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HARMONY AUTO

和諧汽車

China Harmony Auto Holding Limited

中國和諧汽車控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 03836)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2024**

RESULTS HIGHLIGHTS

For the six months ended 30 June 2024:

- The Group recorded the new vehicle sales volume at 19,100 units, representing an increase of 8.7% compared with that of 17,571 units for the same period of last year.
- The Group recorded a revenue of RMB7,466.3 million, representing a decrease of 7.9% compared with that of RMB8,109.5 million for the same period of last year. Among which,
 - the revenue of sale of automobiles and others decreased by 8.4% compared with the same period of last year to RMB6,273.6 million of this year.
 - the revenue of provision of after-sales services decreased by 4.9% compared with the same period of last year to RMB1,170.5 million of this year.
- The Group's commission income from providing car-related financial services and insurance agent services decreased by 10.3% to RMB189.5 million as compared with the same period of last year.
- The Group recorded a net loss of RMB74.7 million, while a net profit of RMB208.3 million was recorded in the corresponding period of 2023.

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of China Harmony Auto Holding Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim financial results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2024 (the “**Reporting Period**”), together with comparative figures for the period ended 30 June 2023.

The unaudited consolidated interim financial results have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

		Six months ended 30 June	
		2024	2023
		RMB'000	RMB'000
	<i>Note</i>	(Unaudited)	(Unaudited)
REVENUE	4	7,466,294	8,109,469
Cost of sales and services		(7,100,031)	(7,528,121)
GROSS PROFIT		366,263	581,348
Other income and gains	5	238,223	258,028
Selling and distribution expenses		(459,272)	(397,290)
Administrative expenses		(131,096)	(105,308)
PROFIT FROM OPERATIONS		14,118	336,778
Finance costs	6	(78,937)	(64,303)
Share of (losses)/profits of joint ventures		(3)	33
Share of losses of associates		(3)	(1,025)
(LOSS)/PROFIT BEFORE TAX		(64,825)	271,483
Income tax expense	7	(9,878)	(63,228)
(LOSS)/PROFIT FOR THE PERIOD	8	(74,703)	208,255
Other comprehensive loss after tax:			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		(12,093)	(32,455)
Other comprehensive loss for the period, net of tax		(12,093)	(32,455)
Total comprehensive (loss)/income for the period		(86,796)	175,800

		Six months ended 30 June	
		2024	2023
		RMB'000	RMB'000
	<i>Note</i>	(Unaudited)	(Unaudited)
(Loss)/profit for the period attributable to:			
Owners of the Company		(76,275)	201,224
Non-controlling interests		<u>1,572</u>	<u>7,031</u>
		<u>(74,703)</u>	<u>208,255</u>
Total comprehensive (loss)/income for the period attributable to:			
Owners of the Company		(88,368)	168,769
Non-controlling interests		<u>1,572</u>	<u>7,031</u>
		<u>(86,796)</u>	<u>175,800</u>
(Loss)/earnings per share attributable to owners of the Company			
Basic (<i>RMB</i>)	<i>10</i>	<u>(0.051)</u>	<u>0.113</u>
Diluted (<i>RMB</i>)		<u>(0.051)</u>	<u>0.113</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2024

		30 June	31 December
		2024	2023
		RMB'000	RMB'000
	<i>Notes</i>	(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	<i>11</i>	2,948,015	2,858,226
Right-of-use assets		890,505	839,112
Intangible assets		139,571	141,603
Goodwill		149,993	149,993
Prepayments and other assets		102,633	142,685
Finance lease receivables		229,691	233,005
Investment in joint ventures		2,140	2,143
Investment in associates		—	3
Equity investment at fair value through other comprehensive income		47,500	45,000
Deferred tax assets		87,177	87,177
		<hr/>	<hr/>
Total non-current assets		4,597,225	4,498,947
CURRENT ASSETS			
Finance lease receivables		198,366	209,774
Inventories		1,658,663	1,479,678
Trade receivables	<i>12</i>	178,769	253,424
Prepayments, other receivables and other assets		2,565,575	2,829,103
Pledged and restricted bank deposits		178,911	498,791
Cash in transit		31,901	17,256
Cash and bank balances		1,192,203	1,048,193
		<hr/>	<hr/>
Total current assets		6,004,388	6,336,219
CURRENT LIABILITIES			
Bank loans and other borrowings		2,382,103	2,181,545
Trade and bills payables	<i>13</i>	816,289	1,029,908
Other payables and accruals		748,888	889,226
Lease liabilities		158,930	125,572
Income tax payable		30,657	81,871
		<hr/>	<hr/>
Total current liabilities		4,136,867	4,308,122

