



HARMONY AUTO  
和諧汽車

# 2021 Interim Results Presentation

---

China Harmony Auto Holding Ltd.



Stock Code : 03836.HK

## DISCLAIMER

This presentation material is prepared by China Harmony Auto Holdings Ltd.(the “Company”) solely for your information only. All or any part of this presentation material may not be taken away, reproduced, redistributed, or retransmitted in any manner. You agree to be bound by the above condition by participating into this presentation. Any non-compliance may be against the related laws and requirements. This presentation material does not constitute an offer to purchase or sell the related securities or forms the basis of, or be relied upon in connection with any contract, commitment or investment decision whatsoever. This presentation material may contain forward-looking statements. These forward-looking statements are based on several assumptions about the future, some of which are beyond the Company’s control. The Company does not undertake any obligation to update any forward-looking statements to reflect events that occur or circumstances that arises after the date of this presentation. Potential investors should bear in mind that actual financial results may differ materially from the following forward-looking statements. The information contained in this presentation material is not verified by any independent third party. No warranty is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information contained herein. The information contained in this presentation material should be interpreted under the prevailing circumstances. There is no update and nothing to be updated upon the presentation to reflect any significant change in the development. At no time does the Company or the related directors, management, employees, agents or advisers accept any liability for the information contained in this presentation material and accordingly accept any liability whatsoever for any loss howsoever arising from any use of this presentation material.

# Content



Business Overview



Financial Analysis



Development Strategies

# Business Overview | Highlights of 1H2021 results



	<b>Total Revenue</b>	<b>RMB9.6 billion</b> (incl. commission income) in 1H2021, up by <b>62.2%</b> year on year
	<b>Net Profit</b>	<b>RMB401 million</b> in 1H2021, expanding by <b>65.4%</b> year on year
	<b>New cars sale volume</b>	<b>22,447</b> units in 1H2021, increasing by <b>53.6%</b> from the same period last year
	<b>Revenue from new cars sale</b>	<b>RMB8.3 billion</b> in 1H2021, a year-on-year growth of <b>64.3%</b>
	<b>Gross margin for new cars sale</b>	in 1H2021 expanded by 0.5% pts to <b>4.2%</b> , the highest level in recent years
	<b>Comprehensive gross profit</b>	<b>RMB1.1 billion</b> in 1H2021, representing a year-on-year growth of <b>58.9%</b> ;
	<b>Used cars business</b>	saw a drastic increase in trading volume by <b>79.3%</b> year over year to <b>3,678</b> units
	<b>Strategic holdings</b>	received a strategic shareholding from a <b>renown state-owned investment institution</b> that look positive on China' s luxury cars development in the long run

Operating 9 luxury brands



And 5 ultra-luxury brands





As of 30 Jun 2021, a total number of **79** authorized outlets across 15 provinces in 39 cities



Added **4** outlets in 1H2021, in which **1** is a newly developed ultra luxury brand Lamborghini

- 2 Ferrari: located in Nanjing and Qingdao
- 1 Lexus: located in Cangzhou
- 1 Lamborghini: located in Wenzhou

Received **4** brands authorization

- 1 Ferrari: located in Zhengzhou
- 1 Bentley: located in Beijing
- 1 Lamborghini: located in Tianjin
- 1 Lexus: located in Shenyang



Keep eyes on suitable M&A targets that are in line with our developing philosophy, and that can help meet our stores-opening target this year

