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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

FINANCIAL HIGHLIGHTS

- Revenue was approximately RMB1.683 billion, representing a healthy increase of approximately 14.4% when compared to the same period in 2013.
- Profit attributable to owners of the parent amounted to approximately RMB86.6 million, representing a significant increase of approximately 81.9% when compared to the same period in 2013.
- Gross profit margin was 24.0%, representing a slight increase of about 0.4% when compared to the same period in 2013.
- Basic earnings per share attributable to the owners of the parent was approximately RMB10.82 cent(s) (2013: RMB5.95 cent(s)).
- The Board does not recommend the payment of a final dividend for the Year.

ANNUAL RESULTS

The board (the "Board") of directors (the "Directors") of Huazhong In-Vehicle Holdings Company Limited (the "Company") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2014 (the "Year"), together with the comparative figures for the year ended 31 December 2013.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2014

	Notes	**2014** RMB'000	2013 RMB'000
REVENUE	5	**1,683,204**	1,470,893
Cost of sales		**(1,278,993)**	(1,123,488)
Gross profit		**404,211**	347,405
Other income and gains	5	**12,485**	16,840
Selling and distribution expenses		**(93,873)**	(99,087)
Administrative expenses		**(159,755)**	(142,562)
Other expenses		**(4,298)**	(6,218)
Operating profit		**158,770**	116,378
Share of profits and losses of:			
An associate		**(295)**	245
Joint ventures		**(1,703)**	7,434
Finance income	6	**7,659**	7,037
Finance costs		**(44,683)**	(48,238)
PROFIT BEFORE TAX	7	**119,748**	82,856
Income tax expense	8	**(28,526)**	(30,758)
PROFIT FOR THE YEAR		**91,222**	52,098
Attributable to:			
Owners of the parent		**86,583**	47,620
Non-controlling interests		**4,639**	4,478
		91,222	52,098
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10		
Basic			
— For profit for the year		**RMB0.1082**	RMB0.0595
Diluted			
— For profit for the year		**RMB0.1080**	RMB0.0595

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
PROFIT FOR THE YEAR		**91,222**	52,098
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(3,300)**	477
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**(3,300)**	477
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**(3,300)**	477
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**87,922**	52,575
Attributable to:			
Owners of the parent		**83,283**	48,097
Non-controlling interests		**4,639**	4,478
		87,922	52,575

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	2014	2013
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**552,333**	481,750
Investment properties		**38,892**	41,389
Prepaid land lease payments		**159,666**	163,972
Intangible assets		**4,463**	4,204
Investment in an associate		**2,215**	2,730
Investments in joint ventures		**57,995**	65,327
Prepayments for acquiring property, plant and equipment		**29,627**	22,098
Deferred tax assets		**14,355**	16,593
Total non-current assets		**859,546**	798,063
CURRENT ASSETS			
Inventories		**248,000**	181,776
Trade and notes receivables	*11*	**470,008**	370,913
Prepayments and other receivables		**106,653**	81,992
Due from the ultimate controlling shareholder		**—**	430
Due from related parties		**27,001**	6,808
Pledged deposits		**114,246**	128,554
Cash and cash equivalents		**197,525**	240,659
Total current assets		**1,163,433**	1,011,132
CURRENT LIABILITIES			
Trade and notes payables	*12*	**499,499**	450,796
Other payables, advances from customers and accruals		**145,774**	125,555
Interest-bearing bank borrowings		**556,431**	560,759
Due to the ultimate controlling shareholder		**871**	289
Due to related parties		**79,535**	41,081
Income tax payable		**56,972**	55,902
Total current liabilities		**1,339,082**	1,234,382
NET CURRENT LIABILITIES		**175,649**	223,250

	Notes	**2014**	2013
		RMB'000	*RMB'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		**683,897**	574,813
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**117,000**	76,000
Government grants		**9,934**	8,969
Deferred tax liabilities		**19,941**	23,496
Total non-current liabilities		**146,875**	108,465
Net assets		**537,022**	466,348
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**65,120**	65,120
Reserves		**442,990**	358,663
Proposed final dividend	*9*	**—**	15,842
		508,110	439,625
Non-controlling interests		**28,912**	26,723
Total equity		**537,022**	466,348

1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB"). These financial statements also comply with the disclosure applicable requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The financial statements have been prepared on a historical cost convention, except for freehold land classified as property, plant and equipment which have been measured at fair value. The financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousands, except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2014. The financial statements of the subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Going concern basis

Notwithstanding that the Group had consolidated net current liabilities of approximately RMB175,649,000 at 31 December 2014, the financial statements have been prepared by the directors of the Company on a going concern basis.