		30 June 2024	31 December 2023
		RMB'000	RMB'000
	<i>Note</i>	(Unaudited)	(Audited)
NET CURRENT ASSETS		<u>1,867,521</u>	<u>2,028,097</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>6,464,746</u>	<u>6,527,044</u>
NON-CURRENT LIABILITIES			
Lease liabilities		831,339	806,261
Deferred tax liabilities		<u>55,036</u>	<u>55,616</u>
Total non-current liabilities		<u>886,375</u>	<u>861,877</u>
NET ASSETS		<u><u>5,578,371</u></u>	<u><u>5,665,167</u></u>
EQUITY			
Equity attributable to owners of the parent			
Share capital	<i>14</i>	12,097	12,097
Reserves		<u>5,471,834</u>	<u>5,560,202</u>
		5,483,931	5,572,299
Non-controlling interests		<u>94,440</u>	<u>92,868</u>
TOTAL EQUITY		<u><u>5,578,371</u></u>	<u><u>5,665,167</u></u>

NOTE TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with the Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

These condensed consolidated interim financial statements should be read in conjunction with the 2023 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2023.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

For the Reporting Period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2024. HKFRSs comprise HKFRSs; Hong Kong Accounting Standards (“**HKAS**”); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s condensed consolidated financial statements and amounts reported for the current period and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The application of these new HKFRSs will not have a material impact on the financial statements of the Group.

3. OPERATING SEGMENT INFORMATION

The Group's principal business is the sale of automobiles and provision of after-sales services. For management purposes, the Group operates in one business unit based on its products, and has one reportable segment which is the sale of motor vehicles and the provision of related services.

No operating segments have been aggregated to form the above reportable operating segment.

Information about geographical area

Since all of the Group's revenue was generated from the sale of automobiles and provision of after-sales services in Mainland China and over 90% of the Group's identifiable non-current assets and liabilities were located in Mainland China, no geographical segment information is presented.

Information about major customers

Since no sales to a single customer amounted to 10% or more of the Group's revenue during the period, no major customer information is presented.

4. REVENUE

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
<i>Revenue from contracts with customers</i>		
— Sale of automobiles and others	6,273,647	6,852,564
— Provision of after-sales services	1,170,533	1,231,369
<i>Revenue from other sources</i>		
— Finance leasing services	22,114	25,536
	<u>7,466,294</u>	<u>8,109,469</u>

Disaggregation of revenue from contracts with customers:

Type of goods or services

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sale of automobiles and others	6,273,647	6,852,564
Provision of after-sales services	1,170,533	1,231,369
Total revenue from contracts with customers	<u>7,444,180</u>	<u>8,083,933</u>

Timing of revenue recognition

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Goods received by the customer at a point in time	6,273,647	6,852,564
After-sales services rendered at a point in time	1,170,533	1,231,369
Total revenue from contracts with customers	<u>7,444,180</u>	<u>8,083,933</u>

5. OTHER INCOME AND GAINS, NET

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Commission income	189,539	211,311
Interest income from loans and advances to a third party	24,250	22,374
Bank interest income	13,960	13,628
Government grant	471	3,652
Others	10,003	7,063
	<u>238,223</u>	<u>258,028</u>

6. FINANCE COSTS

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest on bank loans and other borrowings	44,312	41,091
Leases interests	34,625	23,212
	<u>78,937</u>	<u>64,303</u>

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current Mainland China corporate income tax		
Provision for the period	10,457	60,339
Deferred tax credit	(579)	2,889
	<u>9,878</u>	<u>63,228</u>

8. (LOSS)/ PROFIT FOR THE PERIOD

The Group's (loss)/profit for the period is stated after charging/(crediting) the following:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Directors' remuneration	4,415	3,552
Gain on disposal of property, plant and equipment	5,687	(5,913)
Employee benefit expense (including directors' and chief executive's remuneration)		
Wages and salaries	196,083	176,416
Other welfare	39,842	31,842
Cost of sales and services:		
Cost of sales of automobiles	6,377,811	6,801,967
Cost of after-sales services	722,220	726,154
	<u>7,100,031</u>	<u>7,528,121</u>

