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 2015

FINANCIAL HIGHLIGHTS

- Revenue was approximately RMB1.64 billion, representing a slight decrease of approximately 2.8% when compared to the same period in 2014.
- Profit attributable to owners of the parent amounted to approximately RMB69.4 million, representing a decrease of approximately 19.8% when compared to the same period in 2014.
- Gross profit margin was 24.2%, representing an increase of about 0.9% when compared to the same period in 2014.
- Basic earnings per share attributable to the owners of the parent was approximately RMB4.33 cent(s) (2014: RMB5.41 cent(s)).
- The Board does not recommend the payment of a final dividend for the Year. (2014: Nil). During the Year, an interim dividend of HK0.4429 cent (equivalent to approximately RMB0.3651 cent at exchange rate 1:0.8244) per share (2014: Nil) was declared.

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 2015 (the "Year"), together with the comparative figures for the year ended 31 December 2014.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
REVENUE	5	**1,635,565**	1,683,204
Cost of sales		**(1,239,432)**	(1,278,993)
Gross profit		**396,133**	404,211
Other income and gains	5	**12,254**	12,485
Selling and distribution expenses		**(94,348)**	(93,873)
Administrative expenses		**(177,006)**	(159,755)
Other expenses		**(91)**	(4,298)
Operating profit		**136,942**	158,770
Share of profits and losses of:			
An associate		**(199)**	(295)
Joint ventures		**1,785**	(1,703)
Finance income	6	**7,824**	7,659
Finance costs		**(41,731)**	(44,683)
PROFIT BEFORE TAX	7	**104,621**	119,748
Income tax expense	8	**(29,745)**	(28,526)
PROFIT FOR THE YEAR		**74,876**	91,222
Attributable to:			
Owners of the parent		**69,404**	86,583
Non-controlling interests		**5,472**	4,639
		74,876	91,222
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10		
Basic			
— For profit for the year		**RMB0.0433**	RMB0.0541
Diluted			
— For profit for the year		**RMB0.0428**	RMB0.0540

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2015

	2015	2014
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**74,876**	91,222
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(403)**	(3,300)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**(403)**	(3,300)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(403)**	(3,300)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**74,473**	87,922
Attributable to:		
Owners of the parent	**69,001**	83,283
Non-controlling interests	**5,472**	4,639
	74,473	87,922

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	Notes	**2015**	2014
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**572,082**	552,333
Investment properties		**36,384**	38,892
Prepaid land lease payments		**156,025**	159,666
Intangible assets		**4,363**	4,463
Investment in an associate		**2,016**	2,215
Investments in joint ventures		**63,787**	57,995
Prepayments for acquiring property, plant and equipment		**27,141**	29,627
Prepayments for an available-for-sale investment		**25,000**	—
Deferred tax assets		**18,045**	14,355
Total non-current assets		**904,843**	859,546
CURRENT ASSETS			
Inventories		**287,035**	248,000
Trade and notes receivables	*11*	**578,972**	470,008
Prepayments and other receivables		**114,201**	106,653
Due from related parties		**49,970**	27,001
Pledged deposits		**102,074**	114,246
Cash and cash equivalents		**200,607**	197,525
Total current assets		**1,332,859**	1,163,433
CURRENT LIABILITIES			
Trade and notes payables	*12*	**516,149**	499,499
Other payables, advances from customers and accruals		**174,378**	145,774
Interest-bearing bank borrowings		**564,582**	556,431
Due to the ultimate controlling shareholder		**652**	871
Due to related parties		**44,867**	79,535
Income tax payable		**66,704**	56,972
Total current liabilities		**1,367,332**	1,339,082

	2015 *RMB'000*	2014 *RMB'000*
NET CURRENT LIABILITIES	**(34,473)**	(175,649)
TOTAL ASSETS LESS CURRENT LIABILITIES	**870,370**	683,897
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**232,930**	117,000
Government grants	**9,443**	9,934
Deferred tax liabilities	**20,064**	19,941
Total non-current liabilities	**262,437**	146,875
Net assets	**607,933**	537,022
EQUITY		
Equity attributable to owners of the parent		
Share capital	**128,587**	65,120
Reserves	**448,030**	442,990
	576,617	508,110
Non-controlling interests	**31,316**	28,912
Total equity	**607,933**	537,022

