu Jiali
Ms. Mu Wen

REMUNERATION COMMITTEE

Mr. Yu Shuli *(Chairman)*
Mr. Zhou Minfeng
Ms. Mu Wen

NOMINATION COMMITTEE

Mr. Zhou Minfeng *(Chairman)*
Mr. Yu Shuli
Ms. Mu Wen

COMPANY SECRETARY

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

AUTHORISED REPRESENTATIVES

Mr. Zhou Minfeng
Ms. Ho Wing Yan *(ACG, HKACG(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

Huazhong In-Vehicle Holdings Company Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) are 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 2022, the Group’s revenue was approximately RMB774,818,000, representing a decrease of approximately 13.2% as compared to approximately RMB892,299,000 for the six months ended 30 June 2021. Profit attributable to the owners of the parent for the six months ended 30 June 2022 was approximately RMB27,259,000, representing a decrease of approximately 20.2% as compared to RMB34,170,000 for the six months ended 30 June 2021.

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			
	2022		2021	
	Revenue (Unaudited) RMB'000	Gross profit margin %	Revenue (Unaudited) RMB'000	Gross profit margin %
Automotive interior and exterior structural and decorative parts	626,785	28.1	758,775	25.9
Moulds and tooling	53,963	14.9	36,487	22.8
Casings and liquid tanks of air conditioners and heaters	45,109	23.5	53,858	24.0
Non-automotive products	25,833	39.8	25,056	52.1
Sale of raw materials	23,128	12.5	18,123	1.6
Total	774,818	26.8	892,299	25.9

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2022, the total revenue generated from automotive interior and exterior structural and decorative parts was approximately RMB626,785,000 (the six months ended 30 June 2021: approximately RMB758,775,000), accounting for approximately 80.9% of the Group's total revenue for the six months ended 30 June 2022 (the six months ended 30 June 2021: approximately 85.0%). Gross profit margin increase from approximately 25.9% for the six months ended 30 June 2021 to approximately 28.1% for the six months ended 30 June 2022. The decrease in revenue was mainly due to the drop in sales order as a result of the Covid-19 pandemic.

For the six months ended 30 June 2022, revenue from moulds and tooling was approximately RMB53,963,000 (the six months ended 30 June 2021: approximately RMB36,487,000), accounting for approximately 7.0% of the Group's total revenue for the six months ended 30 June 2022 (the six months ended 30 June 2021: approximately 4.1%). Gross profit margin decreased from approximately 22.8% for the six months ended 30 June 2021 to approximately 14.9% for the six months ended 30 June 2022.

For the six months ended 30 June 2022, revenue from casings and liquid tanks of air conditioners and heaters was approximately RMB45,109,000 (the six months ended 30 June 2021: approximately RMB53,858,000), accounting for approximately 5.8% of the Group's total revenue for the six months ended 30 June 2022 (the six months ended 30 June 2021: approximately 6.1%). Gross profit margin decreased slightly from approximately 24.0% for the six months ended 30 June 2021 to approximately 23.5% for the six months ended 30 June 2022.

For the six months ended 30 June 2022, revenue from non-automotive products was approximately RMB25,833,000 (the six months ended 30 June 2021: approximately RMB25,056,000), accounting for approximately 3.3% of the Group's total revenue for the six months ended 30 June 2022 (the six months ended 30 June 2021: approximately 2.8%). Gross profit margin decreased from approximately 52.1% for the six months ended 30 June 2021 to approximately 39.8% for the six months ended 30 June 2022.

For the six months ended 30 June 2022, revenue from sale of raw materials was approximately RMB23,128,000 (the six months ended 30 June 2021: approximately RMB18,123,000), accounting for approximately 3.0% of the Group's total revenue for the six months ended 30 June 2022 (the six months ended 30 June 2021: approximately 2.0%). The gross profit margin increased from approximately 1.6% for the six months ended 30 June 2021 to 12.5% for the six months ended 30 June 2022.

For the six months ended 30 June 2022, the overall gross profit margin increased slightly to approximately 26.8% (the six months ended 30 June 2021: approximately 25.9%).