9. DIVIDENDS

At the annual general meeting held on 18 June 2024, a final dividend of HK\$0.037 per share (equivalent to approximately RMB0.034 per share) in respect of the year ended 31 December 2023 was approved, for a total of approximately HK\$56,415,000 (equivalent to approximately RMB52,184,000). The final dividend was paid on 9 August 2024 (2023: a final dividend of HK\$0.066 per share (equivalent to approximately RMB0.06 per share) in respect of the year ended 31 December 2022 with aggregate amount of HK\$100,936,748 (equivalent to approximately RMB91,761,000) and it was paid on 11 August 2023).

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

10. (LOSS)/EARNINGS PER SHARE

The calculation of basic and diluted (loss)/earnings per share is based on the following:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings:		
(Loss)/earning for the period attributable to owners of the Company used in the basic earnings per share calculation	<u><u>(76,275)</u></u>	<u><u>201,224</u></u>
Number of shares:	'000	'000
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	1,488,748	1,490,138
Effect of dilution		
<i>weighted average number of ordinary shares:</i>		
— Share options	<u>—</u>	<u>—</u>
	<u><u>1,488,748</u></u>	<u><u>1,490,138</u></u>

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group recorded an additional property, plant and equipment of approximately RMB204,174,000.

12. TRADE RECEIVABLES

The aging analysis of trade receivables as at the balance sheet date, based on the date of recognition of the service income or goods sold, is as follows:

	At 30 June 2024 <i>RMB'000</i> (Unaudited)	At 31 December 2023 <i>RMB'000</i> (Audited)
Within 3 months	173,602	242,398
3 months to 6 months	4,667	10,231
7 to 12 months	371	732
Over 12 months	129	63
	<hr/> 178,769 <hr/>	<hr/> 253,424 <hr/>

13. TRADE AND BILLS PAYABLES

The aging analysis of the trade payables as at the balance sheet date, based on the date of receipt of consumables or goods purchased, is as follows:

	At 30 June 2024 <i>RMB'000</i> (Unaudited)	At 31 December 2023 <i>RMB'000</i> (Audited)
Within 3 months	750,980	975,265
3 to 6 months	62,883	51,454
6 to 12 months	1,920	2,395
Over 12 months	506	794
	<hr/> 816,289 <hr/>	<hr/> 1,029,908 <hr/>

14. SHARE CAPITAL

	Number of issued and fully paid shares	Amount RMB'000
At 31 December 2023 (Audited) and at 30 June 2024 (Unaudited)	<u>1,524,725,177</u>	<u>12,097</u>

All shares issued in prior years rank pari passu with the then existing shares in issue in all respects.

15. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities on 30 June 2024 and 31 December 2023.

16. CAPITAL COMMITMENTS

Capital commitments of the Group in respect of property and equipment and capital contribution outstanding at each reporting date not provided for in these consolidated interim financial statements are as follows:

	At 30 June 2024 RMB'000 (Unaudited)	At 31 December 2023 RMB'000 (Audited)
Property, plant and equipment — Contracted, but not provided for	<u>72,230</u>	<u>59,085</u>

17. EVENTS AFTER THE REPORTING PERIOD

From the end of the Reporting Period to the date of this announcement, there was no significant event that would have any material impact on the Group.

18. APPROVAL OF UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements were approved and authorised for issue by the Board on 28 August 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW AND OUTLOOK

According to the data from the China Passenger Cars Association (“CPCA”), in the first half of 2024, the retail sales of the passenger cars in China reached approximately 9.9 million units, representing a year-on-year increase of 2.9%. In the first half of 2024, the growth of China’s passenger cars market slowed down. In January 2024, the retail sales of the passenger cars were approximately 2.0 million units. Subsequently, the sales saw a significant decline, with sales being only approximately 1.1 million units in February 2024. From March to June 2024, the sales did not exceed 2.0 million units, but there has been a continuous rising trend.