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") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared on a historical cost convention, except for freehold land classified as property, plant and equipment which has been measured at fair value. The financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand, 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 2015. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from 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 above. 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 RMB34,473,000 at 31 December 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 adopted the following measures:

(i) as at 31 December 2015, the Group had unutilised credit facilities from banks of approximately RMB266,000,000;

(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 2015.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards for the first time for the current year's 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 the above revised IFRSs has had no significant financial effect on these financial statements.

In addition, the Company has adopted the amendments to the Listing Rules issued by the Hong Kong Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

3. ISSUED BUT NOT YET EFFECTIVE IFRSs

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[3]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[6]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]
IFRS 14	Regulatory Deferral Accounts[5]
IFRS 15	Revenue from Contracts with Customers[3]
IFRS 16	Leases[4]
Amendments to IAS 1	Disclosure Initiative[1]
Amendments to IAS 7	Disclosure Initiative[2]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[2]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[1]
Amendments to IAS 27	Equity Method in Separate Financial Statements[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs[1]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2017
3 Effective for annual periods beginning on or after 1 January 2018
4 Effective for annual periods beginning on or after 1 January 2019
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
6 No mandatory effective date yet determined

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 January 2018. The Group expects that the adoption of IFRS 9 will have an impact on the classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. In July 2015, the IASB issued an amendment to IFRS 15 regarding a one-year deferral of the mandatory effective date of IFRS 15 to 1 January 2018. The Group expects to adopt IFRS 15 on 1 January 2018 and is currently assessing the impact of IFRS 15 upon adoption.

In January 2016, the IASB issued IFRS 16 which requires lessees to recognise assets and liabilities for most leases. Under the new standard, a lease is a contract, or part of a contract, that conveys the right to use an identified asset for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset if, throughout the period of use, the customer has the right to obtain substantially all of the economic benefits from the use of the identified asset and direct the use of the identified asset. Lessees are required to initially recognise a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the identified asset for the lease term. Subsequently, lessees accrete the lease liability to reflect interest and reduce the liability to reflect lease payments made. The related right-of-use asset is depreciated in accordance with the depreciation requirements of IAS 16 *Property, Plant and Equipment*. For lessors, there is little change to the existing accounting in IAS 17 *Leases*. The Group expects to adopt IFRS 16 on 1 January 2019 and is currently assessing the impact of IFRS 16 upon adoption.

Amendments to IAS 1 include narrow-focus improvement in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in IAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that the entities have flexibility as to the order in which they present the notes to the financial statements; and

(iv) that the share of other comprehensive income of an associate and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those item that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and statement of profit or loss. The Group expects to adopt the amendments from 1 January 2016. The amendments are not expected to have any significant impact on the Group's financial statements.

In January 2016 the IASB published Amendments to IAS 7. The amendments require an entity to pro-vide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments are not expected to have any significant impact on the financial statements or performance of the Group upon adoption on 1 January 2017.

Amendments to IAS 16 and IAS 38 clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

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:

	2015	2014
	RMB'000	*RMB'000*
Mainland China	**1,500,526**	1,560,140
Overseas	**135,039**	123,064
Total	**1,635,565**	1,683,204

(b) Non-current assets

	2015	2014
	RMB'000	*RMB'000*
Mainland China	**852,905**	804,158
Overseas	**33,893**	41,033
Total	**886,798**	845,191

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	**2015** ***RMB'000***	2014 *RMB'000*
Customer A	**544,633**	661,392
Customer B	**161,655**	249,866

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:

