

# 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

## 2023 INTERIM REPORT



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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Mr. Zhou Minfeng  
*(Chairman and Chief Executive)*  
Mr. Wu Bichao *(Vice-chairman)*

#### Non-executive Directors

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

#### Independent Non-executive Directors

Mr. Wong Luen Cheung Andrew *(Vice-chairman)*  
Mr. 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

Hui & Lam Solicitors LLP

### AUDITOR

Ernst & Young

### SHARE REGISTRARS

#### *Principal Share Registrar and Transfer Office in the Cayman Islands*

Suntera (Cayman) Limited  
Suite 3204, Unit 2A, Block 3,  
Building D, P.O. Box 1586,  
Gardenia Court, Camana Bay,  
Grand Cayman, KY1-1110,  
Cayman Islands

#### *Hong Kong Branch Share Registrar and Transfer Office*

Tricor Investor Services Limited  
17/F, Far East Finance Centre  
16 Harcourt Road  
Hong Kong

### LISTING EXCHANGE INFORMATION

The Stock Exchange of Hong Kong Limited  
Main Board

### STOCK CODE

6830

### COMPANY WEBSITE

[www.cn-huazhong.com](http://www.cn-huazhong.com)

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS AND MARKET REVIEW

Huazhong In-Vehicle Holdings Company Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) are principally engaged in the manufacture and sale of automotive internal and external structural and decorative parts, moulds and tooling, casings and liquid tanks of air conditioners or heaters and other non-automotive products.

For the six months ended 30 June 2023, the Group’s revenue was approximately RMB864,861,000, representing an increase of approximately 11.6% as compared to approximately RMB774,818,000 for the six months ended 30 June 2022. Profit attributable to the owners of the parent for the six months ended 30 June 2023 was approximately RMB15,524,000, representing a decrease of approximately 43.1% as compared to RMB27,259,000 for the six months ended 30 June 2022.

## 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			
	2023		2022	
	Revenue (Unaudited) RMB’000	Gross profit margin %	Revenue (Unaudited) RMB’000	Gross profit margin %
Automotive interior and exterior structural and decorative parts	701,054	25.3	626,785	28.1
Moulds and tooling	46,646	22.3	53,963	14.9
Casings and liquid tanks of air conditioners and heaters	67,788	29.1	45,109	23.5
Non-automotive products	23,920	41.2	25,833	39.8
Sale of raw materials	25,453	15.7	23,128	12.5
<b>Total</b>	<b>864,861</b>	<b>25.6</b>	<b>774,818</b>	<b>26.8</b>



## MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2023, the revenue generated from automotive interior and exterior structural and decorative parts was approximately RMB701,054,000 (the six months ended 30 June 2022: approximately RMB626,785,000), accounting for approximately 81.1% of the Group's total revenue for the six months ended 30 June 2023 (the six months ended 30 June 2022: approximately 80.9%). Gross profit margin decrease from approximately 28.1% for the six months ended 30 June 2022 to approximately 25.3% for the six months ended 30 June 2023. The increase in revenue was mainly due to the consolidation of Ningbo Hualete financial statements.

For the six months ended 30 June 2023, revenue from moulds and tooling was approximately RMB46,646,000 (the six months ended 30 June 2022: approximately RMB53,963,000), accounting for approximately 5.4% of the Group's total revenue for the six months ended 30 June 2023 (the six months ended 30 June 2022: approximately 7.0%). Gross profit margin increase from approximately 14.9% for the six months ended 30 June 2022 to approximately 22.3% for the six months ended 30 June 2023.

For the six months ended 30 June 2023, revenue from casings and liquid tanks of air conditioners and heaters was approximately RMB67,788,000 (the six months ended 30 June 2022: approximately RMB45,109,000), accounting for approximately 7.8% of the Group's total revenue for the six months ended 30 June 2023 (the six months ended 30 June 2022: approximately 5.8%). Gross profit margin increased from approximately 23.5% for the six months ended 30 June 2022 to approximately 29.1% for the six months ended 30 June 2023.

For the six months ended 30 June 2023, revenue from non-automotive products was approximately RMB23,920,000 (the six months ended 30 June 2022: approximately RMB25,833,000), accounting for approximately 2.8% of the Group's total revenue for the six months ended 30 June 2023 (the six months ended 30 June 2022: approximately 3.3%). Gross profit margin increased from approximately 39.8% for the six months ended 30 June 2022 to approximately 41.2% for the six months ended 30 June 2023.