Affected by global economic downturn, reduced purchasing power, and intensified market competition, the cumulative sales of luxury vehicles during the first half of 2024 were approximately 1.3 million units, representing a decrease of 5.6% as compared with the same period last year. The three luxury car brands that the Company operates on, BMW, Mercedes-Benz and Audi (collectively, “BBA”), have all experienced varying degrees of decline in sales in China as the sales of luxury car decreased as a whole. In the first half of 2024, BBA sold a total of approximately 1.1 million units in the China, occupying approximately 80% of the luxury car market share. Among them, BMW (including MINI brands) delivered approximately 376,000 new cars, representing a decrease of 4.2% as compared with the same period last year; Mercedes-Benz delivered approximately 353,000 new cars, representing a decrease of 6.5% as compared with the same period last year; Audi delivered approximately 320,000 new cars, representing a decrease of 1.9% as compared with the same period last year.

The rapid growth of the new energy vehicles (“NEV”) market is a bright spot in the automobile industry. With the continuous advancement in the electrification of automobiles and driven by environmental policies and changes in consumer demand, the electric vehicles market is growing rapidly. In the first half of 2024, sales of new energy passenger vehicles (Battery Electric Vehicles and Plug-in Hybrid Electric Vehicles) were approximately 4.1 million units, representing an increase of 33.1% as compared with the same period last year. The domestic retail penetration rate of new energy passenger vehicles reached 48.4%, representing an increase of 13.5 percentage points from the penetration rate of 34.9% in the same period last year. Among them, the penetration rate of NEV among China’s own brands reached 72.5%, and the NEV of BYD brand are still in a leading position. In the first half of 2024, the cumulative sales reached approximately 1.6 million units, representing a year-on-year increase of 36%, accounting for 33.8% of the NEV market share.

In the first half of 2024, the external environment of the automobile market was uncertain. In order to ensure the security of the capital chain, domestic dealers had to strictly control the inventory level. According to the latest data from the CPCA, in the first half of 2024, the average comprehensive inventory coefficient of Chinese automobile dealers remained at around 1.54, slightly lower than the average level of 1.69 in the first half of 2023. After the introduction of the central fiscal subsidy policy which aims at encouraging trade-ins of more polluting vehicles for NEV or fuel-efficient cars at the end of April 2024, more than 110,000 applications for retirement subsidies were submitted nationwide in just two months. The policy has come into play progressively, and the automobile market is expected to gradually recover in the second half of 2024.

BUSINESS REVIEW AND OUTLOOK

In the first half of 2024, the market recovered slowly and the price war lowered the final transaction price. The Company achieved a sales volume of 19,100 units for the six months ended 30 June 2024, representing a year-on-year increase of 8.7%, of which 12,351 units of BMW (including MINI brands) were delivered, representing a year-on-year decrease of 8.5%, and 2,109 units of Lexus were delivered, representing a year-on-year increase of 37.5%. The ultra-luxury car market showed weakness in the first half of 2024, with sales volume of Bentley and Ferrari dropped by 11.4% and 34.1% respectively. However, the Group's venture into the international NEV market has seen early triumph. Following the debut of the first BYD showroom in Hong Kong in October 2023, BYD's sales reached 2,245 units in the first half of 2024.

Within the NEV segment, the Group has expedited its global expansion strategy starting in 2023, forging partnerships with leading Chinese NEV brands like BYD and DENZA to establish a presence in Asia and Europe. By the end of the first half of 2024, the Group operated more than 20 international distribution outlets. Recent expansions have brought the Group's operations to countries including but not limited to Singapore, Japan, Indonesia, Australia, the United Kingdom and France.

In terms of inventory, amidst the uncertain global economic conditions and the weakening of consumer purchasing power in the first half of 2024, the Group's turnover days reached 40.3 days, representing an increase of 4.7 days as compared to that of 35.6 days for the corresponding period of 2023. The Group will continue to monitor its inventory level in response to the market fluctuations, ensuring it is within a healthy range.

Looking ahead, the Company will continue to focus on its principal business in mainland China by strategically engaging in merger and acquisition to strengthen and broaden its market share in China. Furthermore, the Company will strive to expand into overseas NEV market. In particular, the Group will actively promote the Chinese NEV brands into overseas markets. In recent years, the strong resilience of China's auto supply chain and the steady improvements in product quality have accelerated the deployment of domestic automakers in overseas markets. China's NEV brands have shown favourable competitiveness in overseas market. Under this circumstance, the Group will continue its in-depth cooperation with Chinese brands, such as BYD and DENZA, to tap into the international market.