	2015 ***RMB'000***	2014 *RMB'000*
Revenue:		
Sales of goods	**1,572,317**	1,581,282
Sales of materials	**63,248**	101,922
	1,635,565	1,683,204
Other income and gains:		
Government grants	**1,407**	1,133
Rental income	**7,452**	6,857
Gain on sales of scrap materials	**901**	829
Gain on disposal of items of property, plant and equipment	**150**	81
Others	**2,344**	3,585
Total	**12,254**	12,485

6. FINANCE INCOME

	2015	2014
	RMB'000	*RMB'000*
Interest income on bank deposits	**7,824**	7,659

7. PROFIT BEFORE TAX

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

	2015	2014
	RMB'000	*RMB'000*
Cost of inventories recognised	**1,239,432**	1,278,993
Depreciation of property, plant and equipment	**58,966**	54,361
Depreciation of investment properties	**2,508**	2,497
Amortisation of land lease payments	**3,743**	3,576
Amortisation of intangible assets	**939**	927
Research and development costs	**49,723**	45,384
Lease payments under operating leases in respect of properties	**8,956**	5,261
Auditors' remuneration	**3,000**	3,042
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	**176,338**	159,132
Pension scheme costs	**13,115**	11,123
Equity-settled share option expense	**1,239**	666
	190,692	170,921
Gross rental income	**(10,334)**	(9,727)
Less: Direct expenses for generating rental income	**2,882**	2,870
Rental income, net	**(7,452)**	(6,857)
Net foreign exchange losses	**5,742**	2,243
Reversal of impairment of trade receivables	**(6,357)**	(1,118)
Write-down of inventories to net realisable value	**2,267**	1,915
Impairment of intangible assets	**750**	—
Gain on disposal of items of property, plant and equipment	**(150)**	(81)
Government grants	**(1,407)**	(1,133)
Interest income	**(7,824)**	(7,659)

8. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("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") at a rate of 25% on the taxable income as reported in their PRC statutory accounts adjusted in accordance with relevant PRC income tax laws.

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 2015.

Pursuant to the local tax rules in Germany, HZ FBZ Formenbau Zuttlingen GmbH ("HZ FBZ") was subject to a tax rate of 28.075% (2014: 28.075%) during the year ended 31 December 2015.

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

	2015	2014
	RMB'000	*RMB'000*
Current income tax		
Income tax for the year	**33,130**	29,322
Deferred income tax	**(3,385)**	(796)
Total tax charge for the year	**29,745**	28,526

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:

	2015	2014
	RMB'000	*RMB'000*
Profit before tax	**104,621**	119,748
Tax at the statutory tax rate	**26,155**	29,937
Lower tax rate for specific provincial or local tax authority	**(1,027)**	(12,758)
Tax losses not recognised	**10,920**	7,405
Profits and losses attributable to joint ventures and an associate	**(2,355)**	500
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	**1,000**	—
Non-taxable income	**(192)**	(181)
(Overprovision)/under-provision in prior years	**(754)**	33
Expenses not deductible for tax	**3,134**	4,312
Tax losses utilised	**(1,924)**	(841)
Effect on opening deferred tax of increase in rates	**(5,212)**	119
Tax charge for the year	**29,745**	28,526

9. DIVIDENDS

	2015	2014
	RMB'000	*RMB'000*
Interim - HK0.4429 cent (2014: Nil) per ordinary share	**5,842**	—

No final dividend (2014: Nil) was proposed by the directors of the Company for the year ended 31 December 2015.

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

The calculation of the basic earnings per share amount 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 1,601,548,000 in issue during the year ended 31 December 2015 (2014: 1,600,000,000*).

The calculation of diluted earnings per share amount 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:

	2015	2014
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic and diluted earnings per share calculations	**69,404**	86,583

	Number of shares	
	2015	2014
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,601,548,000**	1,600,000,000
Effect of dilution — weighted average number of ordinary shares:		
Share options	**18,878,000**	2,951,000
	1,620,426,000	1,602,951,000

* 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. TRADE AND NOTES RECEIVABLES

	2015	2014
	RMB'000	*RMB'000*
Trade receivables	**498,021**	438,441
Notes receivable	**85,990**	42,963
	584,011	481,404
Impairment of trade receivables	**(5,039)**	(11,396)
	578,972	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.