In order to improve the Group's financial position, the directors of the Company have adopted the following measures:

(i) as at 31 December 2014, the Group had unutilised credit facilities from banks of approximately RMB334,590,000;

(ii) the directors of the Company continue to take action to tighten cost controls over various operating expenses, and are actively seeking new investment and business opportunities with an aim to attain profitable and positive cash flow operations.

In the opinion of the directors of the Company, in light of the measures taken to date together with the expected results of other measures in progress, the Group is able to fulfil its financial obligations when they fall due. Accordingly, it is appropriate to prepare the financial statements on a going concern basis, notwithstanding the Group's financial and liquidity positions at 31 December 2014.

2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following standards and new interpretation for the first time for the current year's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 27 (2011)	*Investment Entities*
Amendments to IAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to IAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*
Amendments to IAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
IFRIC 21	*Levies*
Amendments to IFRS 2 included in Annual Improvements 2010-2012 Cycle	*Definition of Vesting Condition*[1]
Amendments to IFRS 3 included *in Annual Improvements* 2010-2012 Cycle	*Accounting for Contingent Consideration in a Business Combination*
Amendments to IFRS 13 included in Annual Improvements 2010-2012 Cycle	*Short-term Receivables and Payables*
Amendments to IFRS 1 included in Annual Improvements 2011-2013 Cycle	*Meaning of Effective IFRSs*

[1] Effective from 1 July 2014

The adoption of these new and revised IFRSs has had no significant financial effect on these financial statements.

3 NEW AND REVISED IFRSS AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

IFRS 9	*Financial Instruments*[4]
Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
IFRS 14	*Regulatory Deferral Accounts*[5]
IFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*[2]
Amendments to IAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to IAS 27 (2011)	*Equity Method in Separate Financial Statements*[2]
Amendments to IAS 1	*Disclosure Initiative*[2]
Amendments to IFRS 10, IFRS 12 and IAS 28 (2011)	*Investment Entities: Applying the Consolidation Expectation*[2]
Annual Improvements 2010-2012 Cycle	*Amendments to a number of IFRSs*[1]
Annual Improvements 2011-2013 Cycle	*Amendments to a number of IFRSs*[1]
Annual Improvements 2012-2014 Cycle	*Amendments to a number of IFRSs*[2]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 January 2018
5 Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is in the process of making an assessment of the impact of these changes. So far, the Group considers that these new and revised IFRSs may result in changes in accounting policies and are unlikely to have a significant impact on the Group's results of operations and financial position.

4. SEGMENT INFORMATION

For management purposes, the Group is organised into one single business unit that is primarily the manufacture and sale of internal and external decorative and structural automobile parts, moulds and tooling, casing and liquid tanks of air-conditioning or heater units and other non-automobile products. Management reviews the consolidated results when making decisions about allocating resources and assessing the performance of the Group. Accordingly, no segment analysis is presented.

Geographical information

(a) Revenue from external customers

An analysis of the Group's geographical information on revenue on the basis of the customers' locations is set out in the following table:

	2014	2013
	RMB'000	*RMB'000*
Mainland China	**1,560,140**	1,383,956
Overseas	**123,064**	86,937
Total	**1,683,204**	1,470,893

(b) Non-current assets

	2014	2013
	RMB'000	*RMB'000*
Mainland China	**804,158**	731,172
Overseas	**41,033**	50,298
Total	**845,191**	781,470

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

Information about major customers

Revenue from sales to customers that individually amounted to 10 percent or more of the Group's revenue for the year are set out in the following table:

Company	**2014**	2013
	RMB'000	*RMB'000*
Customer A	**661,392**	563,710
Customer B	**249,866**	178,940

The above sales to major customers include sales to a group of entities which are known to be under common control with those customers.

