HUAZHONG IN-VEHICLE HOLDINGS COMPANY LIMITED
華眾車載控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 6830)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

FINANCIAL HIGHLIGHTS

- Revenue was approximately RMB766,550,000 for the six months ended 30 June 2015, representing a decrease of approximately 5.8% when compared to the corresponding period in 2014.

- Profit attributable to owners of the parent amounted to approximately RMB29,211,000 for the six months ended 30 June 2015, representing an increase of approximately 10.3% when compared to the corresponding period in 2014.

- Gross profit margin was 26.7% for the six months ended 30 June 2015, which increased by 4.5% percentage point from 22.2% for the corresponding period in 2014.

- Basic earnings per share attributable to the owners of the parent was approximately RMB1.83 cents for the six months ended 30 June 2015 (30 June 2014: RMB1.65 cents).

- The Board declared an interim dividend of HK0.4429 cents (equivalent to approximately RMB0.3651 cents at exchange rate 1:0.8244) per share for the six months ended 30 June 2015 (30 June 2014: Nil).

UNAUDITED INTERIM RESULTS

The board (the "**Board**") of directors ("**Directors**") of Huazhong In-Vehicle Holdings Company Limited (the "**Company**") announces the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2015, together with the comparative figures for the corresponding period in 2014.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2015

		For the six months ended 30 June	
		2015	2014
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	*5*	**766,550**	813,762
Cost of sales		**(562,045)**	(633,496)
Gross profit		**204,505**	180,266
Other income and gains	*5*	**9,081**	6,274
Selling and distribution costs		**(48,066)**	(46,515)
Administrative expenses		**(92,716)**	(72,201)
Other expenses		**(1,319)**	(1,305)
Operating profit		**71,485**	66,519
Share of losses of			
An associate		**(11)**	(304)
Joint ventures		**(2,331)**	(5,081)
Finance income	*6*	**3,655**	4,782
Finance costs		**(22,731)**	(21,391)
PROFIT BEFORE INCOME TAX EXPENSE	*7*	**50,067**	44,525
Income tax expense	*8*	**(17,579)**	(15,756)
PROFIT FOR THE PERIOD		**32,488**	28,769

		For the six months ended 30 June	
		2015	2014
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Attributable to:			
Owners of the parent		**29,211**	26,476
Non-controlling interests		**3,277**	2,293
		32,488	28,769
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*10*		
Basic and diluted		**RMB0.0183**	RMB0.0165*

* Adjusted for bonus issue of 800,000,000 shares on the basis of one (1) share for each existing share in issue on 19 June 2015.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2015

	For the six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**32,488**	28,769
OTHER COMPREHENSIVE LOSS		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(971)**	(96)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	**(971)**	(96)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**31,517**	28,673
Attributable to:		
Owners of the parent	**28,240**	26,380
Non-controlling interests	**3,277**	2,293
	31,517	28,673

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Notes	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	**544,747**	552,333
Investment properties		**37,638**	38,892
Prepaid land lease payments	11	**158,399**	159,666
Intangible assets		**4,845**	4,463
Investment in an associate		**2,204**	2,215
Investments in joint ventures		**55,664**	57,995
Prepayments for purchase of property, plant and equipment		**36,143**	29,627
Deferred tax assets		**13,088**	14,355
Total non-current assets		**852,728**	859,546
CURRENT ASSETS			
Inventories		**264,553**	248,000
Trade and notes receivables	12	**448,651**	470,008
Prepayments and other receivables		**139,764**	106,653
Due from related parties		**40,551**	27,001
Pledged deposits		**115,043**	114,246
Cash and cash equivalents		**229,081**	197,525
Assets Classified as held for sale		**3,980**	—
Total current assets		**1,241,623**	1,163,433

	Notes	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
CURRENT LIABILITIES			
Interest-bearing bank borrowings		**538,437**	556,431
Trade and notes payables	*13*	**499,286**	499,499
Other payables, advances from customers and accruals		**133,415**	145,774
Due to the ultimate controlling shareholder		**405**	871
Due to related parties		**44,326**	79,535
Income tax payable		**45,009**	56,972
Total current liabilities		**1,260,878**	1,339,082
NET CURRENT LIABILITIES		**(19,255)**	(175,649)
TOTAL ASSETS LESS CURRENT LIABILITIES		**833,473**	683,897
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings – non-current portion		**230,250**	117,000
Government grants		**9,794**	9,934
Deferred tax liabilities		**23,651**	19,941
Total non-current liabilities		**263,695**	146,875
Net assets		**569,778**	537,022

