

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

2024 INTERIM REPORT



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhou Minfeng
(Chairman and Chief Executive)

Non-executive Directors

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

Independent non-executive Directors

Mr. Wong Luen Cheung Andrew (Vice-chairman)
Mr. Wang Dongchen
Mr. Xu Jiali

AUDIT COMMITTEE

Mr. Wong Luen Cheung Andrew (Chairman)
Mr. Wang Dongchen
Mr. Xu Jiali

REMUNERATION COMMITTEE

Mr. Wang Dongchen (Chairman)
Mr. Zhou Minfeng
Mr. Xu Jiali

NOMINATION COMMITTEE

Mr. Zhou Minfeng (Chairman)
Mr. Wang Dongchen
Mr. Xu Jiali

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

Room 907B, 9th Floor
Empire Centre
68 Mody Road
Tsim Sha Tsui, Kowloon
Hong Kong

PRINCIPAL BANKERS

Bank of China
Agricultural Bank of China

LEGAL ADVISER AS TO HONG KONG LAW

Long An & Lam LLP

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor

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

Union Registrars Limited
Suites 3301-04, 33/F
Two Chinachem Exchange Square
338 King's Road
North Point
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 2024, the Group's revenue was approximately RMB774,645,000, representing a decrease of approximately 10.4% as compared to approximately RMB864,861,000 for the six months ended 30 June 2023. Profit attributable to the owners of the parent for the six months ended 30 June 2024 was approximately RMB18,240,000, representing an increase of approximately 17.5% as compared to RMB15,524,000 for the six months ended 30 June 2023.

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			
	2024		2023	
	Revenue (Unaudited) RMB'000	Gross profit margin %	Revenue (Unaudited) RMB'000	Gross profit margin %
Automotive interior and exterior structural and decorative parts	543,222	32.2	701,054	25.3
Moulds and tooling	96,485	22.8	46,646	22.3
Casings and liquid tanks of air conditioners and heaters	78,729	20.4	67,788	29.1
Non-automotive products	23,654	38.4	23,920	41.2
Sale of raw materials	32,555	8.4	25,453	15.7
Total	774,645	29.0	864,861	25.6

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2024, the revenue generated from automotive interior and exterior structural and decorative parts was approximately RMB543,222,000 (the six months ended 30 June 2023: approximately RMB701,054,000), accounting for approximately 70.1% of the Group's total revenue for the six months ended 30 June 2024 (the six months ended 30 June 2023: approximately 81.1%). Gross profit margin increased from approximately 25.3% for the six months ended 30 June 2023 to approximately 32.2% for the six months ended 30 June 2024.

For the six months ended 30 June 2024, revenue from moulds and tooling was approximately RMB96,485,000 (the six months ended 30 June 2023: approximately RMB46,646,000), accounting for approximately 12.5% of the Group's total revenue for the six months ended 30 June 2024 (the six months ended 30 June 2023: approximately 5.4%). Gross profit margin increased from approximately 22.3% for the six months ended 30 June 2023 to approximately 22.8% for the six months ended 30 June 2024.

For the six months ended 30 June 2024, revenue from casings and liquid tanks of air conditioners and heaters was approximately RMB78,729,000 (the six months ended 30 June 2023: approximately RMB67,788,000), accounting for approximately 10.2% of the Group's total revenue for the six months ended 30 June 2024 (the six months ended 30 June 2023: approximately 7.8%). Gross profit margin decreased from approximately 29.1% for the six months ended 30 June 2023 to approximately 20.4% for the six months ended 30 June 2024.

For the six months ended 30 June 2024, revenue from non-automotive products was approximately RMB23,654,000 (the six months ended 30 June 2023: approximately RMB23,920,000), accounting for approximately 3.0% of the Group's total revenue for the six months ended 30 June 2024 (the six months ended 30 June 2023: approximately 2.8%). Gross profit margin decreased from approximately 41.2% for the six months ended 30 June 2023 to approximately 38.4% for the six months ended 30 June 2024.

For the six months ended 30 June 2024, revenue from sale of raw materials was approximately RMB32,555,000 (the six months ended 30 June 2023: approximately RMB25,453,000), accounting for approximately 4.2% of the Group's total revenue for the six months ended 30 June 2024 (the six months ended 30 June 2023: approximately 2.9%). The gross profit margin decreased from approximately 15.7% for the six months ended 30 June 2023 to approximately 8.4% for the six months ended 30 June 2024.