Certain of the Group's notes receivables with a carrying value of RMB65,181,000 as at 31 December 2015 (2014: Nil) were pledged to secure bank loans granted to the Group.

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:

	2015	2014
	RMB'000	*RMB'000*
Within 3 months	**453,563**	388,697
3 to 6 months	**36,590**	35,617
6 months to 1 year	**2,489**	2,420
Over 1 year	**340**	311
	492,982	427,045

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

	2015	2014
	RMB'000	*RMB'000*
At beginning of year	**11,396**	12,514
Reversal of impairment for the year	**(7,148)**	(1,118)
Impairment losses recognised	**791**	—
At end of year	**5,039**	11,396

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

	2015	2014
	RMB'000	*RMB'000*
Neither past due nor impaired	**451,155**	391,159
Less than 1 month past due	**31,301**	21,663
1 to 2 months past due	**4,374**	10,895
2 to 3 months past due	**5,115**	724
Over 3 months and within 1 year past due	**696**	2,285
Over 1 year past due	**341**	319
	492,982	427,045

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 2015, based on the invoice date, is as follows:

	2015	2014
	RMB'000	*RMB'000*
Within 3 months	**331,184**	373,816
3 to 12 months	**177,685**	121,339
1 to 2 years	**3,653**	2,039
2 to 3 years	**1,497**	2,132
Over 3 years	**2,130**	173
	516,149	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.

Certain notes payable were secured by pledged deposits of the Group with a carrying value of RMB79,054,000 as at 31 December 2015 (2014: RMB83,646,000).

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

Continuing the trend from 2014, the automobile industry has recorded another year of stable growth in 2015. According to the statistics from China Association of Automobile Manufacturers (CAAM), over 24.5 million vehicles were manufactured and over 24.6 million vehicles were sold in 2014, representing a growth of 3.3% and 4.7%, respectively, from the previous year. In terms of sales and manufacturing volumes, China has again ranked number one in the world for another years.

In 2015, the sales volume of the top 10 automobile manufacturers reached approximately 22.0 million units, accounting for 89.5% (2014: 89.7%) of the overall vehicle sales in China, representing a decrease of 0.2 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 2015, 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 RMB1.64 billion, representing a slight decrease of approximately 2.8% as compared to approximately RMB1.68 billion in 2014. Profit attributable to the owners of the parent for the Year was approximately RMB69.4 million, representing a decrease of approximately 19.8% as compared to approximately RMB86.6 million in 2014.

The new manufacturing facilities in Chongqing and Hangzhou Bay were completed and commenced production 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.

	2015		2014	
		Gross profit		Gross profit
	Revenue	**Margin**	Revenue	Margin
	RMB'000	***%***	*RMB'000*	*%*
Automotive interior and exterior structural and decorative parts	**1,179,085**	**28.4**	1,210,426	27.4
Moulds and tooling	**136,920**	**0.3**	106,059	7.1
Casings and liquid tanks of air conditioners and heaters	**191,007**	**19.3**	202,702	18.9
Non-automobile products	**65,305**	**32.4**	62,095	35.2
Sale of raw materials	**63,248**	**5.0**	101,922	5.0
Total	**1,635,565**	**24.2**	1,683,204	24.0

For the Year, the total revenue generated from automotive interior and exterior accessories was RMB1,179,085,000 (2014: RMB1,210,426,000), accounting for 72.1% of the Group's total revenue for the Year (2014: 71.9%). The decrease was primarily because of the slow down of automotive sales market during the Year. Gross profit margin increased from 24% in 2014 to 24.2% in 2015, primarily due to improved operating efficiency and inventory control.

For the Year, revenue from moulds and tooling was RMB136,920,000 (2014: RMB106,059,000), accounting for 8.4% of the Group's total revenue for the Year (2014: 6.3%). A gross profit margin of 0.3% was recorded in the Year was mainly due to the high cost incurred as a result of certain out sourced processes.