# Business Overview | Network Expansion



Ferrari Qingdao



Ferrari Nanjing



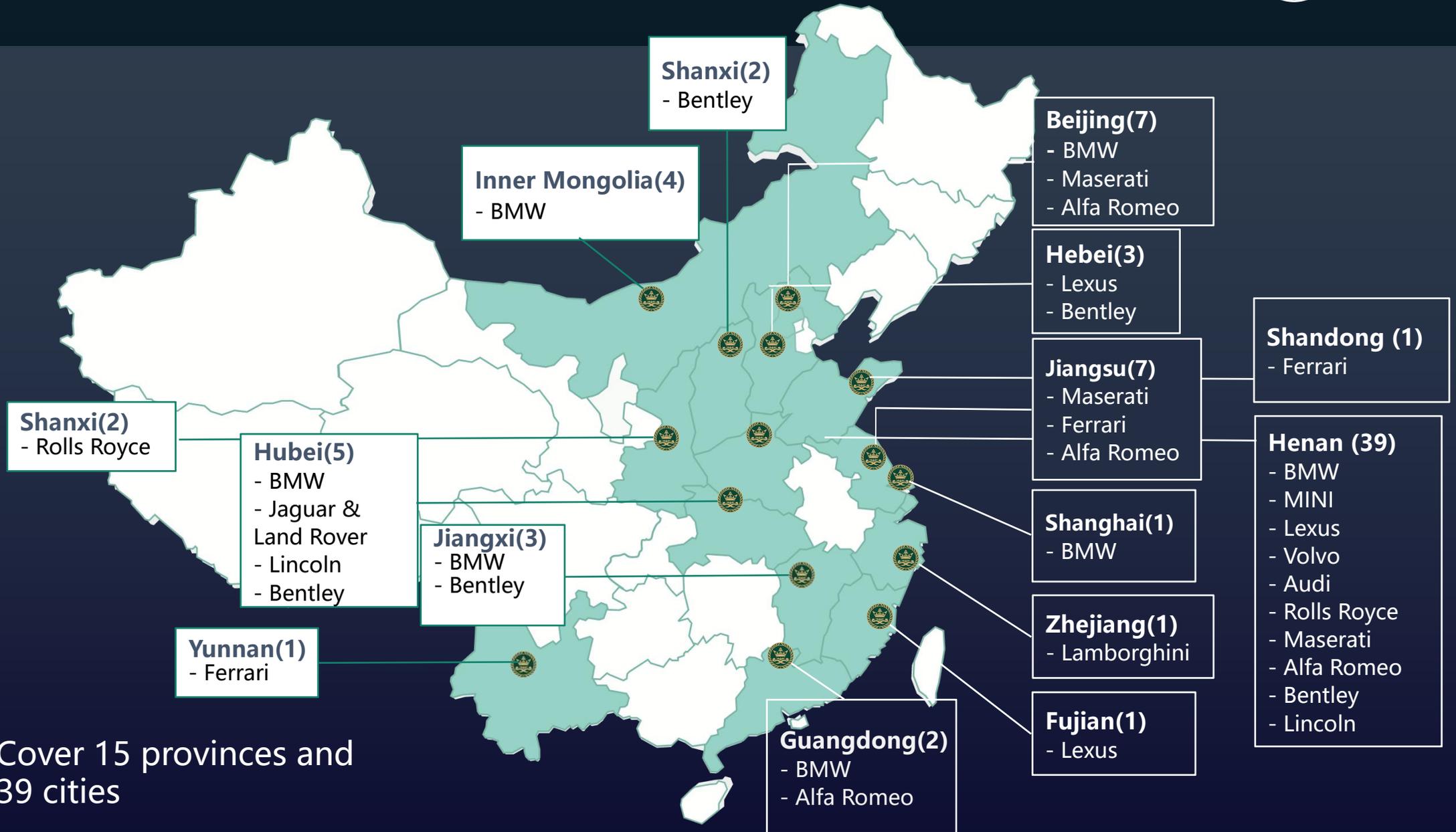
Lexus Cangzhou



Lamborghini Wenzhou



# Business Overview | Outlets distribution map



- Cover 15 provinces and 39 cities

# Business Overview | Awards of our outlets in 1H2021



## BMW & Mini

<b>Beijing</b>	Excellent Award for coating in 2021
<b>Henan</b>	Champion under sales skills competition in Hubei and Henan areas
<b>Zhengzhou</b>	Award for best services package under sales competition of BMW/Mini during May – Jun
<b>Shanghai</b>	Award for accidents service in eastern region
<b>Luoyang</b>	Award for excellent marketing campaign in the western region in Q2 by BMW brand
<b>Wuhan</b>	Award for excellent order taking by Mini; Award for customers serving in western region by BMW
<b>Xinxiang</b>	Award for the best case study in Q2 by BMW
<b>Luohe</b>	Award for the excellent customers experience in Q2
<b>Shangqiu</b>	Award for the all-rounded service and auto financing in Henan region
<b>Zhoukou</b>	Award for the best improvement of aftersales service in western region
<b>Jiujiang</b>	Award for the top selling in southern area



## Maserati

<b>Beijing</b>	Award for the best sales manager in northern region in Q1 and 1H2021
<b>Changzhou</b>	Award for the best improvement of market shares
<b>Wuxi</b>	Silver Award in the nationwide sales competition
<b>Suzhou</b>	Silver Award in the nationwide sales competition



## Lexus

<b>Zhengzhou</b>	Role-modelling outlet awarded by Toyota in northeastern region in Q1/2
<b>Handan</b>	Role-modelling outlet awarded by Toyota in Q1



## Lincoln

<b>Wuhan</b>	Best-selling award in the first half of 2021
<b>Xinxiang</b>	Best marketing award in the western region in 1H2021

## NEV manufacturing



- Byton, a premium brand that focus on "Automation, Connectivity, Electrification, and Shared Mobility"
- "Go Smart" as the key development philosophy

Financial investment



HARMONY AUTO  
和諧汽車

Financial investment

## NEV aftersales



- Navigating the new business model in the world of NEV
- Focus on building up an ecosystem that covers the frontend (manufacturing + sales) to backend demand (aftersales + Repair)
- Dangdang Cars Repair, an O2O platform specializing in NEV aftersales services
- Established strategic partnership with 10 NEV brands, incl. Nio, Xpeng, and Li Auto;

# Business Overview | Revitalization of Byton

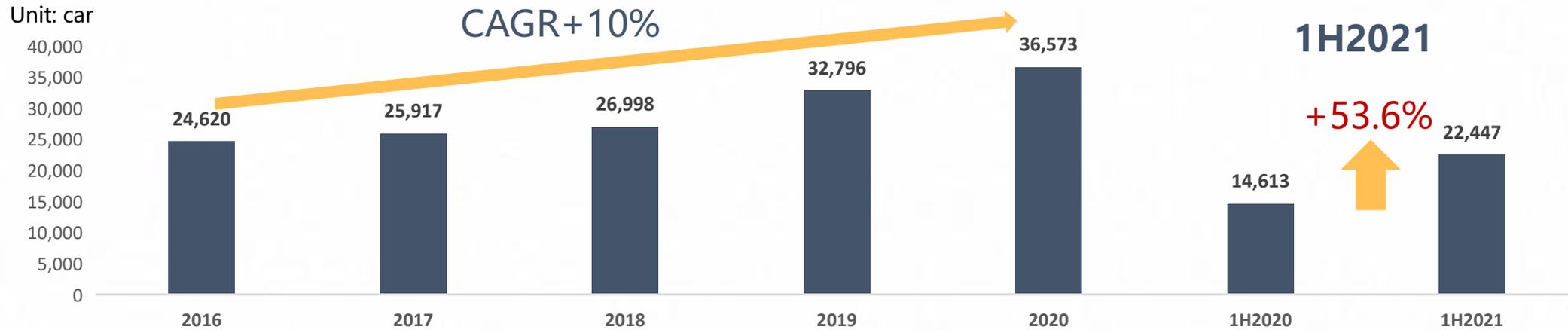


- Received \$200 million from Foxconn in early 2021, with the aim of helping Byton reach the start of production (SOP) at its best
- Various parties, including China Harmony, local government and FAW, are working on the debt recapitalization
- Looking for strategic investors to bring new blood to Byton