For the six months ended 30 June 2024, the overall gross profit margin increased to approximately 29.0% (the six months ended 30 June 2023: approximately 25.6%).

Other Income and Gains

Other income and gains of the Group for the six months ended 30 June 2024 amounted to approximately RMB23,297,000 (the six months ended 30 June 2023: approximately RMB14,912,000), representing an increase of approximately 56.2% as compared to the six months ended 30 June 2023.

Selling and Distribution Expenses

The Group's selling and distribution expenses for the six months ended 30 June 2024 amounted to approximately RMB58,253,000, representing an increase of approximately 4.9% as compared to approximately RMB55,552,000 in the six months ended 30 June 2023.

Administrative Expenses

The Group's administrative expenses for the six months ended 30 June 2024 amounted to approximately RMB165,089,000, representing an increase of approximately 14.7% as compared to approximately RMB143,908,000 in the six months ended 30 June 2023. This was mainly attributable to increase of research and development expense during the period.

Share of Profits of Joint Ventures

During the six months ended 30 June 2024, the Group recorded approximately RMB15,274,000 of the share of profits of joint ventures, while a share of profits of joint ventures of approximately RMB8,669,000 was recorded for the six months ended 30 June 2023.

Finance Costs

The Group's finance costs increased from approximately RMB12,280,000 for the six months ended 30 June 2023 to approximately RMB12,847,000 for the six months ended 30 June 2024, representing an increase of approximately 4.6%. The increase in finance costs was mainly due to the increase of interest-bearing bank borrowings during the six months ended 30 June 2024.

Taxes

The Group's tax expenses decrease by approximately 55.2% from approximately RMB10,907,000 for the six months ended 30 June 2023 to approximately RMB4,891,000 for the six months ended 30 June 2024. The decrease was mainly due to the decrease of deferred income tax expense in the six months ended 30 June 2024 as compared to the six months ended 30 June 2023.

Liquidity and Financial Resources

For the six months ended 30 June 2024, the net cash flows from operating activities amounted to approximately RMB130,412,000 (the six months ended 30 June 2023: net cash flows from operating activities approximately RMB34,328,000).

The net cash used in investing activities amounted to approximately RMB86,771,000 (the six months ended 30 June 2023: net cash used in investing activities of approximately RMB37,296,000) and the net cash flows from financing activities amounted to approximately RMB4,141,000 (the six months ended 30 June 2023: net cash from in financing activities of approximately RMB41,831,000). The cash used in investing activities was mainly attributable to the payment for purchase of property, plant and machinery. The net cash flows in financing activities was mainly attributable to increase of new bank loans.

As a result of the cumulative effect described above, the Group recorded a net cash inflow of approximately RMB47,782,000 for the six months ended 30 June 2024 (the six months ended 30 June 2023: net cash inflow of approximately RMB38,863,000).

As at 30 June 2024, the Group's cash and cash equivalents (including cash and bank deposits) amounted to approximately RMB159,877,000 (31 December 2023: approximately RMB112,219,000).

As at 30 June 2024, the Group's interest-bearing bank borrowings and other borrowings were approximately RMB668,261,000 (31 December 2023: approximately RMB611,377,000), among of which, approximately RMB316,204,000 would be due within one year (31 December 2023: approximately RMB262,062,000). The borrowings of the Group were subject to interests payable at rates ranging from 2.30% to 4.34% 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Commitments

As at 30 June 2024, the Group had capital commitments amounting to approximately RMB56,543,000 (31 December 2023: approximately RMB61,856,000) 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 2024 was 1,769,193,800.

Contingent Liabilities

As at 30 June 2024, the Group had no significant contingent liabilities (31 December 2023: Nil).