5. REVENUE AND OTHER INCOME

An analysis of revenue and other income is as follows:

	2014	2013
	RMB'000	*RMB'000*
Revenue:		
Sales of goods	**1,581,282**	1,376,652
Sales of materials	**101,922**	94,241
	1,683,204	1,470,893
Other income and gains:		
Government grants	**1,133**	1,403
Rental income	**6,857**	4,590
Gain on sales of scrap materials	**829**	1,141
Gain on disposal of items of property, plant and equipment	**81**	57
Management fee income *(Note (a))*	**—**	3,500
Others	**3,585**	6,149
Total	**12,485**	16,840

Note (a) The Group ceased to charge management fee income that represents income for administrative services rendered to Changchun Huaxiang Faurecia Automotive Plastic Components Company Limited ("Changchun Huaxiang Faurecia"), a joint venture of the Group, since July 2013.

6. FINANCE INCOME

	2014	2013
	RMB'000	*RMB'000*
Interest income on bank deposits	**7,659**	7,037

7. PROFIT BEFORE TAX

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

	2014	2013
	RMB'000	*RMB'000*
Cost of inventories recognised	**1,278,993**	1,123,488
Depreciation of property, plant and equipment	**54,361**	55,747
Depreciation of investment properties	**2,497**	2,789
Amortisation of land lease payments	**3,576**	3,244
Amortisation of intangible assets	**927**	650
Research and development costs	**45,384**	40,120
Lease payments under operating leases in respect of properties	**5,261**	7,840
Auditors' remuneration	**3,042**	2,937
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	**159,132**	148,128
Pension scheme costs	**11,123**	8,011
Equity-settled share option expense	**666**	1,564
	170,921	157,703
Gross rental income	**(9,727)**	(9,694)
Less: Direct expenses for generating rental income	**2,870**	5,104
Rental income, net	**(6,857)**	(4,590)
Net foreign exchange losses/(gains)	**2,243**	(173)
Reversal of impairment of trade receivables	**(1,118)**	(2,239)
Write-down of inventories to net realisable value	**1,915**	2,008
Provision for impairment of property, plant and equipment	**—**	1,212
Gain on disposal of items of property, plant and equipment	**(81)**	(57)
Government grants	**(1,133)**	(1,403)
Management fee income	**—**	(3,500)
Interest income	**(7,659)**	(7,037)

8. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands and BVI, the Group is not subject to any income tax in the Cayman Islands and BVI.

No Hong Kong profits tax has been provided as there was no assessable profit earned in or derived from Hong Kong during the year.

All of the Group's subsidiaries registered in the People's Republic of China ("PRC") that have operations only in Mainland China are subject to PRC enterprise income tax ("EIT") on the taxable income as reported in their PRC statutory accounts adjusted in accordance with relevant PRC income tax laws. On 16 March 2007, the PRC government promulgated the Enterprise Income Tax Law of the PRC (the "EIT Law"), which became effective from 1 January 2008. On 6 December 2007, the State Council issued the Implementation Regulation of the EIT Law. The EIT Law and Implementation Regulation changed the tax rate for the PRC enterprises from 33% to 25% from 1 January 2008 onwards.

Pursuant to the relevant tax rules in the PRC, Chongqing Huazhong Automobile Decorative Parts Co., Ltd. ("Chongqing Huazhong") and Chengdu Huazhong Automobile Parts Co., Ltd. ("Chengdu Huazhong") were qualified as Western China development enterprises and were entitled to a preferential rate of 15% during the year ended 31 December 2014 (2013: 15% for Chongqing Huazhong and 25% for Chengdu Huazhong).

In April 2013, Ningbo Huazhong Plastic Products Co., Ltd. ("Ningbo Huazhong Plastic") was accredited as a "High and New Technology Enterprise" for three years starting from December 2012 to enjoy a preferential CIT rate of 15% (2013: 15%) and such qualification expired in September 2015. All other subsidiaries operating in Mainland China were subject to a tax rate of 25% during the year (2013: 25%).