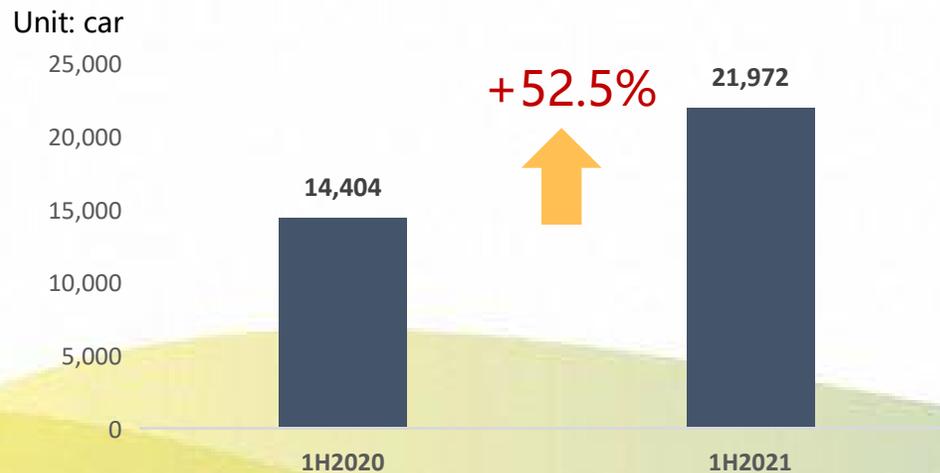
# Business Overview | New cars sales business: Growth engine is continuing in 1H2021