Pledge of Assets

As at 30 June 2024, the Group's assets of approximately RMB133,283,000 (31 December 2023: approximately RMB105,966,000) 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 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Property, plant and equipment	34,749	30,868
Right-of-use assets — Prepaid land lease payments	39,444	39,818
Pledged deposits	59,090	35,280
Total	133,283	105,966

Gearing Ratio

As at 30 June 2024, the Group's gearing ratio was approximately 55.3% (31 December 2023: approximately 54.3%). 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

Save as disclosed herein, during the six months ended 30 June 2024, 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 2024, the Group had 3,070 employees (30 June 2023: 2,949). Total staff costs of the Group (excluding Directors' and chief executive's remuneration) for six months ended 30 June 2024 was approximately RMB140,104,000 (the six months ended 30 June 2023: approximately RMB136,846,000). 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 2024 and up to the date of this report.

PROSPECT

From January to June in 2024, the manufacturing and sales volumes of automobiles in China reached 13.89 million and 14.05 million, respectively, with a year-on-year increase of 4.9% and 6.1%, among of which, the manufacturing and sales volumes of new energy automobiles reached 4.93 million and 4.94 million, respectively, with a year-on-year increase of 30.1% and 32.0%, accounted for 35.2% of the market share. China Association of Automobile Manufacturers expects that the total sales volume of new energy vehicles in China will reach 11.5 million in 2024, representing a growth of about 20% as compared with last year.

The Group will actively facilitate its work regarding the deployment of aspects including customers, products and manufacturing to promote overall development. Firstly, we will continue to strive for expanding our cooperation with traditional automotive brands. As we pursue top quality craftsmanship and innovative manufacturing constantly, we will also endeavor to extend the scope of cooperation from traditional automotives to new energy automotives and aim to develop new lightweight products made of new and high-performance plastics together, in substitution for metal automotive parts. Secondly, we will continue to improve our deployment in the new energy market and strengthen our connection with new energy automotive brands. We have successful exploration in the new energy market and has worked with industry leaders in the past. We will fight for more orders and customers on that basis and seek to expand economies of scale. Lastly, we will strengthen our manufacturing deployment comprehensively. We plan to set up new manufacturing facilities in Mexico in order to achieve global business development and compete for orders from overseas manufacturers.

During the coming year, Huazhong In-Vehicle will focus on the improvement of its product mix, to better meet the demand of its automotive brand customers and enhance the cooperation with its customers. We will continue to increase the utilisation rate of our production capacity to maximise the efficiency of mass production; meanwhile, we will strengthen our management on business expenses and take revenue generating and cost control measure, striving for remarkable results of profits during the recovery of the industry.

MANAGEMENT DISCUSSION AND ANALYSIS

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 C1 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 2024, 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 one executive Director, three non-executive Directors and three 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 C3 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 2024, they were in compliance with the required provisions set out in the Model Code.

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

As at 30 June 2024, 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 or 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%
	Beneficial owner	900,000	0.05%
	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 2024, 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 2024 and as at the date of this report.

The number of share options available for grant under the scheme mandate of the 2011 Share Option Scheme as at 1 January 2024 and 30 June 2024 is 0.

The number of shares that may be issued in respect of options granted under 2011 Share Option Scheme of the Company during the six months ended 30 June 2024 is nil, representing 0% of the weighted average number of shares of the relevant class in issue of the Company for the six months ended 30 June 2024.

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.

The number of share options available for grant under the scheme mandate of the 2021 Share Option Scheme as at 1 January 2024 and 30 June 2024 is 176,919,380.

The number of shares that may be issued in respect of options granted under 2021 Share Option Scheme of the Company during the six months ended 30 June 2024 is nil, representing 0% of the weighted average number of shares of the relevant class in issue of the Company for the six months ended 30 June 2024.

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 2024 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 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 2024, 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%
Zhou Minfeng	Beneficial owner	900,000	0.05%
Ms. 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 2024, 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 2024, 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.

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 2024.

INTERIM DIVIDENDS

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2024 (the six months ended 30 June 2023: Nil).

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") consists of three members, namely Mr. Wong Luen Cheung Andrew (chairman), Mr. Wang Dongchen 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 D2 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 2024. The Audit Committee has reviewed the interim results of the Group for the six months ended 30 June 2024 and is of the view that the announcement of interim results for the six months ended 30 June 2024 is prepared in accordance with applicable accounting standards, rules and regulations and appropriate disclosures have been duly made.