FINANCIAL OVERVIEW

Revenue

The Group recorded a revenue of RMB7,466.3 million in the Reporting Period, representing a decrease of 7.9% compared with that of RMB8,109.5 million for the same period of last year. Among which, the revenue of sale of automobiles and others recorded a decrease of 8.4%, from RMB6,852.6 million for the first half of 2023 to RMB6,273.6 million, accounting for 84.0% of the total revenue of the first half of 2024. Meanwhile, the provision of after-sales services recorded a revenue of RMB1,170.5 million for the first half of 2024, representing a decrease of 4.9% compared with that of RMB1,231.4 million for the same period in 2023 and accounting for 15.7% of the total revenue of the first half of 2024.

Cost of Sales and Services

The cost of sales and services of the Group also recorded a decrease of 5.7% from RMB7,528.1 million in the first half of 2023 to RMB7,100.0 million in the same period of 2024. The cost of sale of automobiles and others, and provision of after-sales services were RMB6,377.8 million and RMB722.2 million respectively for the first half of 2024, representing a decrease of 6.2% and a decrease of 0.6% as compared with the same period in 2023, respectively.

Gross Profit and Gross Profit Margin

The gross profit of the Group decreased by 37.0% from RMB581.3 million in the first half of 2023 to RMB366.3 million in the same period of 2024. During the Reporting Period, the Group recorded a gross loss of sales of automobiles and others of RMB104.2 million, while there was a gross profit of RMB50.6 million in the corresponding period of 2023; and the Group recorded a gross profit of provision of after-sales services of RMB448.3 million during the Reporting Period, representing a decrease of 11.3% from RMB505.2 million in the corresponding period of 2023.

The Group's gross profit margin in the first half of 2024 stood at 4.9%, among which, the gross profit margin of sale of automobiles and others in the first half of 2024 was -1.7%, representing a decrease of 2.4 percentage points compared with that of the same period in 2023; and the gross profit margin of provision of after-sales services in the first half of 2024 was 38.3%, representing a decrease of 2.7 percentage points compared with that of the same period in 2023. The decline in gross profit was attributed to weakened consumer demand and industry-wide discounts and promotions.

Other Income and Gains, Net

During the Reporting Period, the Group recorded other income and gains of RMB238.2 million, which decreased by 7.7% compared to the same period of last year. Other income and gains mainly came from the commission and interest income.

Selling and Distribution Expenses and Administrative Expenses

During the Reporting Period, the Group's selling and distribution expense amounted to RMB459.3 million, representing an increase of 15.6% as compared with that of RMB397.3 million in the same period of 2023.

During the Reporting Period, the Group incurred administrative expenses of RMB131.1 million, representing an increase of 24.5% as compared to that of RMB105.3 million for the same period of 2023.

The increase in selling and distribution expenses and administrative expenses was mainly due to the expansion of international distribution outlets.

Finance Costs

During the Reporting Period, the Group's finance costs amounted to RMB78.9 million, representing an increase of 22.7% as compared with RMB64.3 million in the same period of 2023, which was mainly due to the increase of lease interests resulted from the expansion of international distribution outlets.

Profit from Operations

During the Reporting Period, the Group recorded a profit from operations of RMB14.1 million, decreased by RMB322.7 million as compared to that of RMB336.8 million for the corresponding period of 2023. Such decrease was primarily due to the drop in gross profit and the rise in selling and distribution expenses and administrative expenses driven by the Group's international expansion strategy.

Loss Attributable to Owners of the Company

During the Reporting Period, the Company incurred a loss of RMB76.3 million attributable to its owners, while a profit of RMB201.2 million was recorded in the corresponding period of 2023.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL RESOURCES

Cash Flow

The Group primarily uses cash to purchase new automobiles, spare parts and automobile accessories, to repay its indebtedness, to fund its working capital and normal operating expenses and to establish new dealerships and acquire additional dealerships. The Group satisfies its liquidity requirements mainly through a combination of cash flows generated from its operating activities and bank loans, and currently expects that future liquidity will continue to be satisfied mainly by the foregoing.

As at 30 June 2024, the total cash and deposits of the Group was RMB1,192.2 million. For the six months ended 30 June 2024, the net cash generated from operating activities by the Group amounted to RMB125.2 million; the net cash used in investing activities by the Group amounted to RMB90.5 million, consisting primarily of purchases of property, plant and equipment; and the net cash generated from financing activities by the Group amounted to RMB130.8 million.