## Historical new cars sale volume



## Sale volume of Luxury brands

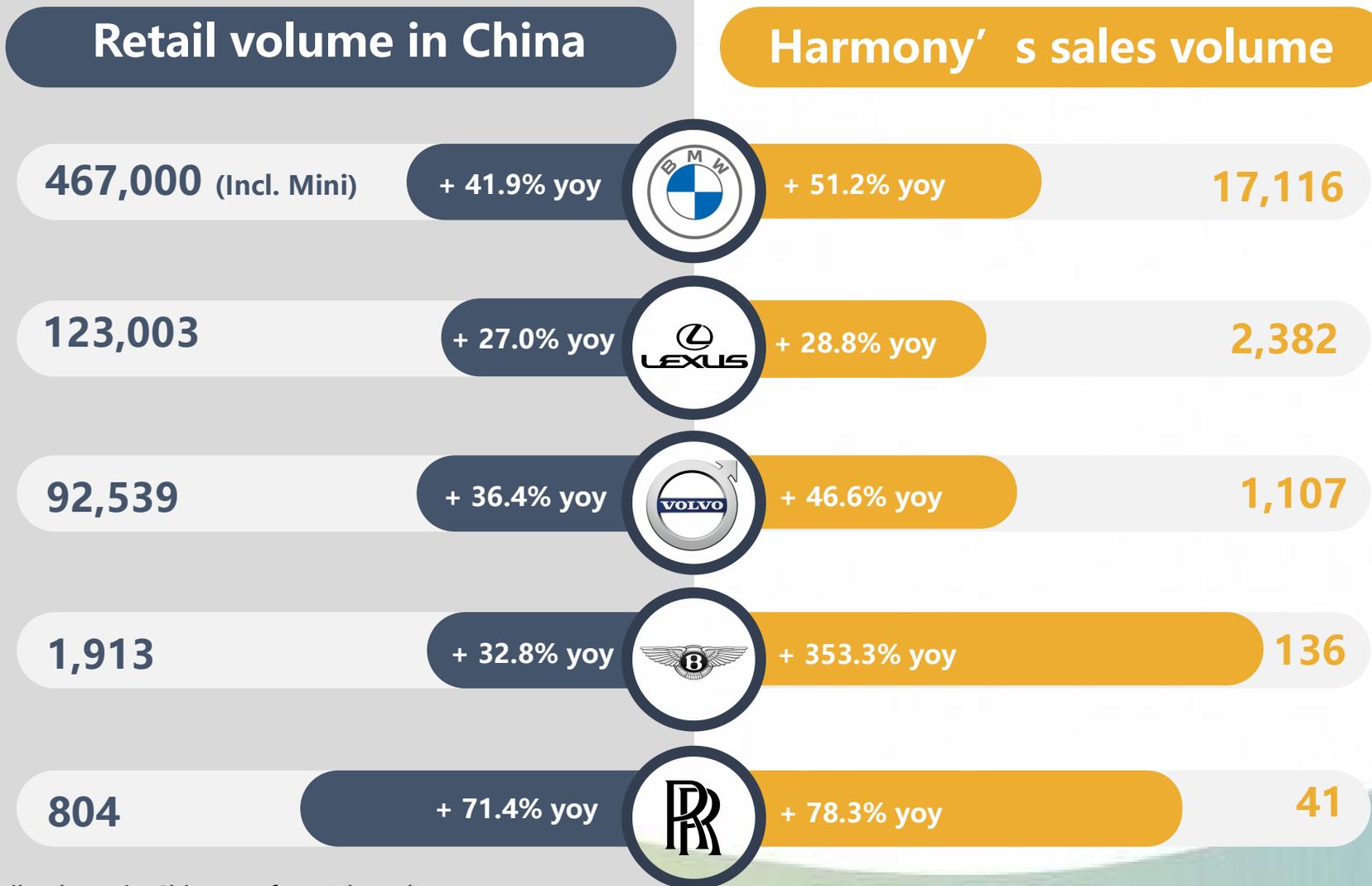


## Sale volume of ultra luxury brands



# Business Overview | Key brands' volume analysis

The Group's major luxury brands achieved higher volume growth than the brands' growth in China

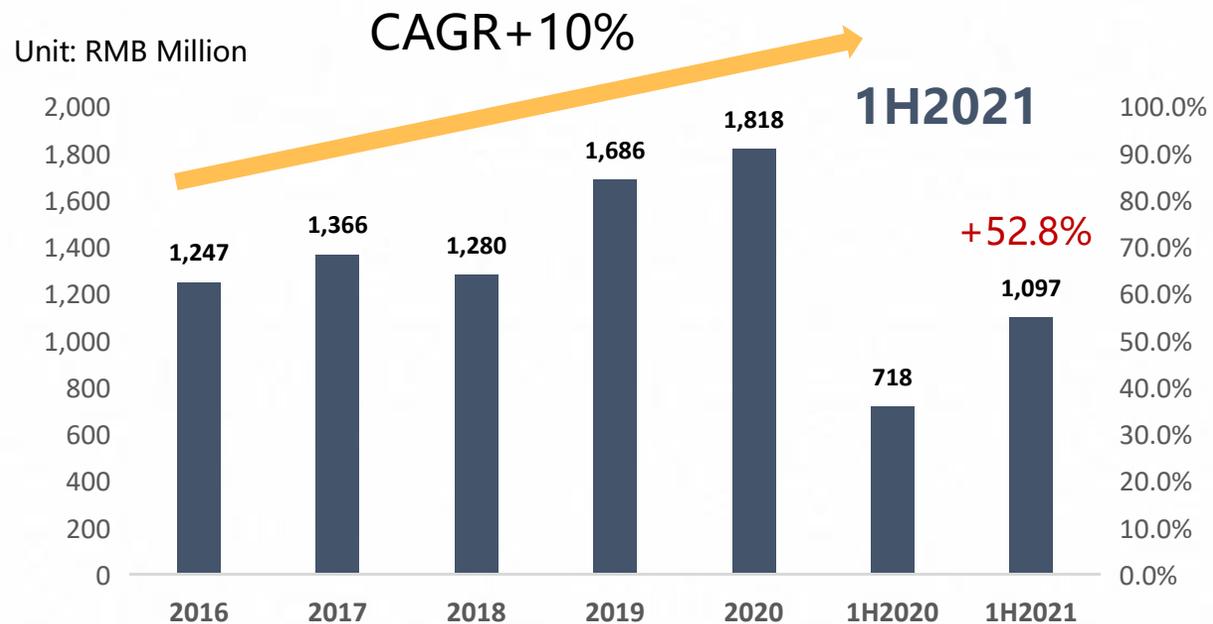


Note: figures for brands' retail volume in China are from Bloomberg

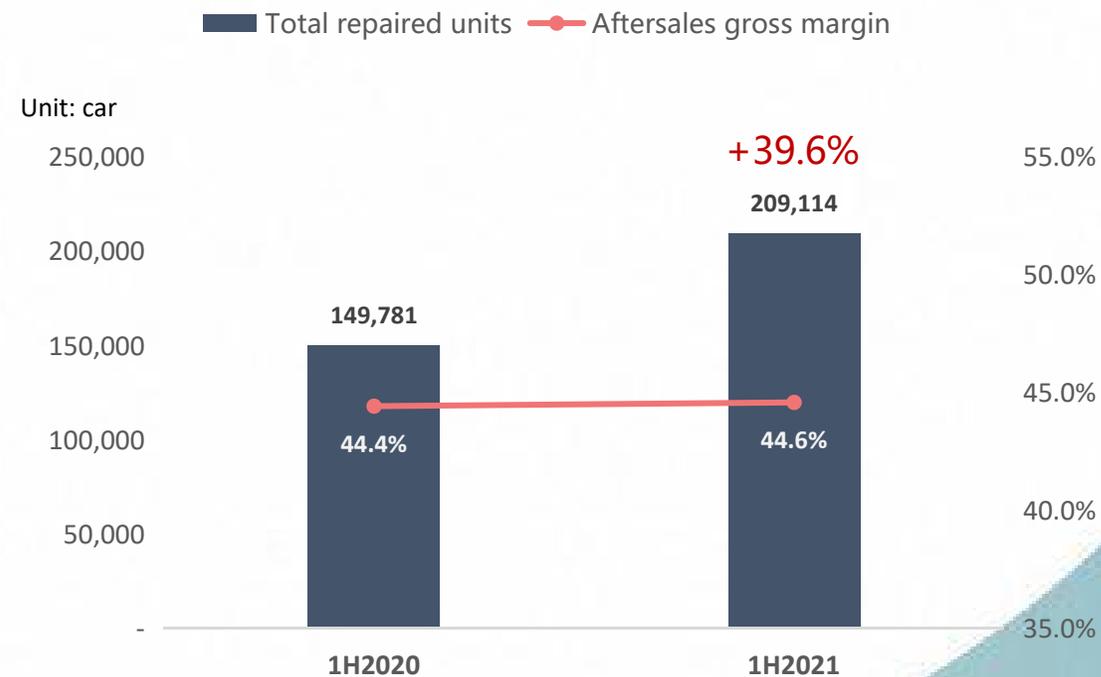
# Business Overview | Aftersales Service: Steady growth sustains