Pursuant to the local tax rules in Germany, HZ FBZ Formenbau Zuttlingen GmbH ("HZ FBZ") was subject to a tax rate of 28.075% (2013: 28.075%) during the year ended 31 December 2014.

According to the requirements of the Provisional Regulations of the PRC on Land Appreciation Tax ("LAT") effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective from 27 January 1995, all income from the sale or transfer of state-owned leasehold interests on land, buildings and their attached facilities in Mainland China is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for property sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

The Group has estimated, made and included in the tax provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for LAT is calculated.

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

	2014	2013
	RMB'000	*RMB'000*
Current income tax		
Income tax for the year	**29,322**	23,933
Deferred income tax	**(796)**	6,825
Total tax charge for the year	**28,526**	30,758

A reconciliation of the tax expense applicable to profit before tax at the statutory rate to the tax expense at the effective tax rate for each of the year is as follows:

	2014	2013
	RMB'000	*RMB'000*
Profit before tax	**119,748**	82,856
Tax at the statutory tax rate	**29,937**	20,714
Lower tax rate for specific provincial or local tax authority	**(12,758)**	(2,547)
Tax losses not recognised	**7,405**	2,757
Profits and losses attributable to joint ventures and an associate	**500**	(1,175)
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	**—**	2,000
Non-taxable income	**(181)**	(176)
Under-provision in prior years	**33**	994
Expenses not deductible for tax	**4,312**	2,439
Tax losses utilised	**(841)**	(24)
Effect on opening deferred tax as a result of preferential tax rate	**119**	5,776
Tax charge for the year	**28,526**	30,758

9. DIVIDENDS

No final dividend (2013: HK$0.025 per ordinary share) was proposed by the directors of the Company for the year ended 31 December 2014.

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share for the year is based on the consolidated net profit attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 800,000,000 in issue during the year ended 31 December 2014 (2013: 800,000,000).

The calculation of diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the share option scheme, where applicable (see below). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

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

	2014	2013
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic and diluted earnings per share calculations	**86,583**	47,620

	Number of shares	
	2014	2013
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**800,000,000**	800,000,000
Effect of dilution — weighted average number of ordinary shares:		
Share options	**1,475,000**	461,000
	801,475,000	800,461,000

11. TRADE AND NOTES RECEIVABLES

	2014	2013
	RMB'000	*RMB'000*
Trade receivables	**438,441**	367,858
Notes receivable	**42,963**	15,569
	481,404	383,427
Impairment of trade receivables	**(11,396)**	(12,514)
	470,008	370,913

The Group's trading terms with its customers are mainly on credit. The credit period is from one to three months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

The Group's notes receivable are all aged within six months and are neither past due nor impaired.

An aged analysis of the trade receivables of the Group, based on the invoice date and net of provisions, is as follows:

	2014	2013
	RMB'000	*RMB'000*
Within 3 months	**388,697**	332,568
3 to 6 months	**35,617**	21,084
6 months to 1 year	**2,420**	992
Over 1 year	**311**	700
	427,045	355,344

Movements in the provision for impairment of trade receivables are as follows:

	2014	2013
	RMB'000	*RMB'000*
At beginning of year	**12,514**	15,156
Reversal of impairment for the year	**(1,118)**	(2,239)
Amounts written off	**—**	(403)
At end of year	**11,396**	12,514

An aged analysis of the trade receivables of the Group that are neither individually nor collectively considered to be impaired is as follows:

	2014	2013
	RMB'000	*RMB'000*
Neither past due nor impaired	**391,159**	333,611
Less than 1 month past due	**21,663**	8,967
1 to 2 months past due	**10,895**	3,045
2 to 3 months past due	**724**	9,053
Over 3 months and within 1 year past due	**2,285**	614
Over 1 year past due	**319**	54
	427,045	355,344

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company believe that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

12. TRADE AND NOTES PAYABLES

An aged analysis of the trade and notes payables of the Group as at 31 December 2014, based on the invoice date, is as follows:

	2014	2013
	RMB'000	*RMB'000*
Within 3 months	**373,816**	328,634
3 to 12 months	**121,339**	117,371
1 to 2 years	**2,039**	4,172
2 to 3 years	**2,132**	227
Over 3 years	**173**	392
	499,499	450,796

The trade payables due to third parties are non-interest-bearing and normally settled on terms of 30 to 90 days. Notes payable are generally with a maturity period of six months.