For the six months ended 30 June 2023, revenue from sale of raw materials was approximately RMB25,453,000 (the six months ended 30 June 2022: approximately RMB23,128,000), accounting for approximately 2.9% of the Group's total revenue for the six months ended 30 June 2023 (the six months ended 30 June 2022: approximately 3.0%). The gross profit margin increased from approximately 12.5% for the six months ended 30 June 2022 to approximately 15.7% for the six months ended 30 June 2023.

For the six months ended 30 June 2023, the overall gross profit margin decreased slightly to approximately 25.6% (the six months ended 30 June 2022: approximately 26.8%).

### Other Income and Gains

Other income and gains of the Group for the six months ended 30 June 2023 amounted to approximately RMB14,912,000 (the six months ended 30 June 2022: approximately RMB27,449,000), representing a decrease of approximately 45.7% as compared to the six months ended 30 June 2022.

### Selling and Distribution Expenses

The Group's selling and distribution expenses for the six months ended 30 June 2023 amounted to approximately RMB55,552,000, representing a decrease of approximately 1.7% as compared to approximately RMB56,524,000 in the six months ended 30 June 2022.

### Administrative Expenses

The Group's administrative expenses for the six months ended 30 June 2023 amounted to approximately RMB143,908,000, representing an increase of approximately 18.2% as compared to approximately RMB121,721,000 in the six months ended 30 June 2022. 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 2023, the Group recorded approximately RMB8,669,000 of the share of profits of joint ventures, while a share of profits of joint ventures of approximately RMB1,861,000 was recorded for the six months ended 30 June 2022.

### Finance Costs

The Group's finance costs decrease from approximately RMB14,676,000 for the six months ended 30 June 2022 to approximately RMB12,280,000 for the six months ended 30 June 2023, representing a decrease of approximately 16.3%. The decrease in finance costs was mainly due to the decrease of interest-bearing bank borrowings during the six months ended 30 June 2023.

### Taxes

The Group's tax expenses decrease by approximately 17.7% from approximately RMB13,260,000 for the six months ended 30 June 2022 to approximately RMB10,907,000 for the six months ended 30 June 2023. The decrease was mainly due to the decrease of deferred income tax expense in the six months ended 30 June 2023 as compared to the six months ended 30 June 2022.

### Liquidity and Financial Resources

For the six months ended 30 June 2023, the net cash flows from operating activities amounted to approximately RMB34,328,000 (the six months ended 30 June 2022: net cash flows from operating activities approximately RMB230,166,000).

The net cash used in investing activities amounted to approximately RMB37,296,000 (the six months ended 30 June 2022: net cash used in investing activities of approximately RMB7,935,000) and the net cash flows from financing activities amounted to approximately RMB41,831,000 (the six months ended 30 June 2022: net cash used in financing activities of approximately RMB106,073,000). 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 and decrease in pledged deposits.

As a result of the cumulative effect described above, the Group recorded a net cash inflow of approximately RMB38,863,000 for the six months ended 30 June 2023 (the six months ended 30 June 2022: net cash inflow of approximately RMB116,158,000).

As at 30 June 2023, the Group's cash and cash equivalents (including cash and bank deposits) amounted to approximately RMB154,305,000 (31 December 2022: approximately RMB114,845,000).

As at 30 June 2023, the Group's interest-bearing bank borrowings were approximately RMB617,882,000 (31 December 2022: approximately RMB594,891,000), among of which, approximately RMB487,081,000 would be due within one year (31 December 2022: approximately RMB304,992,000). The borrowings of the Group were subject to interests payable at rates ranging from 2.06% to 4.05% per annum except of lease liabilities. 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 2023, the Group had capital commitments amounting to approximately RMB39,427,000 (31 December 2022: approximately RMB16,569,000) 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 2023 was 1,769,193,800.

### Contingent Liabilities

As at 30 June 2023, the Group had no significant contingent liabilities (31 December 2022: Nil).