## Revenue from aftersales service



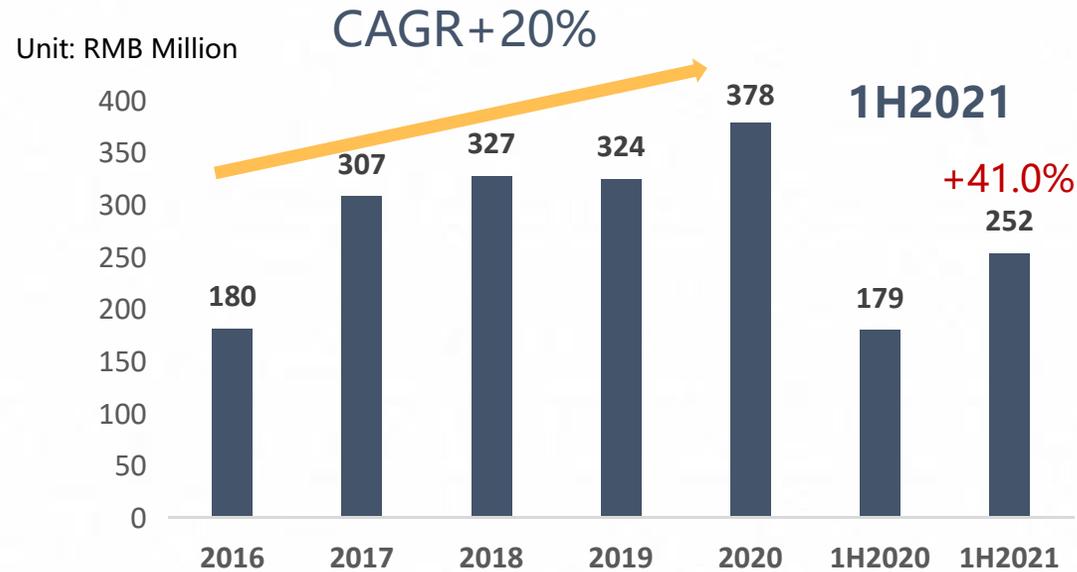
## A remarkable increase in repaired units



# Business Overview | Value-added business: Auto financing to drive commission income growth

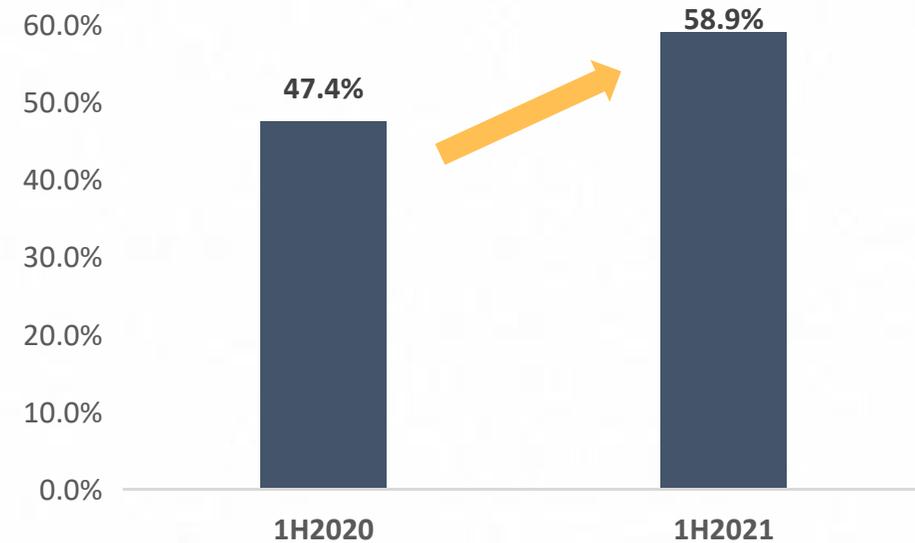


## Revenue from Value-added service



\*Value-added business include financing leasing, auto financing and car insurance

## Penetration of auto financing



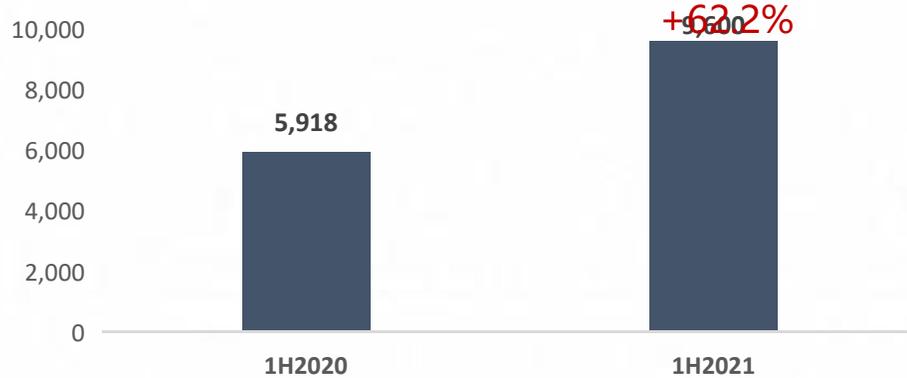
# I Financial Analysis

- 🎯 Financial performance
- 🎯 Analysis over operating expenses and liability
- 🎯 Overview of financials
- 🎯 Analysis over key indicators