	Notes	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
EQUITY			
Equity attributable to owners of the parent			
Share capital		**128,176**	65,120
Reserves		**409,413**	442,990
		537,589	508,110
Non-controlling interests		**32,189**	28,912
Total equity		**569,778**	537,022

1. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2015 have been prepared in accordance with International Accounting Standard ("**IAS**") 34 "Interim Financial Reporting".

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2014.

Going concern basis

Notwithstanding that the Group had consolidated net current liabilities of RMB19,255,000 as at 30 June 2015, 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 the following measures:

(i) as at 30 June 2015, the Group had unutilised credit facilities from banks of approximately RMB756,219,000; and

(ii) the directors 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 attaining 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, it is appropriate to prepare the financial statements on a going concern basis, notwithstanding the Group's financial and liquidity positions at 30 June 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and basis of preparation adopted in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2014, except in relation to the new and revised International Financial Reporting Standards ("**IFRSs**", which also include IASs and interpretations) as set out in note 3 that are adopted for the first time for the current period's unaudited interim condensed consolidated financial statements. The adoption of these new and revised IFRSs has had no significant impact on the results and the financial position of the Group.

3. ADOPTION OF NEW AND REVISED IFRSs

The following new and revised IFRSs, amendments and interpretations ("**New IFRSs**") are adopted for the first time for the current period's condensed interim financial statements:

Amendments to IAS 19	*Defined Benefit Plans: Employee Contributions*
Annual Improvements 2010-2012 Cycle	Amendments to a number of IFRSs
Annual Improvements 2011-2013 Cycle	Amendments to a number of IFRSs

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

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

4. OPERATING SEGMENT

For management purposes, the Group is organised into one single business unit that includes 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 for the six months ended 30 June 2015 is set out in the following table:

	For the six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Mainland China	**705,004**	718,225
Overseas	**61,546**	95,537
Total	**766,550**	813,762

(b) *Non-current assets*

	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Mainland China	**803,869**	804,158
Overseas	**35,771**	41,033
Total	**839,640**	845,191

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

Information about major customers

Revenues from sales to customers that individually amounted to 10 percent or more of the Group's revenue for the six months ended 30 June 2015 are set out in the following table:

	For the six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Customer A	**280,064**	301,621
Customer B	**80,204**	95,927

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, OTHER INCOME AND GAINS

An analysis of revenue and other income is as follows:

	For the six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue:		
Sales of goods	**730,904**	766,293
Sales of materials	**35,646**	47,469
	766,550	813,762
Other income and gains:		
Government grants	**847**	1,689
Rental income	**3,696**	3,311
Gain on sales of scrap materials	**480**	499
Gain on disposal of property, plant and equipment	**48**	61
Reversal of impairment of trade receivables	**3,555**	—
Others	**455**	714
	9,081	6,274

6. FINANCE INCOME

	For the six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest income on bank deposits	**3,655**	4,782

7. PROFIT BEFORE INCOME TAX EXPENSE

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

	For the six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories recognised as expenses	**562,045**	633,496
Depreciation of property, plant and equipment	**31,709**	28,302
Depreciation of investment properties	**1,254**	1,254
Amortisation of prepaid land lease payments	**1,737**	2,271
Research and development costs	**24,274**	15,260
Lease payments under operating leases in respect of properties	**5,148**	3,763
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages, salaries and other benefits	**76,723**	74,201
Pension scheme contributions	**7,933**	9,301
Equity-settled share option expense	**21**	346
	84,677	83,848
Gross rental income	**(4,950)**	(4,446)
Less: Direct expenses that generated rental income	**1,254**	1,135
Rental income, net	**(3,696)**	(3,311)
Foreign exchange difference, net	**495**	(33)
Reversal of impairment of receivables	**3,555**	—
Provision for/(reversal of) inventories written down	**132**	(628)
Gain on disposal of items of property, plant and equipment	**(48)**	(61)
Interest income	**(3,655)**	(4,782)