Other Income and Gains

Other income and gains of the Group for the six months ended 30 June 2022 amounted to approximately RMB24,881,000 (the six months ended 30 June 2021: approximately RMB15,575,000), representing an increase of approximately 59.7% as compared to the six months ended 30 June 2021.

Selling and Distribution Expenses

The Group's selling and distribution expenses for the six months ended 30 June 2022 amounted to approximately RMB56,524,000, representing a decrease of approximately 18.0% as compared to approximately RMB68,899,000 in the six months ended 30 June 2021. The decrease was mainly due to the decrease in packing and transportation expenses as a result of the decrease in sales volume.

Administrative Expenses

The Group's administrative expenses for the six months ended 30 June 2022 amounted to approximately RMB121,721,000, representing a decrease of approximately 6.1% as compared to approximately RMB129,638,000 in the six months ended 30 June 2021. This was mainly attributable to decrease of research and development expense during the period.

Share of Profits of Joint Ventures

During the six months ended 30 June 2022, the Group recorded approximately RMB1,861,000 of the share of profits of joint ventures, while a share of profits of joint ventures of approximately RMB18,291,000 was recorded for the six months ended 30 June 2021.

Finance Income

The Group's finance income decrease by approximately 58.0% from approximately RMB6,120,000 for the six months ended 30 June 2021 to approximately RMB2,568,000 for the six months ended 30 June 2022. The decrease in finance income was mainly attributable to the decrease in interest income from loan provided to supplier.

Finance Costs

The Group's finance costs decrease from approximately RMB17,895,000 for the six months ended 30 June 2021 to approximately RMB14,676,000 for the six months ended 30 June 2022, representing a decrease of approximately 18.0%. The decrease in finance costs was mainly due to the decrease of interest-bearing bank borrowings during the six months ended 30 June 2022.

Taxes

The Group's tax expenses increase by approximately 52.0% from approximately RMB8,721,000 for the six months ended 30 June 2021 to approximately RMB13,260,000 for the six months ended 30 June 2022. The increase was mainly due to the increase of deferred income tax expense in the six months ended 30 June 2022 as compared to the six months ended 30 June 2021.

Liquidity and Financial Resources

For the six months ended 30 June 2022, the net cash flows from operating activities amounted to approximately RMB230,166,000 (the six months ended 30 June 2021: net cash used in operating activities approximately RMB15,168,000).

The net cash used in investing activities amounted to approximately RMB7,935,000 (the six months ended 30 June 2021: net cash used in investing activities of approximately RMB41,583,000) and the net cash used in financing activities amounted to approximately RMB106,073,000 (the six months ended 30 June 2021: net cash flow generated from financing activities of approximately RMB83,219,000). The cash used in investing activities was mainly attributable to the payment for purchase of property, plant and machinery and advances of loan to a supplier. The net cash used in financing activities was mainly attributable to repayment of bank loans.

As a result of the cumulative effect described above, the Group recorded a net cash inflow of approximately RMB116,158,000 for the six months ended 30 June 2022 (the six months ended 30 June 2021: net cash inflow of approximately RMB26,468,000).

As at 30 June 2022, the Group's cash and cash equivalents (including cash and bank deposits) amounted to approximately RMB177,834,000 (31 December 2021: approximately RMB61,676,000).

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2022, the Group's interest-bearing bank borrowings were approximately RMB624,900,000 (31 December 2021: approximately RMB713,373,000), among of which, approximately RMB384,800,000 would be due within one year (31 December 2021: approximately RMB549,273,000). The borrowings of the Group were subject to interests payable at rates ranging from 3.5% to 4.4% 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 2022, the Group had capital commitments amounting to approximately RMB121,784,000 (31 December 2021: approximately RMB122,960,000) 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 2022 was 1,769,193,800.

Contingent Liabilities

As at 30 June 2022, the Group had no significant contingent liabilities (31 December 2021: Nil).