# Financial Analysis | Financial performance

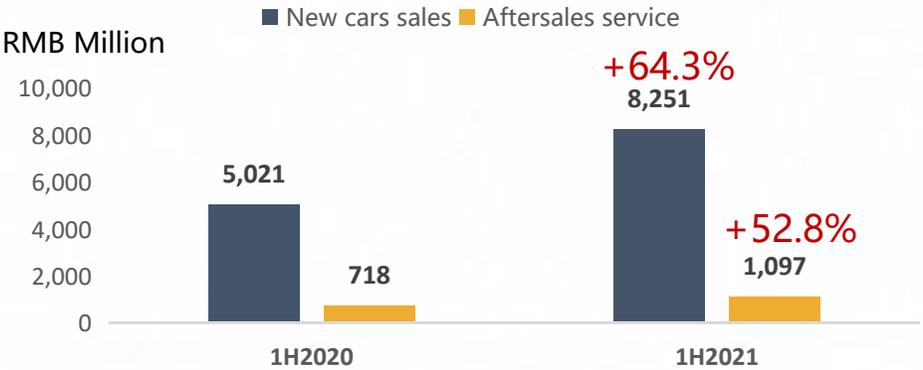
## Comprehensive Revenue (incl. commission income)

Unit: RMB Million



## Revenue from new cars sales and aftersales services

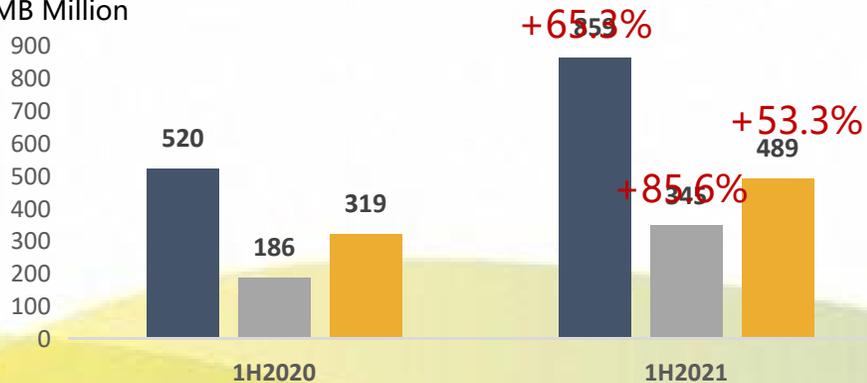
Unit: RMB Million



## Gross profit and its breakdown

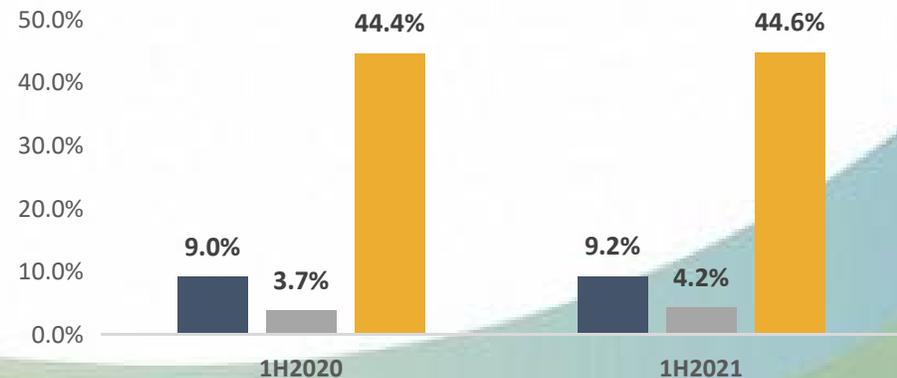
■ Main businesses ■ New cars sales ■ Aftersales service

Unit: RMB Million



## Gross Margin by Business Segment

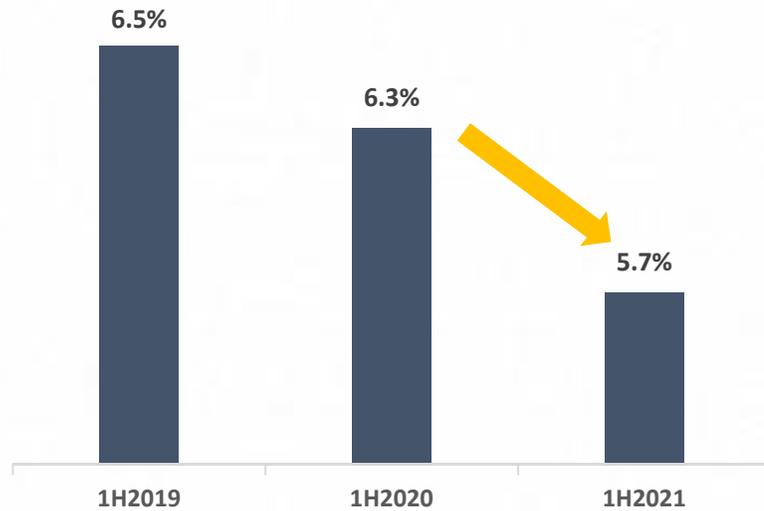
■ Main businesses ■ New cars sales ■ Aftersales service