8. INCOME TAX EXPENSE

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

	For the six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax		
— Charge for the period	**12,716**	13,499
Deferred income tax	**4,863**	2,257
Total tax charge for the period	**17,579**	15,756

9. DIVIDENDS PAID AND PROPOSED

	For the six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Dividends on ordinary shares declared and paid during the six-month period:		
Final dividend for 2014: Nil (2013: HK$0.025)	**—**	15,842

The Board declared an interim dividend of HK$0.004429 per share, amounting to a total of approximately RMB5,842,000 based on the 1,600,000,000 shares as at the date of this announcement for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

10. 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 1,600,000,000 in issue during the six months ended 30 June 2015 (30 June 2014: 1,600,000,000*).

The share option scheme does not give rise to any dilution effect on the Company's earnings per share and there were no other dilutive potential ordinary shares during the six months ended 30 June 2015.

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

	For the six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to owners of the parent used in the basic and diluted earnings per share calculation	**29,211**	26,476

	For the six months ended 30 June Number of shares	
	2015	2014
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**1,600,000,000**	1,600,000,000*
Effect of dilution — weighted average number of ordinary shares:		
Share options	**—**	—
	1,600,000,000	1,600,000,000*

* Adjusted for bonus issue of 800,000,000 shares on the basis of one (1) share for each existing share in issue on 19 June 2015.

11. PROPERTY, PLANT AND EQUIPMENT AND PREPAID LAND LEASE PAYMENTS

During the six months ended 30 June 2015, the Group acquired property, plant and equipment with a total cost of RMB31,600,000 (30 June 2014: RMB51,006,000).

Included in the property, plant and equipment as at 30 June 2015 were certain buildings with a net carrying value of RMB261,044,000 (31 December 2014: RMB259,048,000), of which the property ownership certificates have not been obtained. The directors are of the view that the Group is entitled to lawfully and validly occupy and use the above mentioned buildings. The directors are also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at 30 June 2015.

Certain of the Group's buildings with a net carrying value of RMB63,934,000 as at 30 June 2015 (31 December 2014: RMB71,078,000) were pledged to secure bank loans granted to the Group.

During the six months ended 30 June 2015, the Group has not acquired prepaid land lease payments (30 June 2014: Nil).

Included in the prepaid land lease payments as at 30 June 2015 were certain lands with a net book value of RMB3,998,000 (31 December 2014: RMB4,042,000) of which the land use right certificates have not been obtained. The directors are of the view that the Group is entitled to lawfully and validly occupy and use the above mentioned land. The directors are also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at 30 June 2015.

Certain of the Group's prepaid land lease payments with a carrying value of RMB68,166,000 as at 30 June 2015 (31 December 2014: RMB75,586,000) were pledged to secure bank loans granted to the Group.

12. TRADE AND NOTES RECEIVABLES

	30 June 2015 *RMB'000* **(Unaudited)**	31 December 2014 *RMB'000* (Audited)
Trade receivables	**358,113**	438,441
Notes receivable	**98,379**	42,963
	456,492	481,404
Impairment of the trade receivables	**(7,841)**	(11,396)
	448,651	470,008

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 all age 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 impairment loss, is as follows:

	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**322,115**	388,697
3 to 6 months	**24,034**	35,617
6 months to 1 year	**3,783**	2,420
Over 1 year	**340**	311
	350,272	427,045

13. TRADE AND NOTES PAYABLES

An aged analysis of the trade and notes payables of the Group as at 30 June 2015, based on the invoice date, is as follows:

	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**325,051**	373,816
3 to 12 months	**168,886**	121,339
1 to 2 years	**3,566**	2,039
2 to 3 years	**1,324**	2,132
Over 3 years	**459**	173
	499,286	499,499

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.

Notes payable were secured by certain of the Group's pledged deposits of RMB55,377,000 as at 30 June 2015 (31 December 2014: RMB83,646,000).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the manufacture and sale of automotive internal and external structural and decorative parts, moulds and tooling, casings and liquid tanks of air conditioners or heaters and other non-automotive products.

For the six months ended 30 June 2015, despite the decrease of the sales, gross margin of the Group improved due to the cost control implemented by the Group which created better shareholder's value.