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 2024

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

	Notes	For the six months ended 30 June	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
REVENUE	4	774,645	864,861
Cost of sales		(549,856)	(643,829)
Gross profit		224,789	221,032
Other income and gains	4	23,297	14,912
Selling and distribution expenses		(58,253)	(55,552)
Administrative expenses		(165,089)	(143,908)
(Impairment)/reversal of impairment losses on financial assets, net		(883)	271
Other expenses		(393)	(1,006)
Finance costs		(12,847)	(12,280)
Share of profits of joint ventures		15,274	8,669
PROFIT BEFORE TAX	5	25,895	32,138
Income tax	6	(4,891)	(10,907)
PROFIT FOR THE PERIOD		21,004	21,231
Attributable to:			
Owners of the parent		18,240	15,524
Non-controlling interests		2,764	5,707
		21,004	21,231
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (expressed in RMB per share)	8		
Basic and diluted			
— For profit for the period		RMB0.0103	RMB0.0088

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
PROFIT FOR THE PERIOD	21,004	21,231
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent period:		
Exchange differences:		
Exchange differences on translation of foreign operations	2,892	—
Net other comprehensive income may be reclassified to profit or loss in subsequent periods:	2,892	—
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	(53,599)	—
Income tax effect	13,400	—
Net other comprehensive income that will not be reclassified profit or loss in subsequent periods	(40,199)	—
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	(37,307)	—
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	(16,303)	21,231
Attributable to:		
Owners of the parent	(19,067)	15,524
Non-controlling interests	2,764	5,707
	(16,303)	21,231

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	Notes	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	976,556	935,482
Investment properties		27,046	28,411
Right-of-use assets		238,771	231,977
Intangible assets		4,631	5,244
Investments in joint ventures		151,616	132,342
Prepayments for acquiring property, plant and equipment		70,073	56,384
Equity investments designated at fair value through other comprehensive income		118,999	172,598
Pledged deposits		30,000	30,000
Deferred tax assets		31,085	27,505
Amounts due from related parties		60,023	23,000
Other non-current assets		1,725	2,175
Total non-current assets		1,710,525	1,645,118
CURRENT ASSETS			
Inventories		509,025	464,536
Trade and notes receivables	10	636,223	790,240
Prepayments and other receivables		293,054	279,318
Amounts due from related parties		86,859	92,463
Pledged deposits		57,314	24,091
Cash and cash equivalents		159,877	112,219
Total current assets		1,742,352	1,762,867
CURRENT LIABILITIES			
Trade and notes payables	11	921,417	875,588
Other payables and accruals		235,606	260,274
Interest-bearing bank and other borrowings		316,204	262,062
Amounts due to related parties		19,429	11,422
Tax payable		33,778	38,802
Total current liabilities		1,526,434	1,448,148
NET CURRENT ASSETS		215,918	314,719
TOTAL ASSETS LESS CURRENT LIABILITIES		1,926,443	1,959,837

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the six months ended 30 June 2024

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	352,057	349,315
Government grants	17,099	17,791
Deferred tax liabilities	26,868	39,199
Total non-current liabilities	396,024	406,305
Net assets	1,530,419	1,553,532
EQUITY		
Equity attributable to owners of the parent		
Issued capital	142,956	142,956
Reserves	1,220,340	1,243,767
	1,363,296	1,386,723
Non-controlling interests	167,123	166,809
Total equity	1,530,419	1,553,532

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

30 June 2024

	Attributable to owners of the parent									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	Exchange fluctuation reserve* RMB'000	Retained earnings* RMB'000	Total RMB'000	Non-controlling interests RMB'000	
As at 1 January 2024 (audited)	142,956	8,157	118,667	88,278	101,942	(13)	926,736	1,386,723	166,809	1,553,532
Total comprehensive loss for the period	-	-	-	-	(40,199)	2,892	18,240	(19,067)	2,764	(16,303)
Final dividends	-	-	-	-	-	-	(4,360)	(4,360)	(2,450)	(6,810)
As at 30 June 2024 (unaudited)	142,956	8,157	118,667	88,278	61,743	2,879	940,616	1,363,296	167,123	1,530,419
As at 1 January 2023 (audited)	142,956	8,157	112,845	88,278	18,021	-	907,004	1,277,261	152,696	1,429,957
Total comprehensive income for the period	-	-	-	-	-	-	15,524	15,524	5,707	21,231
Final dividends	-	-	-	-	-	-	(12,996)	(12,996)	(5,599)	(18,595)
As at 30 June 2023 (unaudited)	142,956	8,157	112,845	88,278	18,021	-	909,532	1,279,789	152,804	1,432,593