Pledge of Assets

As at 30 June 2022, the Group's assets of approximately RMB218,049,000 (31 December 2021: approximately RMB168,080,000) 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 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Property, plant and equipment	24,364	25,556
Investment properties	785	785
Right-of-use assets — Prepaid land lease payments	37,828	32,739
Pledged deposits	155,072	109,000
Total	218,049	168,080

Gearing Ratio

As at 30 June 2022, the Group's gearing ratio was approximately 57.7% (31 December 2021: approximately 62.0%). 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

On 3 March 2022, Ningbo Huazhong Plastic Products Co., Ltd.* (寧波華眾塑料製品有限公司) (the "Transferee"), a wholly-owned subsidiary of the Company, entered into an equity purchase agreement with zwiisTEX Germany GmbH (the "Transferor"), pursuant to which the Transferor has agreed to sell, and the Transferee has agreed to purchase, 15% equity interest of Ningbo Roekona-Zoeppritex-Tex-Line Co., Ltd.* (寧波華樂特汽車裝飾布有限公司) (the "Target Company") at the consideration of EUR4.5 million (equivalent to approximately RMB31.3 million) (the "Equity Purchase").

The Target Company is a company incorporated in the PRC with limited liability, the equity interest of which was owned as to 25% by the Transferor and Roekona Textilwerk GmbH & Co. KG (a third party independent of the Company and its connected persons (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited)) respectively and as to 50% by the Transferee before the completion of the Equity Purchase. Upon completion of the Equity Purchase, the Company indirectly holds 65% equity interest in the Target Company. The Target Company is principally engaged in the manufacture and sale of auto parts, design and manufacture of high-grade textiles.

The Board is of the view that, following the completion of the Equity Purchase, the Target Company will become a non-wholly owned subsidiary of the Group, which will enhance the cooperation between the Group and the Target Company and reduce the operating costs.

Save as disclosed herein, during the six months ended 30 June 2022, 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 2022, the Group had 2,991 employees (30 June 2021: 2,790). Total staff costs of the Group (excluding Directors' and chief executive's remuneration) for six months ended 30 June 2022 was approximately RMB125,211,000 (the six months ended 30 June 2021: approximately RMB125,054,000). 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 2022 and up to the date of this report.

* For identification purposes only

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECT

In the first half of 2022, although the impact of factors such as the domestic epidemic, the shortage of chips, the rising price of raw materials and power limitation have continued to weaken the automobile industry in China, with the introduction of a new round of stimulus measures, industrial prosperity is recovering rapidly. According to the statistics from China Association of Automobile Manufacturers (“CAAM”), the downtrend of manufacturing and sales volumes of domestic passenger vehicle has halted in first half of the year and amounted to 10.434 million and 10.355 million respectively, representing a year-on-year increase of 6.0% and 3.4%. CAAM believed that in the second half of the year, driven by the continuous implementation of measures to promote consumption, the confidence of market consumer will restore significantly. In addition, the effect of the policy of halving purchase tax will continue to emerge. It is expected that the manufacturing and sales volumes of automobile will maintain steady growth throughout the year, and the sales volume of automobile for the year will reach 27 million, representing an increase of about 3%. As a major player in China’s automobile supply chain, Huazhong In-Vehicle is expected to take advantage of the industry’s recovery to secure more orders from automobile brand customers, build a solid foundation for its business volume in the second half of the year and next year, and achieve better scale of economic effect to strive for excellent financial performance.

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 2022, except for the following deviations.

Code Provision C.2.1

Code provision C.2.1 of the CG Code stipulates that the roles 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 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 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 2022, they were in compliance with the required provisions set out in the Model Code.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 2022, 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 2022, 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 2022 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 2022 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 2022, 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:

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 2022, 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 Automobile Latex and Plastic Co., Ltd.* (上海華新汽車橡塑製品有限公司, “ 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 (長興華新汽車橡塑製品有限公司, “ 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%
Ningbo Roekona-Zoeppritex-Tex-Line Co., Ltd.* (寧波華樂特汽車裝飾布有限公司, “ Ningbo Hualete ”)	Roekona Textilwerk GmbH & Co. KG (“ Roekona Textilwerk ”)	25%
Ningbo Hualete	zwissTEX Germany GmbH (“ zwissTEX Germany ”)	10%
Texline Investment Co., Limited (“ Texline Investment ”) ⁽²⁾	Roekona Textilwerk	25%
Texline Investment ⁽²⁾	zwissTEX Germany	10%
Ningbo Tex Line Automotive Textiles Co.,Ltd.* (寧波華絡特汽車內飾有限公司, “ Hualuote Ningbo ”) ⁽²⁾	Roekona Textilwerk	25%
Hualuote Ningbo ⁽²⁾	zwissTEX Germany	10%