For the six months ended 30 June 2015, the Group's revenue was approximately RMB766,550,000, representing a decrease of approximately 5.8% as compared to approximately RMB813,762,000 for the six months ended 30 June 2014. Profit attributable to the owners of the parent for the six months ended 30 June 2015 was approximately RMB29,211,000, representing an increase of approximately 10.3% as compared to RMB26,476,000 for the six months ended 30 June 2014.

The construction of the manufacturing facilities in Hangzhou Bay, Ningbo of China were completed and commenced production during the period.

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			
	2015		2014	
	Revenue (Unaudited)	**Gross profit margin**	Revenue (Unaudited)	Gross profit margin
	RMB'000	***%***	*RMB'000*	*%*
Automotive interior and exterior structural and decorative parts	**551,745**	**31.5**	585,447	24.5
Moulds and tooling	**51,641**	**3.8**	48,818	10.3
Casings and liquid tanks of air conditioners and heaters	**98,393**	**18.9**	100,547	19.7
Non-automotive products	**29,125**	**25.9**	31,481	36.8
Sale of raw materials	**35,646**	**7.1**	47,469	1.4
Total	**766,550**	**26.7**	813,762	22.2

For the six months ended 30 June 2015, the total revenue generated from automotive interior and exterior structural and decorative parts was RMB551,745,000 (30 June 2014: RMB585,447,000), accounting for 72.0% of the Group's total revenue for the six months ended 30 June 2015 (30 June 2014: 71.9%). The decrease was primarily because of the slow down of automotive sales market. Gross profit margin increased from 24.5% for the six months ended 30 June 2014 to 31.5% for the six months ended 30 June 2015, primarily due to improved operating efficiency and inventory control.

For the six months ended 30 June 2015, revenue from moulds and tooling was RMB51,641,000 (30 June 2014: RMB48,818,000), accounting for 6.7% of the Group's total revenue for the six months ended 30 June 2015 (30 June 2014: 6.0%). Gross profit margin decreased from 10.3% for the six months ended 30 June 2014 to 3.8% for the six months ended 30 June 2015. The decrease in gross profit margin was mainly due to the high cost incurred as a result of certain outsourced processes.

For the six months ended 30 June 2015, revenue from casings and liquid tanks of air conditioners and heaters was RMB98,393,000 (30 June 2014: RMB100,547,000), accounting for 12.8% of the Group's total revenue for the six months ended 30 June 2015 (30 June 2014: 12.4%). Gross profit margin slightly decreased from 19.7% for the six months ended 30 June 2014 to 18.9% for the six months ended 30 June 2015.

For the six months ended 30 June 2015, revenue from non-automotive products was RMB29,125,000 (30 June 2014: RMB31,481,000), accounting for 3.8% of the Group's total revenue for the six months ended 30 June 2015 (30 June 2014: 3.9%). Gross profit margin decreased from 36.8% for the six months ended 30 June 2014 to 25.9% for the six months ended 30 June 2015.

For the six months ended 30 June 2015, revenue from sale of raw materials was RMB35,646,000 (30 June 2014: RMB47,469,000), accounting for 4.7% of the Group's total revenue for the six months ended 30 June 2015 (30 June 2014: 5.8%). The gross profit margin was 7.1% for the six months ended 30 June 2015, which recorded an increase as compared to the corresponding period in 2014.

For the six months ended 30 June 2015, the overall gross profit margin was 26.7% (30 June 2014: 22.2%). The increase was mainly attributable to the increase of the gross profit margin of revenue from sales of automotive interior and exterior structural and decorative parts as afore-mentioned.

Other income and gains

Other income and gains of the Group for the six months ended 30 June 2015 amounted to RMB9,081,000 (30 June 2014: RMB6,274,000), representing an increase of approximately 44.7% as compared to the corresponding period in 2014. Such other income and gains were mainly due to a reversal of impairment of receivables of RMB3,555,000 made during the period (2014: Nil).

Selling and Distribution Costs

The Group's selling and distribution costs for the six months ended 30 June 2015 amounted to approximately RMB48,066,000, representing an increase of approximately 3.3% as compared to RMB46,515,000 in the corresponding period in 2014.

Administrative Expenses

The Group's administrative expenses for the six months ended 30 June 2015 amounted to approximately RMB92,716,000, representing an increase of approximately 28.4% as compared to RMB72,201,000 in the corresponding period in 2014. This was mainly attributable to an annual increase in employee salaries and the increase of research and development expenses due to new model launched during the period.