* These reserve accounts comprise the consolidated reserves of RMB1,220,340,000 (31 Dec 2023: RMB1,243,767,000) in the interim condensed consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	Notes	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Cash flows from operating activities			
Profit before tax:		25,895	32,138
Net foreign exchange gain		3,016	(597)
Finance costs		12,847	12,280
Share of profits of joint ventures		(15,274)	(8,669)
Dividend income from equity investments at fair value through other comprehensive income	4	–	(905)
Finance income	4	(1,578)	(2,254)
Gain on disposal of items of property, plant and equipment	4	(240)	(155)
Amortizations of government grants		(84)	(610)
Depreciation of property, plant and equipment		55,456	51,487
Depreciation of right-of use assets		8,730	7,526
Depreciation of investment properties		1,446	1,445
Amortisation of intangible assets		744	903
Amortisation of non current assests		450	–
(Reversal of write-down)/write-down of inventories to net realisable value		(1,148)	997
Impairment/(reversal of impairment losses) of financial assets, net	5	883	(271)
		91,143	93,315
Increase in inventories		(43,341)	(26,618)
Decrease in trade and notes receivables		152,996	53,929
(Increase)/decrease in prepayments, other receivables and other assets		(24,651)	7,258
Increase in other non-current assets		–	(1,725)
(Increase)/decrease in amounts due from related parties		(31,419)	5,492
Increase/(decrease) in amounts due to the ultimate controlling shareholder		22	(75)
Increase/(decrease) in trade and bills payables		45,829	(63,752)
Decrease in other payables and accruals		(43,061)	(31,864)
Increase/(decrease) in amounts due to related parties		4,733	(370)
(Increase)/decrease in pledged deposits		(9,413)	40,356
Cash from operations		142,838	75,946
Income tax paid		(12,426)	(41,618)
Net cash flows from operating activities		130,412	34,328

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Cash flows from investing activities		
Interest received	1,726	5,508
Prepayments and purchases of items of property, plant and equipment	(89,563)	(44,785)
Payment for purchase of right-of-use assets	(465)	–
Purchases of items of intangible assets	(131)	(8,490)
Proceeds from disposal of items of property, plant and equipment	5,662	7,616
Receipt of government grants for property, plant and equipment and right-of-use assets	–	1,950
Addition of investments in associate	(13,000)	–
Dividends received from a jointly-controlled entity	9,000	–
Dividend received from equity investments at fair value through other comprehensive income	–	905
Net cash flows used in investing activities	(86,771)	(37,296)
Cash flows from financing activities		
New bank loans	528,056	446,000
Repayment of bank loans	(480,054)	(423,009)
Principal portion of lease payment	(6,570)	(5,315)
Dividends paid to non-controlling shareholders	(1,057)	(1,574)
Decrease in pledged deposits	(23,810)	37,700
Interest paid	(12,424)	(11,971)
Net cash flows from financing activities	4,141	41,831
NET INCREASE IN CASH AND CASH EQUIVALENTS	47,782	38,863
Cash and cash equivalents at beginning of the period	112,219	114,845
Effect of foreign exchange rate changes, net	(124)	597
CASH AND CASH EQUIVALENTS AT END OF PERIOD	159,877	154,305
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	159,877	154,305
Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position	159,877	154,305
Cash and cash equivalents as stated in the interim condensed consolidated statement of cash flows	159,877	154,305

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

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 2024, 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 2024 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 2023.

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 2023, except for the adoption of the following new and revised International Financial Reporting Standards (“**IFRSs**”) for the first time for the current period’s financial information.

Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i> (the “ 2020 Amendments ”)
Amendments to IAS 1	<i>Non-current Liabilities with Covenants</i> (the “ 2022 Amendments ”)
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements</i>

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

- (a) Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

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

- (b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim condensed consolidated financial information.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

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	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Chinese Mainland	734,408	830,242
Overseas	40,237	34,619
Total	774,645	864,861

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

(b) Non-current assets

The following table presents non-current asset information for the Group as at 30 June 2024 and 31 December 2023 respectively, which is based on the locations of assets and excludes financial instruments and deferred tax assets.