### Pledge of Assets

As at 30 June 2023, the Group’s assets of approximately RMB75,105,000 (31 December 2022: approximately RMB118,680,000) 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:

	<b>30 June 2023 (Unaudited) RMB’000</b>	31 December 2022 (Audited) RMB’000
Property, plant and equipment	<b>23,708</b>	25,213
Right-of-use assets — Prepaid land lease payments	<b>33,097</b>	37,467
Pledged deposits	<b>18,300</b>	56,000
Total	<b>75,105</b>	118,680

### Gearing Ratio

As at 30 June 2023, the Group’s gearing ratio was approximately 54.6% (31 December 2022: approximately 55.5%). 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 2023, 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 2023, the Group had 2,949 employees (30 June 2022: 2,991). Total staff costs of the Group (excluding Directors' and chief executive's remuneration) for six months ended 30 June 2023 was approximately RMB136,846,000 (the six months ended 30 June 2022: approximately RMB125,211,000). 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 2023 and up to the date of this report.

### PROSPECT

From January to June in 2023, the manufacturing and sales volumes in China reached 13.248 million and 13.239 million, respectively, with a year-on-year increase of 9.3% and 9.8%, among of which, the manufacturing and sales volumes of new energy automobiles reached 3.788 million and 3.747 million, respectively, with a year-on-year increase of 42.4% and 44.1%, accounted for 28.3% of the market share. China Association of Automobile Manufacturers expects that the total sales volume of new energy vehicles in China will reach 9 million in 2023, representing a growth of about 35% as compared with last year, while the penetration rate of new energy automobiles will also reach approximately 35%.

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 automobiles to new energy automobiles 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 scale of economic effect. 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

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### Forward Looking Statements

This management discussion and analysis contains certain forward looking statements with respect to the financial condition, results of operations and business of the Group. These forward looking statements represent the Company's expectations or beliefs concerning future events and involve known and unknown risks and uncertainty that could cause actual results, performance or events to differ materially from those expressed or implied in such statements.

Forward looking statements involve inherent risks and uncertainties. Readers including shareholders and investors should be cautioned that a number of factors could cause actual results to differ, in some instances materially, from those anticipated or implied in any forward looking statement.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions prescribed in the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) as the code of the Company.

The Board is of the view that the Company has complied with all applicable code provisions set out in the CG Code throughout the six months ended 30 June 2023, except for the following deviations.

### Code Provision C.2.1

Code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. With the support of the company secretary of the Company, the chairman of the Board (the “**Chairman**”) seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and received adequate and reliable information on a timely basis.

Since Mr. Zhou Minfeng now serves as both the Chairman and the chief executive the Company (the “**Chief Executive**”), such practice deviates from code provision C.2.1 of the CG Code. The Board believes that vesting the roles of both the Chairman and the Chief Executive in the same person can facilitate the effective execution of the Group’s business strategies and operation. Furthermore, there are various experienced individuals in charge of the daily business operation and the Board comprises two executive Directors, four non-executive Directors and four independent non-executive Directors, with a balance of skill and experience appropriate for the Group’s further development. The Board will review such deviation from time to time to enhance the best interest of the Group as a whole.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the “**Model Code**”) as the code of conduct governing dealings by all the Directors in the securities of the Company. Specific enquiries have been made with all Directors, who have confirmed that, during the six months ended 30 June 2023, they were in compliance with the required provisions set out in the Model Code.



## CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 2023, 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 <sup>(1)</sup>	1,320,000,000	74.61%
	Spouse's interest	1,100,000 <sup>(2)</sup>	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 2023, 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 2023 and as at the date of this report.

#### 2021 Share Option Scheme

The adoption of a new share option scheme (the “**2021 Share Option Scheme**”) was approved by the Shareholders at the annual general meeting of the Company held on 2 June 2021. The purpose of the 2021 Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group and to encourage participants to work towards enhancing value of the Company and its shares for the benefits of the Company and the Shareholders as a whole. The 2021 Share Option Scheme was adopted for a period of 10 years commencing from 2 June 2021. No share option has been granted, exercised, lapsed or cancelled under the 2021 Share Option Scheme up to the date of this report.