Net Current Assets

As at 30 June 2024, the net current assets of the Group was RMB1,867.5 million, representing a decrease of 7.9% from that of RMB2,028.1 million as of 31 December 2023.

Capital Expenditure and Investments

The Group's capital expenditure during the Reporting Period amounted to RMB178.2 million, compared with RMB18.4 million for the six months ended 30 June 2023. The Group's capital expenditure was primarily used for the purchase of property, plant and equipment in relation to sales outlets. Save as disclosed above, the Group had not made any significant investments during the six months ended 30 June 2024.

Inventories

The Group's inventories primarily consisted of new passenger vehicles, spare parts and automobile accessories. Inventories increased by RMB179.0 million from RMB1,479.7 million as of 31 December 2023 to RMB1,658.7 million as of 30 June 2024.

The average inventory turnover days of the Group during the Reporting Period were 40.3 days, representing an increase of 4.7 days as compared to the average inventory turnover days of 35.6 days for the corresponding period in 2023, which was mainly due to the volatilities in the new car market in the first half of 2024.

Bank Loans and Other Borrowings

As at 30 June 2024, the Group's bank loans and other borrowings amounted to RMB2,382.1 million, representing an increase of 9.2% as compared to RMB2,181.5 million as at 31 December 2023.

As at 30 June 2024, the Group's gearing ratio (calculated as total liabilities divided by total assets) was 47.4% (31 December 2023: 47.7%).

Interest Rate Risk and Foreign Exchange Risk

The Group's bank deposits, bank loans and other borrowings mainly bear interests at fixed interest rates, therefore the Group's exposure to the risk of interest rate fluctuation is very limited. Until now, the Group has not used any financial derivatives to hedge the Company's interest rate risks.

The Group's subsidiaries operate in Mainland China, Hong Kong and overseas, and they are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Hong Kong dollars and US dollars. Our management considers that the business is not exposed to any major direct foreign exchange risks as the financial assets and liabilities of our Group denominated in currencies other than the respective functional currencies of our operating entities are not significant. The Group did not hedge against any fluctuation in foreign exchange rates during the six months ended 30 June 2024.

Capital Structure and Treasury Policies

The Group's business activities are primarily funded through a combination of share capital, cash generated from operating activities, interest-bearing bank loans, and other borrowings.

The Group has adopted a prudent financial management approach towards its treasury policies and will revisit such policies from time to time, taking into account, among other things, the cash flows requirement and expansion of the Group. The Group maintained a healthy liquidity position throughout the six months ended 30 June 2024.

Employees and Remuneration Policies

As at 30 June 2024, the Group had a total of 3,902 employees (31 December 2023: 3,642 employees). During the six months ended 30 June 2024, we incurred staff costs of RMB235.9 million. The salary package of employees is determined by their respective work experiences, duties and performances. The management will conduct annual review on the salary plan while taking into account employees' general performance and market conditions.

The Company operates a share option scheme (the “**Share Option Scheme**”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the Share Option Scheme include employees of the Company and its subsidiaries. The Share Option Scheme became effective on 26 June 2015, unless otherwise canceled or amended, will remain in force for ten years from that date. At present, the remaining life of the Share Option Scheme is approximately ten months. 50% of these share options were vested on 16 February 2020 and 50% were vested on 16 February 2021. As at 1 January 2024, the Company had 42,191,000 share options outstanding under the Share Option Scheme, which represented approximately 2.8% of the Company’s shares in issue. During the six months ended 30 June 2024, no share option was granted, exercised and lapsed under the Share Option Scheme. As at 30 June 2024, the Company had 42,191,000 share options outstanding under the Share Option Scheme, which represented approximately 2.8% of the Company’s shares in issue as at that date.