Certain notes payable were secured by pledged deposits of the Group with a carrying value of RMB83,646,000 as at 31 December 2014 (2013: RMB119,975,000).

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

Continuing the trend from 2013, the automobile industry has recorded another year of stable growth in 2014. According to the statistics from China Association of Automobile Manufacturers (CAAM), over 23.7 million vehicles were manufactured and over 23.5 million vehicles were sold in 2014, representing a growth of 7.3% and 6.9%, respectively, from the previous year. In terms of sales and manufacturing volumes, China has ranked number one in the world for six consecutive years.

On top of the consistently growing market, the automobile industry has continued its consolidation process. China has more than 200 car manufacturers and many of which produce less than 10,000 vehicles per year. This has demonstrated that automobile manufacturing is a highly concentrated market. The level of consolidation continues to rise in recent years. In 2014, the sales volume of the top 10 automobile manufacturers reached approximately 21.1 million units, accounting for 89.7% (2013: 88.4%) of the overall vehicle sales in China, representing a growth of 1.3 percentage points. As a tier-one supplier with scalable production capacity and strong R&D capability, the Group has established long-term business relationships with these leading players in the market. Out of the top 10 automobile manufacturers, the Group has established business relationships with 6 of them, namely SAIC Motor, FAW Volkswagen, Chang'an Automobile, BAIC Motor, GAC Group and Chery. The solid partnership with industry leaders has provided a strong foothold for the Group to capture the growth of the automobile industry.

BUSINESS REVIEW

In 2014, the Group was faced with continuously increasing production costs. As such, the Group rigorously enforced the implementation of cost controls, improved staff quality and strengthened administrative efficiency internally. Externally, the Group strived to fortify the long-term cooperation with customers, develop new market opportunities, maintain sound business operation capability, consolidate the Group's resources and improve market competitiveness. These actions successfully helped the Group in achieving the annual targets, and laid the foundation for its sustainable operation in the future.

For the Year, the Group's revenue was approximately RMB1.683 billion, representing a healthy increase of approximately 14.4% as compared to approximately RMB1.471 billion in 2013. Profit attributable to the owners of the parent for the Year was approximately RMB86.6 million, representing a significant increase of approximately 81.9% as compared to approximately RMB47.6 million in 2013.

The new manufacturing facility in Chongqing and Hangzhou Bay is under construction and is expected to be completed and commences production in the year 2015.

Other than the aforementioned, there was no material acquisition/disposal and investments during the Year.

OPERATIONS ANALYSIS

The Board believes that the Group's achievements are attributable to the following aspects:

- The Group provides one-stop product development and manufacturing solutions to customers. This vertically integrated service has enabled the Group to improve production efficiency, shorten the roll-out time for new products, stringently control production cost and quality throughout the whole production process and strengthen its business relationships with customers.

- The Group has strong research and development capacity to develop new products with customers simultaneously. This enables the Group to establish close relationships with its major customers and deepen its understanding of the customers' needs.

- The Group established production bases that are located close to the production bases of most of the key automakers in China. The geographic proximity advantage enables the Group to provide services to its customers in a timely manner, strengthen its relationships with these customers and reduce transportation costs, and thereby further enhancing its competitiveness.

- The Group maintains long-term business relationships with both domestic and multinational automakers, while rigorously engaging new customers.

- The Group is equipped with strong production capabilities and refined manufacturing technology. The Group has adopted the most advanced technologies and production equipment in this industry.

- The Group has an experienced management team with deep knowledge and understanding of the automobile body parts industry.