Notes:

- (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.
- (2) Roekona Textilwerk and zwissTEX Germany directly hold 25% and 10% interests in Ningbo Hualete, respectively. Texline Investment is wholly-owned by Ningbo Hualete and Hualuote Ningbo is wholly-owned by Texline Investment. As a result, Roekona Textilwerk indirectly holds 25% interests in Texline Investment and Hualuote Ningbo respectively, while zwissTEX Germany indirectly holds 10% interests in Texline Investment and Hualuote Ningbo respectively.

* For identification purposes only

CORPORATE GOVERNANCE AND OTHER INFORMATION

Save as disclosed above, as at 30 June 2022, 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), Ms. Mu Wen 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 2022. The Audit Committee has reviewed the interim results of the Group for the six months ended 30 June 2022 and is of the view that the interim results for the six months ended 30 June 2022 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 2022.

INTERIM DIVIDENDS

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2022 (the six months ended 30 June 2021: 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, 29 August 2022

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

	Notes	For the six months ended 30 June	
		2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
REVENUE	4	774,818	892,299
Cost of sales		(567,050)	(661,462)
Gross profit		207,768	230,837
Other income and gains	4	24,881	15,575
Selling and distribution expenses		(56,524)	(68,899)
Administrative expenses		(121,721)	(129,638)
Impairment on financial assets, net		472	(347)
Other expenses		(461)	(8,888)
Share of profits of joint ventures		1,861	18,291
Finance income	5	2,568	6,120
Finance costs	6	(14,676)	(17,895)
PROFIT BEFORE TAX	7	44,168	45,156
Income tax	8	(13,260)	(8,721)
PROFIT FOR THE PERIOD		30,908	36,435
Attributable to:			
Owners of the parent		27,259	34,170
Non-controlling interests		3,649	2,265
		30,908	36,435
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		RMB0.0154	RMB0.0193

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	For the six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
PROFIT FOR THE PERIOD	30,908	36,435
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	—	—
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	—	—
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	—	—
Income tax effect	—	—
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	—	—
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	—	—
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	30,908	36,435
Attributable to:		
Owners of the parent	27,259	34,170
Non-controlling interests	3,649	2,265
	30,908	36,435

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Notes	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	985,273	961,376
Investment properties		31,906	32,473
Right-of-use assets		226,871	222,153
Intangible assets		6,309	5,091
Investments in joint ventures		95,163	220,929
Prepayments for acquiring property, plant and equipment		36,717	37,671
Equity investments designated at fair value through other comprehensive income		62,345	62,345
Pledged deposits		—	56,000
Deferred tax assets		19,294	16,938
Total non-current assets		1,463,878	1,614,976
CURRENT ASSETS			
Inventories		374,671	322,951
Trade and notes receivables	12	663,587	815,353
Prepayments and other receivables		349,408	350,532
Due from related parties		58,522	44,513
Pledged deposits		164,078	99,306
Cash and cash equivalents		177,834	61,676
Total current assets		1,788,100	1,694,331
CURRENT LIABILITIES			
Trade and notes payables	13	832,685	955,726
Other payables and accruals		330,345	249,920
Interest-bearing bank borrowings		388,903	551,971
Due to related parties		6,587	58,867
Income tax payable		56,390	56,657
Total current liabilities		1,614,910	1,873,141
NET CURRENT ASSETS/(LIABILITIES)		173,190	(178,810)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,637,068	1,436,166

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

Notes	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	249,781	167,692
Government grants	17,792	17,903
Deferred tax liabilities	19,451	13,723
Total non-current liabilities	287,024	199,318
Net assets	1,350,044	1,236,848
EQUITY		
Equity attributable to owners of the parent:		
Issued capital	142,956	142,956
Reserves	1,054,499	1,034,841
	1,197,455	1,177,797
Non-controlling interests	152,589	59,051
Total equity	1,350,044	1,236,848