Share of Profits or Losses of Joint Ventures

During the six months ended 30 June 2015, the Group recorded RMB2,331,000 of the share of loss of joint ventures, while a share of loss of joint ventures of RMB5,081,000 was recorded for the six months ended 30 June 2014. The change was primarily due to implementation of cost control during the period.

Finance Income

The Group's finance income decreased by approximately 23.6% from approximately RMB4,782,000 for the six months ended 30 June 2014 to approximately RMB3,655,000 for the six months ended 30 June 2015. The decrease in finance income was mainly attributable to the decrease of interest rates.

Finance Costs

The Group's finance costs increased from approximately RMB21,391,000 for the six months ended 30 June 2014 to approximately RMB22,731,000 for the six months ended 30 June 2015, representing an increase of approximately 6.3%. The increase in finance costs was mainly due to the increase in average bank borrowings during the period.

Taxes

The Group's tax expenses increased by approximately 11.6% from approximately RMB15,756,000 for the six months ended 30 June 2014 to approximately RMB17,579,000 for the six months ended 30 June 2015. The increase was mainly due to an increase in the Group's profit before tax in the six months ended 30 June 2015 as compared to the corresponding period in 2014.

Liquidity and Financial Resources

For the six months ended 30 June 2015, the net cash generated from operating activities amounted to approximately RMB54,415,000 (30 June 2014: net cash used in operating activities RMB17,473,000). The cash used in operating activities mainly resulted from a decrease in trade and notes receivables, and an increase in inventories and prepayments and other receivables.

The net cash used in investing activities amounted to approximately RMB122,137,000 (30 June 2014: net cash used in investing activities RMB48,513,000) and the net cash flow generated from financing activities amounted to approximately RMB46,096,000 (30 June 2014: net cash generated from financing activities RMB15,020,000). The cash used in investing activities was mainly attributable to the payment for purchase of property, plant and machinery and the increase in time deposit. The net cash generated from financing activities was mainly attributable to new bank loans.

As a result of the cumulative effect described above, the Group recorded a net cash outflow of RMB21,626,000 for the six months ended 30 June 2015 (30 June 2014: net cash outflow of RMB50,966,000).

As at 30 June 2015, the Group's cash and cash equivalents (comprise cash on hand and at banks, including time deposits) amounted to approximately RMB229,081,000 (31 December 2014: RMB197,525,000).

As at 30 June 2015, the Group's interest-bearing bank borrowings were approximately RMB768,687,000 (31 December 2014: approximately RMB673,431,000), among of which, RMB538,437,000 would be due within one year (31 December 2014: RMB556,431,000). The borrowings of the Group were subject to interests payable at rates ranging from 2.48% to 6.9% per annum. The Board of the Company expects that the bank borrowings will either be repaid by internally generated funds or rolled over upon maturity and will continue to provide funding to the Group's operations.

Prepayment and Other Receivables

As at 30 June 2015, prepayments and other receivables were approximately RMB139,764,000 (31 December 2014: RMB106,653,000). The increase was mainly resulted from the increase in prepayment for the acquisition of raw material and moulds.

Capital Commitments

As at 30 June 2015, the Group had capital commitments amounting to RMB432,342,000 (31 December 2014: RMB511,631,000) for the acquisition of property, plant and equipment.

Foreign Exchange Exposure

The sales and purchases of the Group are mainly denominated in Renminbi and Euro. The cash and cash equivalents of the Group are mainly denominated in Renminbi, Hong Kong dollars and Euro. The borrowings are denominated in Renminbi and Euro. 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

Bonus Issue

On 19 June 2015, 800,000,000 ordinary shares were issued at par value at HK$0.10 per ordinary share pursuant to the bonus issue of shares on the basis of one (1) bonus share for each existing share in issue on 9 June 2015.

The total number of issued and fully paid ordinary shares of the Company as at 30 June 2015 was 1,600,000,000.

Contingent Liabilities

The Group provided guarantee of RMB3,871,000 in respect of the banking facilities granted to one of the Group's joint ventures as at 30 June 2015 (31 December 2014: RMB4,991,000).