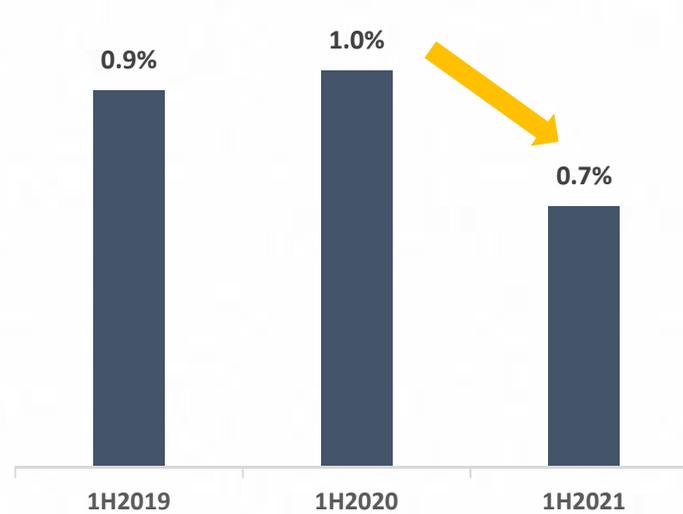
# Financial Analysis | Cost management and debt analysis



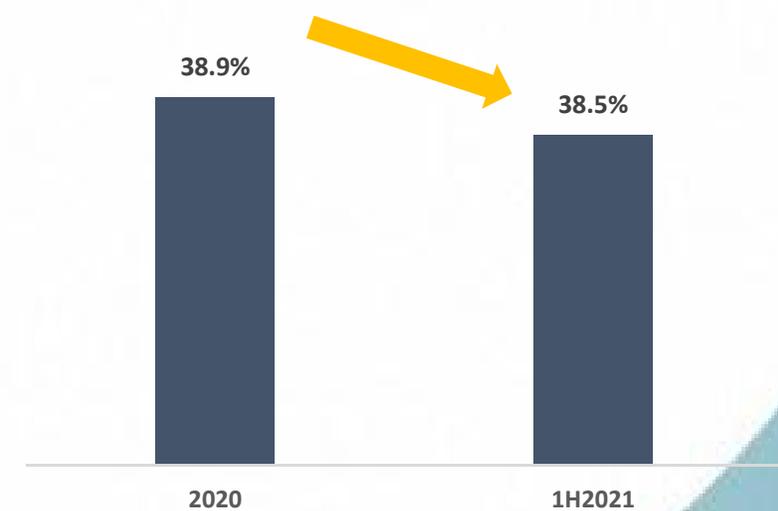
### SG&A Expense Ratio



### Financial Expense Ratio

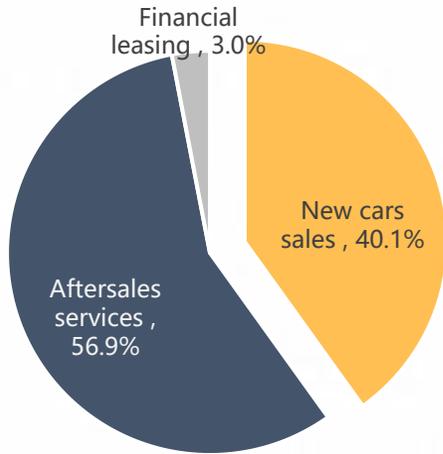


### Liability-To-Asset Ratio

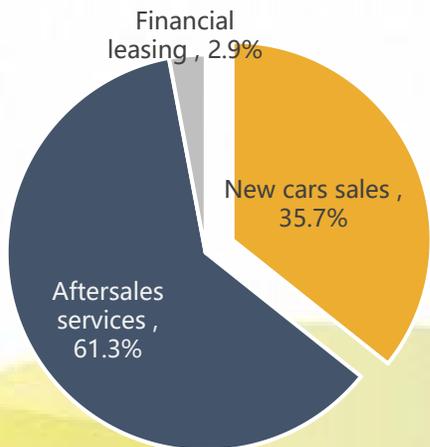


# Financial Analysis | Summary of key financials

## Breakdown of Gross Profit for 1H2021



## Breakdown of Gross Profit for 1H2020

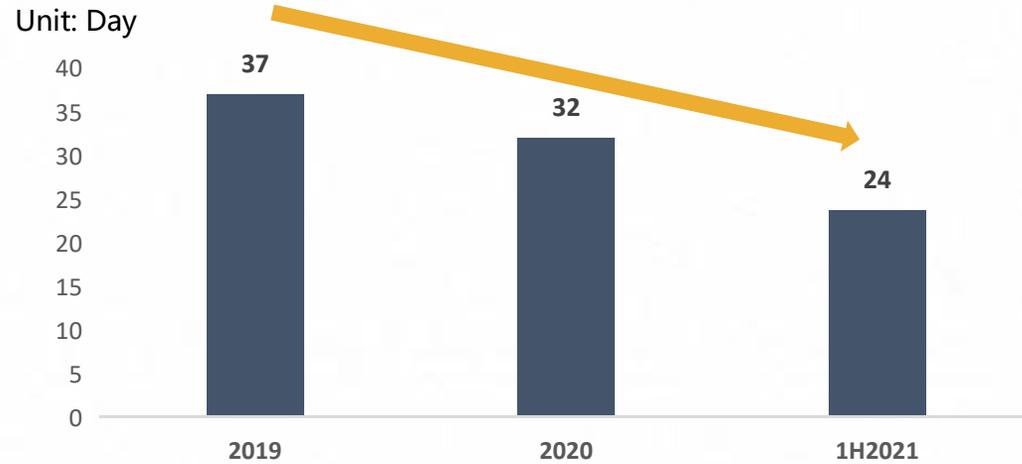


Unit: RMB Million	1H2020	1H2021	Year-on-Year Change
Comprehensive Revenue (incl. commission income)	5,918	<b>9,600</b>	62.2%
Gross Profit	520	<b>859</b>	65.3%
SG&A and Financial Expense	417	<b>599</b>	43.7%
Net Profit	242	<b>400</b>	65.4%
Inventories	1,025	<b>1,118</b>	9.0%
Total Assets	11,688	<b>12,852</b>	10.0%
Bank Loans and Other Borrowings	2,408	<b>2,596</b>	7.8%
Net Assets	7,427	<b>7,902</b>	6.4%

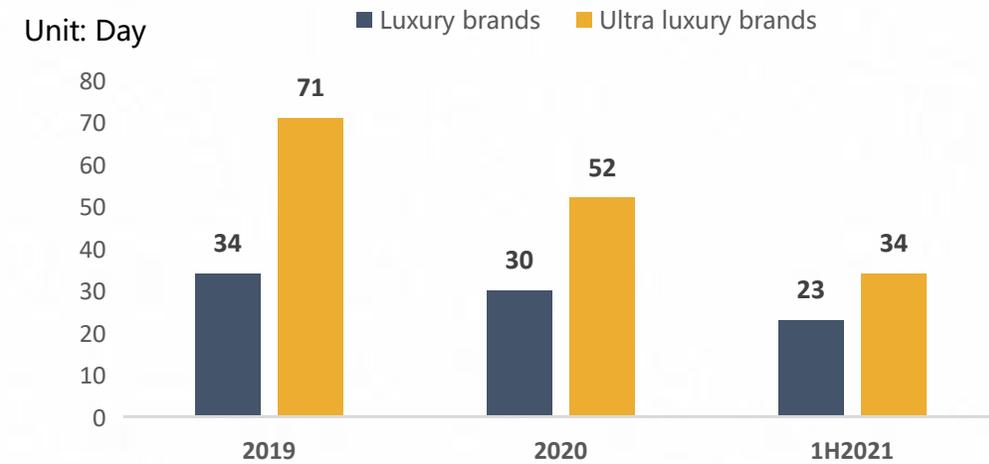
# Financial Analysis | Analysis on key indicators



## Overall Inventory Days



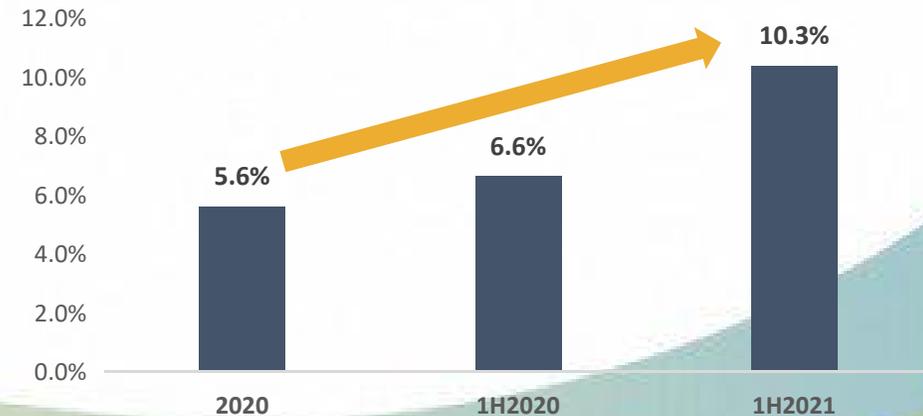
## Inventory Days by brands



## Absorption Ratio



## Annualized ROE



In line with China' s development policies  
(Big consumption and “From virtual economy to real economy” )

A huge market  
(with 1.4 billion population)

Rapid  
growth in  
next five  
years

Consumption upgrade

Power of branding

# Development Strategies | "Three Focuses"

Focus on the core business



Keep  
improving  
return on  
equity

Focus on the  
key brands



Focus on efficiency  
and quality growth

# Development strategies | Focus on the core business

One Core Two Wings” : focus on the core business, and spin off NEV business



 Unlock the value through independent financing



 Focus on the core business



 To seek independent financing

# Development Strategies | Focus on the key brands

## Keep focusing on strategically important brands

**Consolidate** BMW, Lexus, Ferrari, Bentley, Rolls Royce



## Keep eyes on the network expansion

- Optimize distribution network in the core regions
- Expand the coverage into areas with great potentials



## Go boldly toward digitalization

- Manage every working process by the means of digitalization
- Use data analytics to improve sales channels

## Continue to enhance efficiency in our day-to-day operation

- **One standard:** Performance-centric
- **Two mindsets:** Capability | Performance
- **Three reforms:** Simplify corporate hierarchy | Reform the budgeting | Reform the incentive package
- **Four cultures:** Simplicity | Efficiency | Happiness | Endeavour





HARMONY AUTO  
和諧汽車

# Thank you!

Hong Kong Investor Relation Office

Email: [hk@hexieauto.com](mailto:hk@hexieauto.com)