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Chinese Mainland	1,548,227	1,435,967
Overseas	12,214	9,048
Total	1,560,441	1,445,015

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

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 2024 and 30 June 2023 is as follows:

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenue from contracts with customers	774,645	864,861
Disaggregated revenue information for revenue from contracts with customers		
<i>Type of goods or service</i>		
Sales of plastic parts and automotive parts	678,160	818,215
Sales of moulds and tooling	96,485	46,646
Total	774,645	864,861
<i>Geographical markets</i>		
Chinese Mainland	734,408	830,242
Overseas	40,237	34,619
Total	774,645	864,861
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time	774,645	864,861

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

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

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Rental income	2,811	2,573
Government grants	9,687	3,294
Dividends received from equity investments designated at fair value through other comprehensive income	–	905
Management fee	1,951	2,084
Value-added tax preferences	4,924	–
Gain on disposal of items of property, plant and equipment	240	155
Gain on sales of scrap materials	844	1,212
Foreign exchange difference, net	137	1,864
Interest income on bank deposits	1,404	1,760
Interest income on loans and receivables	174	494
Others	1,125	571
Total	23,297	14,912

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Cost of inventories recognised	549,856	643,829
Depreciation of property, plant and equipment	55,456	51,487
Depreciation of right-of-use assets	8,730	7,526
Depreciation of investment properties	1,446	1,445
Amortisation of intangible assets	744	903
Lease payments under short-term leases	7,118	4,875
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages, salaries and other benefits	140,104	136,846
Rental income, net	(2,811)	(2,573)
Foreign exchange difference, net	(137)	(1,864)
Impairment/(reversal of impairment losses) of financial assets, net	883	(271)
(Reversal of write-down)/write-down of inventories to net realisable value	(1,148)	997
Gain on disposal of items of property, plant and equipment	(240)	(155)

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

6. INCOME TAX

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

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Current income tax		
— Charge for the period	7,403	9,435
Deferred income tax	(2,512)	1,472
Total tax charge for the period	4,891	10,907

7. DIVIDENDS

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Final declared — HK0.2717 cent per ordinary share (2023: HK0.8389 cent)	4,360	12,996

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

8. 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 2024 (the six months ended 30 June 2023: 1,769,193,800).

The Group had no potentially dilutive ordinary shares in issue during the period.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT *(Continued)*

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

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Earnings		
Profit attributable to owners of the parent used in the basic and diluted earnings per share calculation	18,240	15,524
	For the six months ended 30 June	
	Number of shares 2024 (Unaudited)	2023 (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

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group acquired property, plant and equipment with a total cost of RMB101,639,000 (the six months ended 30 June 2023: RMB46,789,000). No asset is transferred from investment properties to property, plant and equipment (30 June 2023: Nil).

No asset is transferred from property, plant and equipment to investment properties (30 June 2023: Nil). Assets with a net book value of RMB5,028,000 were disposed of by the Group during the six months ended 30 June 2024 (30 June 2023: RMB7,461,000), resulting in a net gain on disposal of RMB240,000 (30 June 2023: net gain on disposal RMB155,000).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

10. TRADE AND NOTES RECEIVABLES

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Trade receivables	590,765	704,864
Notes receivable	110,112	145,201
Sub-total	700,877	850,065
Impairment of trade receivables	(64,654)	(59,825)
Total	636,223	790,240

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 3 months	506,293	614,357
3 to 6 months	11,291	11,028
6 months to 1 year	5,623	9,588
Over 1 year	2,904	10,066
Total	526,111	645,039

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

11. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables of the Group as at 30 June 2024, based on the invoice date, is as follows:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 3 months	710,655	650,703
3 to 12 months	200,092	207,850
1 to 2 years	2,881	6,318
2 to 3 years	7,789	10,717
Total	921,417	875,588

Certain bills payable was secured by pledged deposits of the Group with a carrying value of RMB27,990,000 as at 30 June 2024 (31 December 2023: RMB18,811,000).

