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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)

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

FINANCIAL HIGHLIGHTS

- Revenue was approximately RMB774,645,000 for the six months ended 30 June 2024, representing a decrease of approximately 10.4% when compared to the six months ended 30 June 2023.
- Profit attributable to owners of the parent amounted to approximately RMB18,240,000 for the six months ended 30 June 2024, representing an increase of approximately 17.5% when compared to the six months ended 30 June 2023.
- Gross profit margin was 29.0% for the six months ended 30 June 2024 (the six months ended 30 June 2023: 25.6%).
- Basic earnings per share attributable to the owners of the parent was approximately RMB1.03 cents for the six months ended 30 June 2024 (the six months ended 30 June 2023: approximately RMB0.88 cent).
- 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).

UNAUDITED INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Huazhong In-Vehicle Holdings Company Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2024, together with the comparative figures for the six months ended 30 June 2023.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

		For the six months ended 30 June	
		2024	2023
	Notes	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
REVENUE	4	774,645	864,861
Cost of sales		<u>(549,856)</u>	<u>(643,829)</u>
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		<u>15,274</u>	<u>8,669</u>
PROFIT BEFORE TAX	5	25,895	32,138
Income tax	6	<u>(4,891)</u>	<u>(10,907)</u>
PROFIT FOR THE PERIOD		<u>21,004</u>	<u>21,231</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(Continued)

For the six months ended 30 June 2024

	For the six months ended 30 June	
	2024	2023
Notes	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Attributable to:		
Owners of the parent	18,240	15,524
Non-controlling interests	<u>2,764</u>	<u>5,707</u>
	<u>21,004</u>	<u>21,231</u>
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	<u>RMB0.0103</u>	<u>RMB0.0088</u>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**

For the six months ended 30 June 2024

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(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

		30 June	31 December
		2024	2023
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(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
		<u>1,710,255</u>	<u>1,645,118</u>
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
		<u>1,742,352</u>	<u>1,762,867</u>
Total current assets		<u>1,742,352</u>	<u>1,762,867</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

As at 30 June 2024

		30 June	31 December
		2024	2023
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
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
		<u>1,526,434</u>	<u>1,448,148</u>
Total current liabilities		<u>1,526,434</u>	<u>1,448,148</u>
NET CURRENT ASSETS		<u>215,918</u>	<u>314,719</u>
TOTAL ASSETS LESS			
CURRENT LIABILITIES		<u>1,926,443</u>	<u>1,959,837</u>
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
		<u>396,024</u>	<u>406,305</u>
Total non-current liabilities		<u>396,024</u>	<u>406,305</u>
Net assets		<u>1,530,419</u>	<u>1,553,532</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

As at 30 June 2024

	30 June 2024 <i>RMB'000</i> (Unaudited)	31 December 2023 <i>RMB'000</i> (Audited)
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

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 (the “2020 Amendments”)</i>
Amendments to IAS 1	<i>Non-current Liabilities with Covenants (the “2022 Amendments”)</i>
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.
- (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.

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	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Mainland China	734,408	830,242
Overseas	40,237	34,619
	<u>774,645</u>	<u>864,861</u>

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	31 December 2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Chinese Mainland	1,548,227	1,435,967
Overseas	12,214	9,048
Total	<u>1,560,441</u>	<u>1,445,015</u>

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	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	<u>774,645</u>	<u>864,861</u>
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	<u>96,485</u>	<u>46,646</u>
Total revenue from contracts with customers	<u>774,645</u>	<u>864,861</u>
<i>Geographical markets</i>		
Mainland China	734,408	830,242
Overseas	<u>40,237</u>	<u>34,619</u>
Total revenue from contracts with customers	<u>774,645</u>	<u>864,861</u>
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time	<u>774,645</u>	<u>864,861</u>

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(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 gain	137	1,864
Interest income on bank deposits	1,404	1,760
Interest income on loans and receivables	174	494
Others	1,125	571
	<hr/>	<hr/>
Total	<u>23,297</u>	<u>14,912</u>

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(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)
	<u> </u>	<u> </u>

6. INCOME TAX

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

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

7. DIVIDENDS

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

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

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to owners of the parent used in the basic and diluted earnings per share calculation	<u>18,240</u>	<u>15,524</u>
	For the six months ended 30 June	
	Number of shares	
	2024	2023
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<u>1,769,193,800</u>	<u>1,769,193,800</u>

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).

10. TRADE AND NOTES RECEIVABLES

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

	30 June 2024	31 December 2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Trade receivables	590,765	704,864
Notes receivable	110,112	145,201
	<hr/>	<hr/>
Sub-total	700,877	850,065
Impairment of trade receivables	(64,654)	(59,825)
	<hr/>	<hr/>
	636,223	790,240
	<hr/> <hr/>	<hr/> <hr/>
	30 June 2024	31 December 2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(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
	<hr/>	<hr/>
Total	526,111	645,039
	<hr/> <hr/>	<hr/> <hr/>

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	710,665	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
	<hr/>	<hr/>
Total	921,417	875,588
	<hr/> <hr/>	<hr/> <hr/>

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. EVENTS AFTER THE REPORTING PERIOD

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

13. 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.

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	Gross profit	Revenue	Gross profit
	(Unaudited)	margin	(Unaudited)	margin
<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	
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	<u>774,645</u>	<u>29.0</u>	<u>864,861</u>	<u>25.6</u>

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 RMB154,305,000).

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.

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	<u>133,283</u>	<u>105,966</u>

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 announcement.

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 announcement.

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.

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 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 two executive Directors, four non-executive Directors and four independent non-executive Directors, with a balance of skill and experience appropriate for the Group’s further development. The Board will review such deviation from time to time to enhance the best interest of the Group as a whole.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 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.

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 announcement 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.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (<http://www.cn-huazhong.com>). The interim report of the Company for the six months ended 30 June 2024 containing all the information required by the Listing Rules will be dispatched to shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

By order of the Board
Huazhong In-Vehicle Holdings Company Limited
Zhou Minfeng
Chairman and Chief Executive

Hong Kong, 29 August 2024

As at the date of this announcement, the executive Director is Mr. Zhou Minfeng; the non-executive Directors are Ms. Lai Cairong, Mr. Guan Xin and Mr. Yu Zhuoping; and the independent non-executive Directors are Mr. Wong Luen Cheung Andrew, Mr. Wang Dongchen and Mr. Xu Jiali.