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Note	Attributable to owners of the parent						Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
		Share capital RMB'000	Share premium RMB'000	Statutory reserve funds RMB'000	Merger reserve RMB'000	Fair value reserve of equity investments designated at fair value through other comprehensive income RMB'000	Retained earnings RMB'000			
As at 1 January 2022 (audited)		142,956	8,157*	106,895*	88,278*	19,253*	812,258*	1,177,797	59,051	1,236,848
Profit for the period		—	—	—	—	—	27,259	27,259	3,649	30,908
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		—	—	—	—	—	27,259	27,259	3,649	30,908
Acquisition of a subsidiary	14	—	—	—	—	—	—	—	89,889	89,889
Final dividends		—	—	—	—	—	(7,601)	(7,601)	—	(7,601)
Transfer to statutory reserve funds and discretionary surplus reserve		—	—	—	—	—	—	—	—	—
As at 30 June 2022 (unaudited)		142,956	8,157*	106,895*	88,278*	19,253*	831,916*	1,197,455	152,589	1,350,044
As at 1 January 2021 (audited)		142,956	8,157*	102,754*	88,278*	24,842*	776,483*	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 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*	102,754*	88,278*	24,842*	799,896*	1,166,883	43,011	1,209,894

* These reserve accounts comprise the consolidated reserves of RMB1,054,499,000 (30 June 2021: RMB1,023,927,000) in the interim condensed consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Notes	For the six months ended 30 June	
		2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Cash flows from operating activities:			
Profit before tax		44,168	45,156
Adjustments for:			
Finance costs	6	14,676	17,895
Share of profits of joint ventures		(1,861)	(18,291)
Revaluation gain on previously held equity interest	4	(785)	—
Dividend income from equity investments at fair value through other comprehensive income	4	(1,509)	—
Finance income	5	(2,568)	(6,120)
Loss/(Gain) on disposal of items of property, plant and equipment	4	5	(638)
Release of government grants		(187)	(608)
Gain on bargain purchase	14	(8,915)	—
Depreciation of property, plant and equipment		63,267	53,448
Depreciation of right-of use assets		6,205	5,153
Depreciation of investment properties		1,963	1,547
Amortisation of intangible assets		652	613
Reversal of write-down of inventories to net realisable value		666	—
Impairment of financial assets, net	7	(472)	347
		115,305	98,502
Increase in inventories		(18,979)	(28,943)
Decrease in trade and notes receivables		338,596	82,745
Decrease/(Increase) in prepayments and other receivables		31,124	(88,153)
Increase in amounts due from related parties		(14,009)	(23,969)
Decrease in trade and notes payables		(137,661)	(76,572)
(Decrease)/Increase in other payables and accruals		(11,493)	22,793
(Decrease)/Increase in amounts due to related parties		(52,280)	13,395
Increase in pledged deposits		(8,772)	(3,000)
Cash from/(used in) operations		241,831	(3,202)
Income tax paid		(11,665)	(11,966)
Net cash flows from/(used in) operating activities		230,166	(15,168)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Notes	For the six months ended 30 June	
		2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Cash flows from investing activities:			
Interest received	5	2,568	6,120
Prepayments and purchases of items of property, plant and equipment		(43,089)	(49,396)
Prepayments for right-of-use assets		—	(2,191)
Prepayments for investment properties		—	(68)
Proceeds from disposal of items of property, plant and equipment		58,314	3,853
Receipt of government grants for property, plant and equipment and right-of-use assets		—	99
Acquisition of a subsidiary, net of cash	14	2,763	—
Advances of loan to a supplier		(30,000)	—
Dividend received from equity investments at fair value through other comprehensive income		1,509	—
Net cash flows used in investing activities		(7,935)	(41,583)
Cash flows from financing activities:			
New bank loans		573,000	758,000
Repayment of bank loans		(661,473)	(654,544)
Principal portion of lease payment		(3,429)	(2,516)
Interest paid		(14,171)	(17,721)
Net cash flows (used in)/from financing activities		(106,073)	83,219
Net increase in cash and cash equivalents		116,158	26,468
Cash and cash equivalents at beginning of the period		61,676	94,429
Cash and cash equivalents at end of the period		177,834	120,897
Analysis of balances of cash and cash equivalents			
Cash and cash equivalents as stated in the interim condensed consolidated statement of cash flows		177,834	120,897
Cash and bank balances		177,834	120,897
Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position		177,834	120,897