- The Group monitors its product quality in a stringent manner. It implements sophisticated quality monitoring procedures to select and examine raw materials, semi-finished and finished products to ensure a high standard of quality.

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-automobile products; and

(v) Sale of raw materials.

Except for the casings and liquid tanks of air conditioners and heaters and non-automobile products, revenue derived from products of the rest recorded a strong growth during the Year.

	2014		2013	
	Revenue	**Gross profit Margin**	Revenue	Gross profit Margin
	RMB'000	***%***	*RMB'000*	*%*
Automotive interior and exterior structural and decorative parts	**1,210,426**	**27.4**	1,054,671	26.8
Moulds and tooling	**106,059**	**7.1**	75,133	12.3
Casings and liquid tanks of air conditioners and heaters	**202,702**	**18.9**	189,946	17.9
Non-automobile products	**62,095**	**35.2**	56,902	32.8
Sale of raw materials	**101,922**	**5.0**	94,241	3.5
Total	**1,683,204**	**24.0**	1,470,893	23.6

For the Year, the total revenue generated from automotive interior and exterior accessories was RMB1,210,426,000 (2013: RMB1,054,671,000), accounting for 71.9% of the Group's total revenue for the Year (2013: 71.7%). The increase was primarily because of commenced production of new manufacturing facility, booming automotive sales market and new car models launched. Gross profit margin increased from 26.8% for the year 2013 to 27.4% for the Year. Such increase was caused by better capacity utilization and vigorous implementation of stringent cost control.

For the Year, revenue from moulds and tooling was RMB106,059,000 (2013: RMB75,133,000), accounting for 6.3% of the Group's total revenue for the Year (2013: 5.1%). Gross profit margin decreased from 12.3% in 2013 to 7.5% in the Year, mainly because of infavorable product mix shift.

For the Year, revenue from casings and liquid tanks of air conditioners and heaters was RMB202,702,000 (2013: RMB189,946,000), accounting for 12.0% of the Group's total revenue for the Year (2013: 12.9%). Gross profit margin increased from 17.9% in 2013 to 18.9% in the Year mainly due to better capacity utilization and vigorous implementation of stringent cost control.

For the Year, revenue from non-automobile products was RMB62,095,000 (2013: RMB56,902,000), accounting for 3.7% of the Group's total revenue for the Year (2013: 3.9%). Gross profit margin increased from 32.8% in 2013 to 35.2% in the Year, mainly attributable to continuous improvement on technology and product.

For the Year, revenue from sale of raw materials was RMB101,922,000 (2013: RMB94,241,000), accounting for 6.1% of the Group's total revenue for the Year (2013: 6.4%). Gross profit margin increased slightly from 3.5% in 2013 to 5.0% in the Year.

Other Income and Gains

Other income and gains of the Group for the Year amounted to RMB12,485,000, representing a decrease of approximately 25.9% as compared to 2013. Such decrease was mainly attributable to that the Group ceased to charge management fee on Changchun Huaxiang Faurecia since the second half of 2013.

Selling and Distribution Expenses

The Group's selling and distribution expenses for the Year amounted to approximately RMB93,873,000, representing a decrease of approximately 5.3% as compared to 2013. The decrease was caused by the decrease of logistics expenses. The proportion of selling and distribution expenses in sales revenue decreased by approximately 1.1% from approximately 6.7% in 2013 to approximately 5.6% in the Year.

Administrative Expenses

The Group's administrative expenses for the Year amounted to approximately RMB159,755,000, representing an increase of approximately 12.1% as compared to RMB142,562,000 in 2013. The increase was mainly attributable to an annual increase in employee salaries and increase in research and development expenses.

Share of Profits and Losses of Joint Ventures

During the Year, the Group recorded RMB1,703,000 of the share of losses of joint ventures as compared to the share of profits of RMB7,434,000 for 2013. This was primarily because Changchun Huaxiang Faurecia Automotive Plastic Components Co., Ltd. recorded net loss in the Year.

Finance Income

The Group's finance income increased by approximately 8.8% from approximately RMB7,037,000 in 2013 to approximately RMB7,659,000 in the Year. The increase in finance income was mainly attributable to the increase of time deposit balance.