### ARRANGEMENT FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in “Share Option Schemes” above, at no time during the six months ended 30 June 2023 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 2023, the persons or corporations (other than Director or the chief executive of the Company) who had interests or short positions in the Shares and underlying Shares which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under Section 336 of the SFO were as follows:



## CORPORATE GOVERNANCE AND OTHER INFORMATION

### Long positions in the Company

Name	Capacity/Nature of Interest	Number of Shares	Approximate percentage of the issued Shares
Huayou Holdings <sup>(1)</sup>	Beneficial owner	1,320,000,000	74.61%
Chen Chun'er <sup>(2)</sup>	Beneficial owner	1,100,000	0.06%
	Spouse's interest	1,320,000,000 <sup>(3)</sup>	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 2023, 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, “ <b>Shanghai Huaxin</b> ”)	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, “ <b>Changxing Huaxin</b> ”) <sup>(1)</sup>	Shanghai Automobile Air Conditioner Factory* (上海汽車空調器廠)	30%
Changxing Huaxin <sup>(1)</sup>	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, “ <b>Ningbo Hualete</b> ”)	Roekona Textilwerk GmbH & Co. KG (“ <b>Roekona Textilwerk</b> ”)	25%
Ningbo Hualete	zwissTEX Germany GmbH (“ <b>zwissTEX Germany</b> ”)	10%
Texline Investment Co., Limited (“ <b>Texline Investment</b> ”) <sup>(2)</sup>	Roekona Textilwerk	25%
Texline Investment <sup>(2)</sup>	zwissTEX Germany	10%
Ningbo Tex Line Automotive Textiles Co.,Ltd.* (寧波華絡特汽車內飾有限公司, “ <b>Hualuote Ningbo</b> ”) <sup>(2)</sup>	Roekona Textilwerk	25%
Hualuote Ningbo <sup>(2)</sup>	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 2023, 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 2023.

### INTERIM DIVIDENDS

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2023 (the six months ended 30 June 2022: 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 16 of the Listing Rules. The Audit Committee has provided supervision over the Group's financial reporting process. The Audit Committee has reviewed the accounting standards and practices adopted by the Group and discussed the auditing and financial reporting matters, including the review of the interim results of the Group for the six months ended 30 June 2023. The Audit Committee has reviewed the interim results of the Group for the six months ended 30 June 2023 and is of the view that the announcement of interim results for the six months ended 30 June 2023 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 2023

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

For the six months ended 30 June 2023

	Notes	For the six months ended 30 June	
		2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
<b>REVENUE</b>	4	<b>864,861</b>	774,818
Cost of sales		<b>(643,829)</b>	(567,050)
Gross profit		<b>221,032</b>	207,768
Other income and gains	4	<b>14,912</b>	27,449
Selling and distribution expenses		<b>(55,552)</b>	(56,524)
Administrative expenses		<b>(143,908)</b>	(121,721)
Impairment losses on financial assets, net		<b>271</b>	472
Other expenses		<b>(1,006)</b>	(461)
Finance costs		<b>(12,280)</b>	(14,676)
Share of profits of joint ventures		<b>8,669</b>	1,861
<b>PROFIT BEFORE TAX</b>	5	<b>32,138</b>	44,168
Income tax	6	<b>(10,907)</b>	(13,260)
<b>PROFIT FOR THE PERIOD</b>		<b>21,231</b>	30,908
Attributable to:			
Owners of the parent		<b>15,524</b>	27,259
Non-controlling interests		<b>5,707</b>	3,649
		<b>21,231</b>	30,908
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>21,231</b>	30,908
Attributable to:			
Owners of the parent		<b>15,524</b>	27,259
Non-controlling interests		<b>5,707</b>	3,649
		<b>21,231</b>	30,908
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	8		
Basic and diluted			
— For profit for the period		<b>RMB 0.0088</b>	RMB 0.0154





# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Notes	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	924,235	936,244
Investment properties		29,857	31,302
Right-of-use assets		221,433	207,882
Prepaid land lease payments		7,240	—
Intangible assets		6,080	5,489
Investments in joint ventures		114,947	106,278
Advance payments for property, plant and equipment		27,039	16,812
Equity investments designated at fair value through other comprehensive income		60,703	60,703
Deferred tax assets		22,392	21,719
Other non-current assets		1,725	—
<b>Total non-current assets</b>		<b>1,415,651</b>	<b>1,386,429</b>
<b>CURRENT ASSETS</b>			
Inventories		443,773	418,152
Trade and notes receivables	10	652,995	706,686
Prepayments, other receivables and other assets		348,756	355,981
Amounts due from related parties		112,922	118,414
Pledged deposits		69,126	147,182
Cash and cash equivalents		154,305	114,845
<b>Total current assets</b>		<b>1,781,877</b>	<b>1,861,260</b>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	11	768,995	832,747
Other payables and accruals		260,853	269,313
Interest-bearing bank and other borrowings		494,665	309,511
Amounts due to related parties		17,752	8,426
Amount due to the ultimate controlling shareholder		—	75
Tax payable		40,156	72,338
<b>Total current liabilities</b>		<b>1,582,421</b>	<b>1,492,410</b>
<b>NET CURRENT ASSETS</b>		<b>199,456</b>	<b>368,850</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,615,107</b>	<b>1,755,279</b>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	<b>30 June 2023 (Unaudited) RMB'000</b>	31 December 2022 (Audited) RMB'000
<b>NON-CURRENT LIABILITIES</b>		
Interest-bearing bank and other borrowings	<b>151,040</b>	297,047
Government grants	<b>18,249</b>	17,194
Deferred tax liabilities	<b>13,225</b>	11,081
Total non-current liabilities	<b>182,514</b>	325,322
Net assets	<b>1,432,593</b>	1,429,957
<b>EQUITY</b>		
<b>Equity attributable to owners of the parent</b>		
Share capital	<b>142,956</b>	142,956
Reserves	<b>1,136,833</b>	1,134,305
Total equity attributable to owners of the parent	<b>1,279,789</b>	1,277,261
Non-controlling interests	<b>152,804</b>	152,696
Total equity	<b>1,432,593</b>	1,429,957



# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	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	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	
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
As at 1 January 2022 (audited)	142,956	8,157	106,895	88,278	19,253	812,258	1,177,797	59,051	1,236,848
Total comprehensive income for the period	—	—	—	—	—	27,259	27,259	3,649	30,908
Acquisition of a subsidiary	—	—	—	—	—	—	—	89,889	89,889
Final dividends	—	—	—	—	—	(7,601)	(7,601)	—	(7,601)
As at 30 June 2022 (unaudited)	142,956	8,157	106,895	88,278	19,253	831,916	1,197,455	152,589	1,350,044

\* These reserve accounts comprise the consolidated reserves of RMB1,136,833,000 (31 Dec 2022: RMB1,134,305,000) in the interim condensed consolidated statement of financial position.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Notes	For the six months ended 30 June	
		2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
<b>Cash flows from operating activities</b>			
Profit before tax:		<b>32,138</b>	44,168
Net foreign exchange gain		<b>(597)</b>	—
Finance costs		<b>12,280</b>	14,676
Share of profits of joint ventures		<b>(8,669)</b>	(1,861)
Revaluation gain on previously held equity interest	4	—	(785)
Dividend income from equity investments at fair value through other comprehensive income	4	<b>(905)</b>	(1,509)
Finance income	4	<b>(2,254)</b>	(2,568)
(Gain)/loss on disposal of items of property, plant and equipment	4	<b>(155)</b>	5
Amortizations of government grants		<b>(610)</b>	(187)
Gain on bargain purchase	5	—	(8,915)
Depreciation of property, plant and equipment		<b>51,487</b>	63,267
Depreciation of right-of use assets		<b>7,526</b>	6,205
Depreciation of investment properties		<b>1,445</b>	1,963
Amortisation of intangible assets		<b>903</b>	652
Write-down of inventories to net realisable value		<b>997</b>	666
Impairment of financial assets, net	5	<b>(271)</b>	(472)
		<b>93,315</b>	115,305
Increase in inventories		<b>(26,618)</b>	(18,979)
Decrease in trade and notes receivables		<b>53,929</b>	338,596
Decrease in prepayments, other receivables and other assets		<b>7,258</b>	31,124
Increase in other non-current assets		<b>(1,725)</b>	—
Decrease/(increase) in amounts due from related parties		<b>5,492</b>	(14,009)
Decrease in amounts due to the ultimate controlling shareholder		<b>(75)</b>	—
Decrease in trade and bills payables		<b>(63,752)</b>	(137,661)
Decrease in other payables and accruals		<b>(31,864)</b>	(11,493)
Decrease in amounts due to related parties		<b>(370)</b>	(52,280)
Decrease/(increase) in pledged deposits		<b>40,356</b>	(8,772)
Cash from operations		<b>75,946</b>	241,831
Income tax paid		<b>(41,618)</b>	(11,665)
Net cash flows from operating activities		<b>34,328</b>	230,166



## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	For the six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
<b>Cash flows from investing activities</b>		
Interest received	5,508	2,568
Prepayments and purchases of items of property, plant and equipment	(44,785)	(43,089)
Purchases of items of intangible assets	(8,490)	—
Proceeds from disposal of items of property, plant and equipment	7,616	58,314
Receipt of government grants for property, plant and equipment and right-of-use assets	1,950	—
Acquisition of a subsidiary, net of cash	—	2,763
Advances of loan to a supplier	—	(30,000)
Dividend received from equity investments at fair value through other comprehensive income	905	1,509
Net cash flows used in investing activities	(37,296)	(7,935)
<b>Cash flows from financing activities</b>		
New bank loans	446,000	573,000
Repayment of bank loans	(423,009)	(661,473)
Principal portion of lease payment	(5,315)	(3,429)
Dividends paid to non-controlling shareholders	(1,574)	—
Decrease in pledged deposits	37,700	—
Interest paid	(11,971)	(14,171)
Net cash flows from/(used in) financing activities	41,831	(106,073)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>38,863</b>	<b>116,158</b>
Cash and cash equivalents at beginning of the period	114,845	61,676
Effect of foreign exchange rate changes, net	597	—
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>154,305</b>	<b>177,834</b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	154,305	177,834
Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position	154,305	177,834
Cash and cash equivalents as stated in the interim condensed consolidated statement of cash flows	154,305	177,834

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

## 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 2023, 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 2023 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 2022.

## 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 2022, 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.

IFRS 17	<i>Insurance Contracts</i>
Amendments to IFRS 17	<i>Insurance Contracts</i>
Amendment to IFRS 17	<i>Initial Application of IFRS 17 and IFRS 9 — Comparative Information</i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to IAS 12	<i>International Tax Reform — Pillar Two Model Rules</i>

The nature and impact of the new and revised IFRSs that are applicable to the Group are described below:

- (a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group’s interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group’s annual consolidated financial statements.



## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

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

- (b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments on temporary differences related to leases and decommissioning obligations as at 1 January 2022, with any cumulative effect recognised as an adjustment to the balance of retained profits or other component of equity as appropriate at that date. In addition, the Group has applied the amendments prospectively to transactions other than leases and decommissioning obligations that occurred on or after 1 January 2022, if any.

Prior to the initial application of these amendments, the Group applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group recognised (i) a deferred tax asset for all deductible temporary differences associated with lease liabilities (provided that sufficient taxable profit is available); and (ii) a deferred tax liability for all taxable temporary differences associated with right-of-use assets as at 1 January 2022. The quantitative impact on the financial information is immaterial.

- (d) Amendments to IAS 12 *International Tax Reform — Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

### 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	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Mainland China	830,242	744,873
Overseas	34,619	29,945
	<b>864,861</b>	774,818

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

**(b) Non-current assets**

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Mainland China	1,332,556	1,304,007

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.





## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

### 4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>Revenue from contracts with customers</b>	<b>864,861</b>	774,818
Disaggregated revenue information for revenue from contracts with customers		
<b>Type of goods or service</b>		
Sales of plastic parts and automotive parts	818,215	720,855
Sales of moulds and tooling	46,646	53,963
Total revenue from contracts with customers	864,861	774,818
<b>Geographical markets</b>		
Mainland China	830,242	744,873
Overseas	34,619	29,945
Total revenue from contracts with customers	864,861	774,818
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	864,861	774,818

**NOTES TO INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION**

For the six months ended 30 June 2023

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

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Rental income	2,573	3,851
Government grants	3,294	4,274
Dividends received from equity investments designated at fair value through other comprehensive income	905	1,509
Management fee	2,084	1,776
Gain on disposal of items of property, plant and equipment	155	—
Gain on sales of scrap materials	1,212	651
Foreign exchange gain	1,864	1,314
Revaluation gain on previously held equity interest	—	785
Gain on bargain purchase	—	8,915
Interest income on bank deposits	1,760	2,568
Interest income on loans and receivables	494	—
Others	571	1,806
<b>Total</b>	<b>14,912</b>	<b>27,449</b>



## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

### 5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Cost of inventories recognised	643,829	567,050
Depreciation of property, plant and equipment	51,487	63,267
Depreciation of right-of-use assets	7,526	6,205
Depreciation of investment properties	1,445	1,963
Amortisation of intangible assets	903	652
Lease payments under short-term leases	4,875	10,567
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages, salaries and other benefits	136,846	125,211
Rental income, net	(2,573)	(3,851)
Foreign exchange difference, net	(1,864)	(1,314)
Gain on bargain purchase	—	(8,915)
Impairment on financial assets, net	(271)	(472)
Revaluation gain on previously held equity interest	—	(785)
Write-down of inventories to net realisable value	997	666
(Gain)/loss on disposal of items of property, plant and equipment	(155)	5