On 28 February 2019, the Company adopted a share award scheme (the “**Share Award Scheme**”) under which the Company may grant existing Shares to selected participants, being all employees, directors (whether executive or non-executive, but excluding independent non-executive directors) and officers of the Group but excluding Mr. Feng Changge. The Share Award Scheme was adopted for the purpose of (i) motivating, recognizing and rewarding the contributions of the employees, directors (executive or non-executive directors but excluding independent non-executive directors) and officers of the Group; (ii) attracting and retaining talent for the long-term growth and development of the Group; and (iii) aligning the interests of the grantees of the Company with that of the shareholders of the Company (the “**Shareholders**”) to enhance the long-term financial performance of the Company. No new Shares will be granted under the Share Award Plan. Subject to early termination by the Board, the Share Award Plan shall be valid and effective from the date of adoption of the Share Award Plan, being 28 February 2019, and ending on 26 June 2025 (both days inclusive). At present, the remaining life of the Share Award Scheme is ten months. The maximum aggregate number of Shares to be acquired by the Trustee under the Share Award Scheme is 60,000,000 Shares, representing 3.94% of the Shares in issue (i.e. 1,524,725,177) as at 30 June 2024. A total of 30,000,000 shares were granted and vested under the Share Award Scheme. As at 30 June 2024, the Trustee appointed by the Company for the Share Award Scheme has purchased 59,987,500 Shares under the Share Award Scheme since its adoption. During the Reporting Period, no shares were granted, vested, lapsed and canceled under the Share Award Scheme. Details of the Share Award Scheme are set out in the announcement of the Company dated 2 April 2019.

For further details of the Share Option Scheme and the Share Award Scheme, please refer to the interim report of the Company for the six months ended 30 June 2024 to be published in due course. The Company will regularly review its remuneration policies and employees’ benefits with reference to market practices and individual performance.

PURCHASES, SALE AND REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2024 and up to the date of this announcement, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (including sale of treasury shares).

EVENTS AFTER THE REPORTING PERIOD

From the end of the Reporting Period on 30 June 2024 to the date of this announcement, there was no significant event that would have any material impact on the Group.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at the date of this announcement, the Group had not entered into any off-balance sheet transactions.

INTERIM DIVIDEND

At the meeting of the Board held on 28 August 2024, the Board resolved not to pay interim dividends to the Shareholders (2023: Nil).

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board has committed to achieving high corporate governance standards.

The Board believes that high corporate governance standards are essential in providing a framework for the Company to formulate its business strategies and policies, and to enhance its transparency and accountability. For the six months ended 30 June 2024, the Company has complied with the applicable principles and code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix C1 to the Listing Rules.

The Board will continue to review and monitor the corporate governance practices of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance practices of the Company. The Company believes that effective corporate governance is an essential factor to create more values for the Shareholders.

The Group is committed to developing a positive and progressive culture that is built on its culture which focuses on simplicity, efficiency and happiness. More information about its culture is available on the Company's website. The Company believes that such culture can enable the Company to deliver long-term sustainable performance to the Shareholders.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules as its code of conduct regarding Directors’ securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code for the six months ended 30 June 2024.

The Company’s employees, who are likely to be in possession of unpublished inside information of the Company, are also subject to the Model Code.

MATERIAL INVESTMENTS, ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Save as disclosed in this announcement, there were no material investments, acquisitions and disposals of subsidiaries, associates and joint ventures undertaken by the Group during the Reporting Period.

SUFFICIENCY OF THE PUBLIC FLOAT

Based on the information publicly available to the Company as of the date of this announcement, and to the best knowledge, information and belief of the Directors, the Directors confirm that the Company had maintained a sufficient public float as required under the Listing Rules during the Reporting Period.

AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference in compliance with the requirements of the Listing Rules and the CG Code. As at the date of this announcement, the Audit Committee consists of three members, namely Mr. Wang Nengguang, Mr. Lau Kwok Fan and Mr. Sung Ka Woon, all of whom are independent non-executive Directors of the Company. Mr. Wang Nengguang is the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited interim results for the six months ended 30 June 2024 which are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made. The Audit Committee has no disagreement with the accounting treatment adopted by the Company.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.hexieauto.com>). The interim report will be dispatched to the Shareholders upon request and will be published on the aforesaid websites in due course.

APPRECIATION

The Board would like to express its sincere gratitude to the shareholders, management team, employees, business partners and customers of the Group for their support and contribution to the Group.

By Order of the Board
China Harmony Auto Holding Limited
Feng Changge
Chairman and Executive Director

Hong Kong, 28 August 2024

As of the date of this announcement, the executive Directors of the Company are Mr. Feng Changge, Mr. Feng Shaolun, Mr. Liu Fenglei, Ms. Ma Lintao and Mr. Cheng Junqiang; and the independent non-executive Directors of the Company are Mr. Wang Nengguang, Mr. Lau Kwok Fan, and Mr. Sung Ka Woon.