Finance Costs

The Group's finance costs decreased from approximately RMB48,238,000 in 2013 to approximately RMB44,683,000 in the Year, representing a decrease of approximately 7.4%, which was attributable to less interest expenses incurred for discounted bills.

Taxes

The Group's tax expenses decreased by approximately 7.3% from approximately RMB30,758,000 in 2013 to approximately RMB28,526,000 in the Year. The decreased was attributable to the lower tax rate for specific provincial or local tax authority enjoyed by the Group's certain subsidiaries.

Liquidity and Financial Resources

For the Year, the net cash generated from operating activities was approximately RMB125,543,000 (2013: net cash generated from operating activities RMB195,840,000). The cash generated from operating activities was mainly due to the profits during the Year.

The net cash used in investing activities was approximately RMB124,462,000 (2013: net cash used in investing activities was approximately RMB152,702,000). The net cash used in financing activities was approximately RMB44,570,000 (2013: net cash generated from financing activities RMB3,361,000). The net cash used in investing activities was mainly due to purchase of property, plant and equipment. The net cash used in financing activities mainly came from the interest paid.

As a result of the above-mentioned comprehensive factors, the net cash outflow of the Group was RMB43,489,000 (2013: net cash inflow RMB46,499,000).

As at 31 December 2014, the cash and cash equivalents of the Group (including cash and bank deposits) was approximately RMB197,525,000 (31 December 2013: RMB240,659,000).

As at 31 December 2014, the interest-bearing bank borrowings of the Group was approximately RMB673,431,000 (31 December 2013: approximately RMB636,759,000) of which approximately RMB33,547,000 (equivalent to EUR4,500,000) was borrowed in EURO and approximately RMB556,431,000 were due within one year. Effective interest rate ranges from 4.5% to 6.9%. Amongst the bank borrowings, RMB51,000,000 were borrowed at floating interest rate, representing 7.6% of total borrowings (92.4% of total borrowings at fixed interest rate).

The Board expects that the bank loans would either be settled by fund from internal resources or rolled over as it was due. All principal banks will continue to provide fund to the Group for its business operation.

Capital Commitments

As at 31 December 2014, the Group had capital commitments amounting to RMB511,631,000 (31 December 2013: RMB559,177,000) mainly including commitment for purchasing property, plant, and equipment.

Foreign Exchange Exposure

The sales and purchases of the Group were mainly denominated in RMB and Euro. The cash and cash equivalents of the Group were mainly denominated in RMB, Hong Kong dollars and Euro. The borrowings are denominated in RMB and Euro. Since the Group’s exposure to fluctuations in foreign exchange rates was minimal, 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 the foreign exchange exposure if it becomes significant to the Group.

Contingent Liabilities

The Group issued a guarantee of RMB4,991,000 for bank facilities of a joint venture of the Group as at 31 December 2014 (2013: RMB8,154,000).

Pledge of Assets

As at 31 December 2014, the Group's assets of approximately RMB180,395,000 (2013: approximately RMB78,516,000) were pledged to secure some of the Group's interest-bearing bank borrowings. The book value of the pledged assets is set out below:

	2014	2013
	RMB'000	*RMB'000*
Property, plant and equipment	**71,078**	14,908
Investment properties	**3,131**	3,380
Prepaid land lease payments	**75,586**	31,649
Trade receivables	—	20,000
Pledged deposits	**30,600**	8,579
Total	**180,395**	78,516

As at 31 December 2014, pledged deposits with book value of approximately RMB83,646,000 (2013: approximately RMB119,975,000) were used as security to provide guarantee for the issue of notes payable.

Gearing Ratio

As at 31 December 2014, the Group's gearing ratio was approximately 70.3%, which was close to the gearing ratio of approximately 69.5% as at 31 December 2013. The gearing ratio is derived by dividing net liabilities (including interest-bearing 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 respective years.

Employees and Remuneration Policies

The Group had a total of 2,644 employees as at 31 December 2014. Total staff costs of the Group (excluding directors' and chief executive's remuneration) for the Year was approximately RMB170,921,000 (2013: approximately RMB157,703,000). The increase was attributable to the increase in the number of employees of the Group in the Year. The Group's remuneration policies were in line with relevant legislation, market conditions and the performance of our employees.