### 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	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Current income tax		
— Charge for the period	9,435	7,300
Deferred income tax	1,472	5,960
Total tax charge for the period	10,907	13,260

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

### 7. DIVIDENDS

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Final declared — HK0.8389 cent per ordinary share (2022: HK0.5276 cent)	12,996	7,601

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: 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 2023 (the six months ended 30 June 2022: 1,769,193,800).

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

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>Earnings</b>		
Profit attributable to owners of the parent used in the basic and diluted earnings per share calculation	15,524	27,259

	For the six months ended 30 June	
	Number of shares 2023 (Unaudited)	2022 (Unaudited)
<b>Shares</b>		
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



## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

### 9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired property, plant and equipment with a total cost of RMB46,789,000 (the six months ended 30 June 2022: RMB44,043,000). No asset is transferred from investment properties to property, plant and equipment (30 June 2022: RMB14,777,000).

No asset is transferred from property, plant and equipment to investment properties (30 June 2022: RMB16,173,000). Assets with a net book value of RMB 7,461,000 were disposed of by the Group during the six months ended 30 June 2023 (30 June 2022: RMB5,000), resulting in a net gain on disposal of RMB155,000 (30 June 2022: net loss on disposal RMB5,000).

### 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:

	<b>30 June 2023</b> <b>RMB'000</b> <b>(Unaudited)</b>	31 December 2022 RMB'000 (Audited)
Trade receivables	<b>546,665</b>	587,172
Notes receivables	<b>132,948</b>	142,561
	<b>679,613</b>	729,733
Impairment of trade receivables	<b>(26,618)</b>	(23,047)
	<b>652,995</b>	706,686
	<b>30 June 2023</b> <b>RMB'000</b> <b>(Unaudited)</b>	31 December 2022 RMB'000 (Audited)
Trade receivables		
Within 3 months	<b>462,897</b>	520,623
3 to 6 months	<b>21,758</b>	17,746
6 months to 1 year	<b>18,963</b>	23,031
Over 1 year	<b>16,429</b>	2,725
	<b>520,047</b>	564,125

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

### 11. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables of the Group as at 30 June 2023, based on the invoice date, is as follows:

	<b>30 June 2023</b> <b>RMB'000</b> <b>(Unaudited)</b>	31 December 2022 RMB'000 (Audited)
Within 3 months	<b>655,797</b>	626,147
3 to 12 months	<b>99,251</b>	193,790
1 to 2 years	<b>3,747</b>	4,674
2 to 3 years	<b>7,674</b>	8,136
Over 3 years	<b>2,526</b>	—
	<b>768,995</b>	832,747

Certain bills payable was secured by pledged deposits of the Group with a carrying value of RMB50,826,000 as at 30 June 2023 (31 December 2022: RMB91,182,000).

### 12. COMMITMENTS

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

	<b>30 June 2023</b> <b>RMB'000</b> <b>(Unaudited)</b>	31 December 2022 RMB'000 (Audited)
Contracted, but not provided for:		
Property, plant and equipment	<b>39,427</b>	16,569



## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

### 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	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Sales of goods to:	(i)		
Joint ventures		28,276	27,978
An entity with significant influence by Mr. Zhou's brother		23,214	14,994
		51,490	42,972
Purchases of goods from:	(ii)		
Joint ventures		530	17,030
Entities with significant influence by Mr. Zhou's brother		3,480	2,531
An entity with significant influence by the key management personnel		2,167	2,397
An entity collectively controlled by Mr. Zhou's parents		41	295
		6,218	22,253
Gross rental income from:	(iii)		
Joint ventures		2,573	3,851
Management fee from:	(iv)		
Joint ventures		2,084	1,776
Research and development fee from:	(v)		
An entity with significant influence by the key management personnel		2,475	—

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.

**NOTES TO INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION**

For the six months ended 30 June 2023

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

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

- (iv) The management fee from the related parties was in accordance with the terms agreed between the related parties through management fee agreements.
- (v) The research and development fee from the related parties was in accordance with the terms agreed between the related parties through research and development fee agreements.