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

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, PO 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 2022, 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 2022 have been prepared in accordance with International Accounting Standard (“**IAS**”) 34 *Interim Financial Reporting*.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 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 2021, except for the adoption of the following revised International Financial Reporting Standards (“**IFRSs**”) or the first time for the current period’s financial information.

Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract</i>
Annual Improvements to IFRS 2018-2020	<i>Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41</i>

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

- (a) Amendments to IFRS 3 replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting issued in June 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC-Int21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

- (b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) Annual Improvements to IFRS 2018-2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are applicable to the Group are as follows:
- IFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
 - IFRS 16 Leases: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

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.

Geographical information

(a) *Revenue from external customers*

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Mainland China	744,873	858,170
Overseas	29,945	34,129
	774,818	892,299

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

(b) *Non-current assets*

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
	Mainland China	1,382,239

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

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 2022 and 30 June 2021 is as follows:

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
<i>Type of goods or service</i>		
Revenue		
Sales of plastic parts and automotive parts	720,855	855,812
Sales of moulds and tooling	53,963	36,487
	774,818	892,299
Other income		
Management service	1,776	1,960
Total revenue from contracts with customers	776,594	894,259
<i>Geographical markets</i>		
Mainland China	746,649	860,130
Overseas	29,945	34,129
Total revenue from contracts with customers	776,594	894,259
Goods transferred at a point in time	774,818	892,299
Services transferred over time	1,776	1,960
Total revenue from contracts with customers	776,594	894,259

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

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

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Rental income	3,851	7,368
Government grants	4,274	3,966
Dividends received from equity investments designated at fair value through other comprehensive income	1,509	—
Management fee	1,776	1,960
Gain on disposal of items of property, plant and equipment	—	638
Gain on sales of scrap materials	651	—
Foreign exchange gain	1,314	—
Revaluation gain on previously held equity interest	785	—
Gain on bargain purchase	8,915	—
Others	1,806	1,643
Total	24,881	15,575

5. FINANCE INCOME

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Interest income on bank deposits	2,568	3,131
Interest income on loans and receivables	—	2,989
	2,568	6,120

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

6. FINANCE COSTS

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Interest expense on interest-bearing bank borrowings	14,271	17,721
Interest expense on lease liabilities	405	174
	14,676	17,895

7. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Cost of inventories recognised	567,050	661,462
Depreciation of property, plant and equipment	63,267	53,448
Depreciation of right-of-use assets	6,205	5,153
Depreciation of investment properties	1,963	1,547
Amortisation of intangible assets	652	613
Lease payments under short-term leases	10,567	8,440
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages, salaries and other benefits	125,211	125,054
Gross rental income	(6,123)	(9,544)
Direct expenses that generated rental income	2,272	2,176
Rental income, net	(3,851)	(7,368)
Foreign exchange difference, net	(1,314)	8,115
Gain on bargain purchase	(8,915)	—
Impairment on financial assets, net	(472)	347
Revaluation gain on previously held equity interest	(785)	—
Reversal of write-down of inventories to net realisable value	666	—
Loss/(Gain) on disposal of items of property, plant and equipment	5	(638)

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

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	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Current income tax		
— Charge for the period	7,300	12,719
Deferred income tax	5,960	(3,998)
Total tax charge for the period	13,260	8,721

9. DIVIDENDS

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Final declared — HK0.5276 cent (2021: HK0.6080 cent) per ordinary share	7,601	10,757

The board of directors has resolved not to declare any interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil)

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

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 2022 (the six months ended 30 June 2021: 1,769,193,800).