PROSPECT

The growth of vehicle fleet has placed enormous pressure on China's energy supply and environment. Therefore, automobile manufacturers are paying more and more efforts to produce lightweight vehicles that reduce energy-consumption and pollutant-emission. Plastics, being the most important automotive lightweight material, have thus seen strong growth potential. With the continues technology advancement to improve its strengths, tensile properties and hardness, plastic applications in automobile manufacturing has moved from decorative parts to functional structures, such as bumpers and bonnet components. Recently, plastic is even applied in automobile skeleton.

In the United Nations Climate Conference in Paris in 2015, President Xi Jinping reaffirmed the importance of transitioning China to a low-carbon economy, with an aim to combat global climate change. With the enactment of such national strategy, as a primary lightweight material, the demand of plastic automotive parts will see huge growth potential. According to the estimation by ResarchInChina, the market size of plastic parts (in passenger vehicles) in China is estimated to reach approximately RMB85.1 billion in 2015, representing a substantial increase of 46.3% from that in 2010.

To capture the opportunities ahead, the Group will continue to implement its development strategy - "expanding existing production facilities and capacity, committing to product development and engineering as well as implementing strategic investments". The Group will upgrade and expand the Hangzhou Bay and Chongqing plant in 2015 to cope with the increasing demand from customers in the western China. Moreover, the Group will work closely with our customers in the research and develop automotive parts for new vehicle models that to be launched in 2015 and 2016. We believe that, there are immense growth potentials for the automobile market in China, which will inevitably drive the growth of the automobile body parts.

CORPORATE GOVERNANCE CODE

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

The Board is of the view that the Company has complied with all applicable provisions set out in the CG Code throughout the Year, except for deviation from provision A.2.1, which stipulates that the roles of the chairman and chief executive should be separate and should not be performed by the same individual. Please refer to the paragraph below.

The Group does not at present separate the roles of the chairman and chief executive. Mr. Zhou Minfeng is the chairman and chief executive of the Group. He has extensive experience in the automobile body parts industry and is responsible for the overall corporate strategic planning and business management of the Group. The Board considers that vesting the roles of chairman and chief executive in the same individual is beneficial to the business prospects and management of the Group. The balance of power and authority is ensured by the operation of the Board and the senior management, which comprises of experienced and high caliber individuals. The Board currently comprises two executive Directors, four non-executive Directors and three independent non-executive Directors and has a strong independence element in its composition.

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 Year, they were in compliance with the required provisions set out in the Model Code. All of the Directors declared that they have complied with the required standard of dealings as set out in the Model Code throughout the Year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Year.

DIVIDENDS

The Board does not recommend the payment of a final dividend for the Year.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") consists of three members, namely Mr. Yu Shuli (Chairman), Mr. Tian Yushi and Mr. Xu Jiali, all of them are the independent non-executive Directors. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group.

Disclosure of financial information in this announcement 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 annual results of the Group for the Year. The annual results of the Group for the Year have been audited by the independent auditors of the Company, Ernst & Young. The Audit Committee has reviewed the annual results of the Group for the Year and is of the view that the announcement of annual results for the Year is prepared in accordance with applicable accounting standards, rules and regulations and appropriate disclosures have been duly made.

APPRECIATION

The Chairman of the Group would like to take this opportunity to thank his fellow Directors for their invaluable advice and guidance, and to each and everyone of the staff of the Group for their hard work and loyalty to the Group.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (http://www.cn-huazhong.com). The annual report of the Company for the Year 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

Hong Kong, 25 March 2015

As at the date of this announcement, the executive Directors are Mr. Zhou Minfeng and Mr. Chang Jingzhou; the non-executive Directors are Ms. Lai Cairong, Mr. Wang Yuming, Mr. He Jifeng and Mr. Guan Xin; and the independent non-executive Directors are Mr. Yu Shuli, Mr. Tian Yushi and Mr. Xu Jiali.