**(b) Outstanding balances with related parties**

	<b>30 June 2023</b> <b>RMB'000</b> <b>(Unaudited)</b>	31 December 2022 RMB'000 (Audited)
Amounts due from related parties:		
Joint ventures	<b>61,085</b>	72,708
An entity with significant influence by Mr. Zhou's brother	<b>50,937</b>	39,706
An entity with significant influence by the key management personnel	<b>900</b>	6,000
	<b>112,922</b>	118,414
Amounts due to the ultimate controlling shareholder:		
Mr. Zhou	—	75
Amounts due to related parties:		
Entities with significant influence by Mr. Zhou's brother	<b>4,304</b>	2,066
An entity collectively controlled by Mr. Zhou's parents	<b>16</b>	8
Entities with significant influence by the key management personnel	<b>13,432</b>	6,352
	<b>17,752</b>	8,426





## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

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

#### (c) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Short-term employee benefits	2,636	2,891
Pension scheme contributions	22	28
<b>Total compensation paid to key management personnel</b>	<b>2,658</b>	<b>2,919</b>

### 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 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
<b>Financial assets</b>				
Equity investments designated at fair value through other comprehensive income	60,703	60,703	60,703	60,703
Notes receivable at fair value through other comprehensive income	132,948	142,561	132,948	142,561
	<b>193,651</b>	203,264	<b>193,651</b>	203,264
<b>Financial liabilities</b>				
Interest-bearing bank and other borrowings, non-current portion	151,040	297,047	151,040	297,047

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 2023

### 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 enterprise value to earnings before interest, taxes, depreciation and amortisation ("**EV/EBITDA**") multiple and price to earnings ("**P/E**") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The Directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

The Group's notes receivable are managed with a business model under which notes receivable are both held to collect contractual cash flows and endorsed to suppliers prior to their expiry date. Accordingly, these notes receivable are measured as fair value through other comprehensive income. The Group has estimated the fair value of these notes receivable by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.



## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

### 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 2023 and 31 December 2022:

	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 2023: 8.32 to 59.51	10% increase/decrease in multiple would result in increase/decrease in fair value by 5,468
		Discount for lack of marketability	30 June 2023: 0.00% to 91.30%	10% increase/decrease in discount rate would result in decrease/increase in fair value by 1,059
Investment B	Valuation multiples	Forward average P/E multiples of peers	30 June 2023: 9.72 to 37.68	10% increase/decrease in multiple would result in increase/decrease in fair value by 417
		Discount for lack of marketability	30 June 2023: 0.00% to 91.30%	10% increase/decrease in discount rate would result in decrease/increase in fair value by 112
Investment A	Valuation multiples	Forward average P/E multiples of peers	31 Dec 2022: 8.32 to 59.51	10% increase/decrease in multiple would result in increase/decrease in fair value by 5,468
		Discount for lack of marketability	31 Dec 2022: 0.00% to 91.30%	10% increase/decrease in discount rate would result in decrease/increase in fair value by 1,059
Investment B	Valuation multiples	Forward average P/E multiples of peers	31 Dec 2022: 9.72 to 37.68	10% increase/decrease in multiple would result in increase/decrease in fair value by 417

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

### 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 2023 and 31 December 2022: (Continued)

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input (RMB'000)
Unlisted equity investment				
Investment B	Valuation Multiples	Discount for lack of marketability	31 Dec 2022: 0.00% to 91.30%	10% increase/decrease in discount rate would result in decrease/increase in fair value by 112

### 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 2023

	Fair value measurement using			
	Total RMB'000 (Unaudited)	Quoted prices in active markets Level 1 RMB'000 (Unaudited)	Significant observable inputs Level 2 RMB'000 (Unaudited)	Significant Unobservable inputs Level 3 RMB'000 (Unaudited)
Equity investments designated at fair value through other comprehensive income	60,703	—	—	60,703
Notes receivable at fair value through other comprehensive income	132,948	—	132,948	—
	193,651	—	132,948	60,703



## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

### 14. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(Continued)

#### Assets measured at fair value (Continued)

As at 31 December 2022

	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	60,703	—	—	60,703
Notes receivable at fair value through other comprehensive income	142,561	—	142,561	—
	203,264	—	142,561	60,703

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 2022: Nil).

### 15. EVENTS AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Group after 30 June 2023.

### 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 of Directors on 29 August 2023.