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

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Earnings		
Profit attributable to owners of the parent used in the basic and diluted earnings per share calculation	27,259	34,170
	For the six months ended 30 June	
	Number of shares	
	2022 (Unaudited)	2021 (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 2022, the Group acquired property, plant and equipment with a total cost of RMB44,043,000 (the six months ended 30 June 2021: RMB51,032,000), excluding property, plant and equipment acquired through a business combination disclosed in note 14 to the interim condensed consolidated financial information. Assets with net book value of RMB14,777,000 (30 June 2021: Nil) is transferred from investment properties to property, plant and equipment.

Assets with a net book value of RMB16,173,000 (30 June 2021: RMB463,000) is transferred to investment properties. Assets with a net book value of RMB5,000 were disposed of by the group during the six months ended 30 June 2022 (30 June 2021: RMB3,215,000), resulting in a net loss on disposal of RMB5,000 (30 June 2021 net gain on disposal: RMB638,000).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

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 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 3 months	546,955	713,502
3 to 6 months	46,797	61,863
6 months to 1 year	52,344	21,247
Over 1 year	17,491	18,741
	663,587	815,353

13. TRADE AND NOTES PAYABLES

An ageing analysis of the trade and notes payables of the Group as at 30 June 2022, based on the invoice date, is as follows:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 3 months	541,350	729,980
3 to 12 months	266,337	192,896
1 to 2 years	12,463	18,172
2 to 3 years	6,701	14,678
Over 3 years	5,834	—
	832,685	955,726

Certain notes payable was secured by pledged deposits of the Group with a carrying value of RMB108,078,000 as at 30 June 2022 (31 December 2021: RMB46,306,000).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

14. BUSINESS COMBINATION

On 17 March 2004, Ningbo Roekona-Zoeppritex-Tex-Line Co., Ltd. (“**Ningbo Hualete**”) was established in Zhejiang Province, the PRC, with a 41% equity interest beneficially held by the Group. On 24 December 2010, the Group acquired an additional 9% equity interest in Ningbo Hualete from Ningbo Huayou Properties Co., Ltd. (“**Ningbo Huayou Properties**”), a related party. Prior to 6 May 2022, Ningbo Hualete was a joint venture which was owned as to 50% by the Group.

On 6 May 2022 (“**Acquisition date**”), the Group acquired additional 15% interest in Ningbo Hualete from zwissTEX Germany GmbH, an independent third party. The purchase consideration for the acquisition was in the form of cash, with EUR1,500,000 (equivalent to RMB10,429,650) paid on the 30 May 2022 and the remaining EUR3,000,000 (equivalent to RMB20,859,300) paid on July and August 2022. Upon the completion of the acquisition, Ningbo Hualete was an indirect non-wholly-owned subsidiary of the Company and was consolidated into the consolidated financial statements of the Group.

The Group considers that upon Completion, the equity interest in Ningbo Hualete held by the Group will enhance the cooperation between the Group and Ningbo Hualete and reduce the operating costs.

The Group has measured the non-controlling interests in the acquiree at fair value.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of Ningbo Hualete as at the acquisition date were as follows:

	Fair value recognised on acquisition RMB'000 (Unaudited)
Property, plant and equipment	44,522
Intangible assets	1,870
Deferred tax assets	2,864
Inventories	33,407
Trade and notes receivables	186,358
Cash and cash equivalents	13,193
Trade and notes payables	(14,620)
Other payables and accruals	(10,491)
Deferred tax liability	(277)
Total identifiable net assets at fair value	256,826
Non-controlling interest measured at fair value	(89,889)
Gain on bargain purchase recognized in profit or loss	(8,915)
Purchase consideration transferred	158,022

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

14. BUSINESS COMBINATION *(Continued)*

	RMB'000
	(Unaudited)
Satisfied by:	
Cash	31,289
Other payables and accruals	(1,680)
Investments in joint ventures measured at fair value	128,413

An analysis of the cash flows in respect of the acquisition of a subsidiary as of 30 June 2022 is as follows:

	RMB'000
	(Unaudited)
Cash consideration	(10,430)
Cash and bank balances acquired	13,193
Net outflow of cash and cash equivalents included in cash flows from investing activities	2,763
	(17)
Transaction costs of the acquisition included in cash flows from operating activities	2,746

The Group incurred transaction costs of RMB17,000 for this acquisition. These transaction costs have been expensed and are included in other expenses in the interim condensed consolidated statement of profit or loss.