Pledge of Assets

As at 30 June 2015, the Group's assets of approximately RMB194,772,000 (31 December 2014: approximately RMB180,395,000) were pledged to secure some of the Group's interest-bearing bank borrowings. The book values of the pledged assets are set out below:

	30 June 2015 (Unaudited) ***RMB'000***	31 December 2014 (Audited) *RMB'000*
Property, plant and equipment	**63,934**	71,078
Investment property	**3,006**	3,131
Prepaid land lease payments	**68,166**	75,586
Pledged deposits	**59,666**	30,600
Total	**194,772**	180,395

As at 30 June 2015, deposits with a total book value of approximately RMB55,377,000 (31 December 2014: approximately RMB83,646,000) were pledged to secure the issue of notes payable.

Gearing Ratio

As at 30 June 2015, the Group's gearing ratio was approximately 69.0% (31 December 2014: 70.3%). 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 period under review.

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries and Future Plans for Material Investments or Capital Assets

During the period under review, the Group did not have any significant investments or acquisition or sale of subsidiaries. There was no plan authorised by the Board for any material investments or additions of capital assets as at the date of this interim report.

Employees and Remuneration Policies

As at 30 June 2015, the Group had 2,571 employees (30 June 2014: 2,557). Total staff costs of the Group (excluding directors' and chief executive's remuneration) for six months ended 30 June 2015 was approximately RMB84,677,000 (30 June 2014: approximately RMB83,848,000). The Group's remuneration policies were in line with relevant legislation, market conditions and the performance of our employees.

PROSPECT

Outlook

The automobile market in China appears to have weakened considerably so far in 2015. Going forward into the second half of 2015, the general economic conditions and the operating environment will continue to remain challenging. Despite the slowdown in the automobile market, the Group was able to improve operating efficiency and resulted in improved margin. In order to stay competitive, the Group will continue to control costs and improve efficiency.

The Group will continue to implement its development strategy of "committing to product research and development and engineering and implementing strategic investments", and become a leading automobile body parts manufacturer in China in terms of reputation and market share.

In addition to the traditional business, the Group commenced the development of in-vehicle products and target to launch it in the near future. We are cooperating with certain parties as part of the Group's strategic move to enter the mass market of automotive interconnection products and services.

Last but not the least, we wish to re-affirm that maximization of shareholder value, whilst adhering to the highest standards of corporate governance, will always remain our top priority.

Forward Looking Statements

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

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

CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions prescribed in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 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 code provisions set out in the CG Code thought out the six months ended 30 June 2015, except for the deviation from Code 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 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 authorities is ensured by the operation of the Board and the senior management, which are comprised of experienced and high caliber individuals. The Board is currently comprised of two executive Directors, four non-executive Directors and four independent non-executive Directors and has a strong independence element in its composition.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (THE "MODEL CODE")

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules 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 2015, 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 six months ended 30 June 2015.

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 2015.

DIVIDENDS

The Board declared an interim dividend of HK0.4429 cents (equivalent to approximately RMB0.3651 cents at exchange rate 1:0.8244) per share for the six months ended 30 June 2015 (30 June 2014: Nil). The interim dividend will be payable to the Shareholders of the Company whose names appear on the register of members of the Company on 8 September 2015 and such payment is expected on or around 30 October 2015.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining shareholders' entitlement to the interim dividend, the register of members of the Company will be closed from 7 September 2015 to 8 September 2015 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the entitlement to the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar and transfer office, Tricor Investor Services Limited at level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 4 September 2015.

AUDIT COMMITTEE

During the six months ended 30 June 2015, the audit committee of the Company (the "**Audit Committee**") consisted of three members, namely Mr. Yu Shuli (chairman), Mr. Tian Yushi 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 and internal control system of the Group.

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2015 have been reviewed by the Audit Committee and the Audit Committee is of the view that the announcement of interim results for the six months ended 30 June 2015 is prepared in accordance with applicable accounting standards, rules and regulations and appropriate disclosures have been duly made.

Disclosure of financial information in this announcement complies with Appendix 16 of the Listing Rules. The Audit Committee supervised over the Group's financial reporting process.

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 INTERIM RESULTS AND INTERIM REPORT

This interim results announcement will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (http://www.cn-huazhong.com). The interim report of the Company for the six months ended 30 June 2015 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, 20 August 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. Wong Luen Cheung Andrew, Mr. Yu Shuli, Mr. Tian Yushi and Mr. Xu Jiali.