12. COMMITMENTS

The Group had the following contractual commitments at the end of the reporting period:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Property, plant and equipment	56,543	61,856

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

13. RELATED PARTY TRANSACTIONS AND BALANCES

- (a) The Group had the following material transactions with related parties during the period:

	Notes	For the six months ended 30 June	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Sales of goods to:	(i)		
Joint ventures		25,176	28,276
An entity with significant influence by Mr. Zhou's brother		28,769	23,214
Purchases of goods from:	(ii)	53,945	51,490
Joint ventures		322	530
Entities with significant influence by Mr. Zhou's brother		1,954	3,480
An entity with significant influence by the key management personnel		3,551	2,167
An entity collectively controlled by Mr. Zhou's parents		43	41
Gross rental income from:	(iii)	5,870	6,218
Joint ventures		4,975	2,573
Management fee from:	(iv)		
Joint ventures		4,285	2,084
Research and development fee from:	(v)		
An entity with significant influence by the key management personnel		2,770	2,475

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

13. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

- (a) The Group had the following material transactions with related parties during the period (continued):

Notes:

- (i) The sales of goods to the related parties were made according to the prices and terms agreed between the related parties.
- (ii) The purchases of goods from the related parties were made according to the prices and terms offered by the related parties.
- (iii) The gross rental income from related parties were made in accordance with the terms and conditions agreed between the related parties through lease agreements.
- (iv) The management fee from the related party was in accordance with the terms agreed between the related parties through management fee agreements.
- (v) The research and development fee from the related party was in accordance with the terms agreed between the related parties through research and development fee agreements.

- (b) Outstanding balances with related parties

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Amounts due from related parties:		
Joint ventures	43,622	57,532
An entity with significant influence by Mr. Zhou's brother	43,237	34,931
An entity with significant influence by the key management personnel	60,023	23,000
	146,882	115,463
Amounts due to related parties:		
Entities with significant influence by Mr. Zhou's brother	6,672	4,785
An entity collectively controlled by Mr. Zhou's parents	166	68
Entities with significant influence by the key management personnel	12,591	6,569
	19,429	11,422

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

13. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

(c) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Short-term employee benefits	2,811	2,636
Pension scheme contributions	26	22
Total compensation paid to key management personnel	2,837	2,658

14. 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 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Financial assets				
Equity investments designated at fair value through other comprehensive income	118,999	172,598	118,999	172,598
Notes receivable at fair value through other comprehensive income	110,112	145,201	110,112	145,201
Total	229,111	317,799	229,111	317,799

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade and notes receivables, trade and bills payables, financial assets included in prepayments, other receivables and other assets, 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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

14. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(Continued)

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 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 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 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 2024

14. 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 2024 and 31 December 2023:

	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 2024: 8.09 to 34.68	10% increase/decrease in multiple would result in increase/decrease in fair value by 359
		Discount for lack of marketability	30 June 2024: 0.00% to 91.30%	10% increase/decrease in discount rate would result in decrease/increase in fair value by 44
Investment A	Valuation multiples	Forward average P/E multiples of peers	31 Dec 2023: 8.09 to 34.68	10% increase/decrease in multiple would result in increase/decrease in fair value by 359
		Discount for lack of marketability	31 Dec 2023: 0.00% to 91.30%	10% increase/decrease in discount rate would result in decrease/increase in fair value by 44

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

14. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(Continued)

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 2024 (Unaudited)

	Fair value measurement using			
	Total	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant Unobservable inputs Level 3
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Equity investments designated at fair value through other comprehensive income	118,999	115,099	–	3,900
Notes receivable at fair value through other comprehensive income	110,112	–	110,112	–
Total	229,111	115,099	110,112	3,900

As at 31 December 2023 (Audited)

	Fair value measurement using			
	Total	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant Unobservable inputs Level 3
	RMB'000 (Audited)	RMB'000 (Audited)	RMB'000 (Audited)	RMB'000 (Audited)
Equity investments designated at fair value through other comprehensive income	172,598	168,698	–	3,900
Notes receivable at fair value through other comprehensive income	145,201	–	145,201	–
Total	317,799	168,698	145,201	3,900

The Group did not have any financial liabilities measured at fair value as at 30 June 2024 (31 December 2023: Nil).

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (six months ended 30 June 2023: Nil).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

15. EVENTS AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Group after 30 June 2024.

16. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The unaudited interim condensed consolidated financial statements were approved and authorised for issue by the Board on 29 August 2024.