Since the acquisition, Ningbo Hualete contributed RMB13,228,000 to the Group's revenue and RMB327,000 to the consolidated loss for the six months ended 30 June 2022.

Had the combination taken place at the beginning of the period, the revenue from continuing operations of the Group and the profit of the Group for the period would have been RMB796,276,000 and RMB30,951,000 respectively.

15. COMMITMENTS

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Contracted, but not provided for in respect of acquisition of:		
Property, plant and equipment	121,784	122,960

**NOTES TO INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

For the six months ended 30 June 2022

16. 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	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Sales of goods to:	(i)		
Joint ventures		27,978	42,071
Entity with significant influence by Mr. Zhou's brother		14,994	799
		42,972	42,870
Purchases of goods from:	(ii)		
Joint ventures		17,030	32,294
Entities with significant influence by Mr. Zhou's brother		2,531	4,069
Entities with significant influence by the key management person		2,397	2,611
Subsidiary of a joint venture		—	32
Entity collectively controlled by Mr. Zhou's parents		295	—
		22,253	39,006
Gross rental income from:	(iii)		
Joint ventures		3,851	4,950
Subsidiary of a joint venture		—	3,267
		3,851	8,217
Management fee from:	(iv)		
Joint venture		1,776	1,960

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 charged by related parties were in accordance with the terms and conditions agreed between the related parties through lease agreements.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

16. RELATED PARTY TRANSACTIONS *(Continued)*

(a) Related party transactions *(Continued)*

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

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Wages, salaries and other benefits	2,891	2,938
Pension scheme contributions	28	18
Total compensation paid to key management personnel	2,919	2,956

17. 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 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Financial assets				
Equity investments designated at fair value through other comprehensive income	62,345	62,345	62,345	62,345
Notes receivable at fair value through other comprehensive income	86,677	109,046	86,677	109,046
	149,022	171,391	149,022	171,391
Financial liabilities				
Interest-bearing bank and other borrowings, non-current portion	243,693	164,099	243,693	164,099

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

17. 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 2022

17. 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 2022 and 31 December 2021:

	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 2022: 10.33 to 37.51	10% increase/decrease in multiple would result in increase/decrease in fair value by 5,411
		Discount for lack of marketability	30 June 2022: 0.00% to 91.30%	10% increase/decrease in multiple would result in decrease/increase in fair value by 1,059
Investment B	Valuation multiples	Forward average P/E multiples of peers	30 June 2022: 9.33 to 18.95	10% increase/decrease in multiple would result in increase/decrease in fair value by 226
		Discount for lack of marketability	30 June 2022: 0.00% to 91.30%	10% increase/decrease in multiple would result in decrease/increase in fair value by 97
Investment A	Valuation multiples	Forward average P/E multiples of peers	31 Dec 2021: 10.33 to 37.51	10% increase/decrease in multiple would result in increase/decrease in fair value by 5,411
		Discount for lack of marketability	31 Dec 2021: 0.00% to 91.30%	10% increase/decrease in multiple would result in decrease/increase in fair value by 1,059
Investment B	Valuation multiples	Forward average P/E multiples of peers	31 Dec 2021: 9.33 to 18.95	10% increase/decrease in multiple would result in increase/decrease in fair value by 226

**NOTES TO INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

For the six months ended 30 June 2022

17. 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	31 Dec 2021: 0.00% to 91.30%	10% increase/decrease in multiple would result in decrease/increase in fair value by 97

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 2022

	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	62,345	—	—	62,345
Notes receivable at fair value through other comprehensive income	86,677	—	86,677	—

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(Continued)

Assets measured at fair value (Continued)

As at 31 December 2021

	Fair value measurement using			
	Total	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant Unobservable inputs Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
	(Audited)	(Audited)	(Audited)	(Audited)
Equity investments designated at fair value through other comprehensive income	62,345	—	—	62,345
Notes receivable at fair value through other comprehensive income	109,046	—	109,046	—

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

18. EVENTS AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Group after 30 June 2022.

19. 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 29 August 2022.