For the Year, revenue from casings and liquid tanks of air conditioners and heaters was RMB191,007,000 (2014: RMB202,702,000), accounting for 11.7% of the Group's total revenue for the Year (2014: 12.0%). Gross profit margin increased from 18.9% in 2014 to 19.3% in the Year.

For the Year, revenue from non-automobile products was RMB65,305,000 (2014: RMB62,095,000), accounting for 4.0% of the Group's total revenue for the Year (2014: 3.7%). Gross profit margin decreased slightly from 35.2% in 2014 to 32.4% in the Year.

For the Year, revenue from sale of raw materials was RMB63,248,000 (2014: RMB101,922,000), accounting for 3.9% of the Group's total revenue for the Year (2014: 6.1%). Gross profit margin remained stable at 5.0% in the Year.

Other Income and Gains

Other income and gains of the Group for the Year amounted to RMB12,254,000, representing a slight decrease of approximately 1.9% as compared to 2014.

Selling and Distribution Expenses

The Group's selling and distribution expenses for the Year amounted to approximately RMB94,348,000 (2014: RMB93,873,000). The proportion of selling and distribution expenses in sales revenue for the Year remained stable at around 5.8% (2014: 5.6%).

Administrative Expenses

The Group's administrative expenses for the Year amounted to approximately RMB177,006,000, representing an increase of approximately 10.8% as compared to RMB159,755,000 in 2014. The increase was mainly attributable to (i) an annual increase in employee salaries and the increase of number of employees; and (ii) increase in research and development expenses.

Share of Profits and Losses of Joint Ventures

During the Year, the Group recorded RMB1,785,000 of the share of profits of joint ventures as compared to the share of losses of RMB1,703,000 for 2014. The increase in the share of profits during the year was attributable to the increase of profit of one of its joint venture, Ningbo Roekona-Zoeppritex-Tex-Line Co., Ltd..

Finance Income

The Group's finance income increased slightly by approximately 2.2% from approximately RMB7,659,000 in 2014 to approximately RMB7,824,000 in the Year.

Finance Costs

The Group's finance costs decreased from approximately RMB44,683,000 in 2014 to approximately RMB41,731,000 in the Year, representing a decrease of approximately 6.6%, which was attributable to decrease in average interest rate during the Year.

Taxes

The Group's tax expenses slightly increased by approximately 4.3% from approximately RMB28,526,000 in 2014 to approximately RMB29,745,000 in the Year. The increase was mainly attributable to the increase of income tax rate from 15% to 25% of Ningbo Huazhong Plastic Products Co., Ltd., a subsidiary in the Group, as result of the expiration of the high technology enterprise certificate.

Liquidity and Financial Resources

For the Year, the net cash generated from operating activities was approximately RMB78,575,000 (2014: RMB125,543,000). The cash generated from operating activities was mainly due to the profits during the Year.

The net cash used in investing activities was approximately RMB219,917,000 (2014: RMB124,462,000). The net cash generated from financing activities was approximately RMB91,059,000 (2014: net cash used in financing activities RMB44,570,000). The net cash used in investing activities was mainly due to purchase of property, plant and equipment. The net cash generated from financing activities mainly came from the new bank loans.

As a result of the above-mentioned comprehensive factors, the net cash outflow of the Group was RMB50,283,000 (2014: net cash inflow RMB43,489,000).

As at 31 December 2015, the cash and cash equivalents of the Group (including cash and bank deposits) was approximately RMB200,607,000 (31 December 2014: RMB197,525,000).

As at 31 December 2015, the interest-bearing bank borrowings of the Group was approximately RMB797,512,000 (31 December 2014: approximately RMB673,431,000) of which approximately RMB29,082,000 (equivalent to EUR4,099,000) and RMB71,430,000 (equivalent to USD11,000,000) were borrowed in EURO and USD, respectively, and approximately RMB564,582,000 were due within one year. Effective interest rate ranges from 2.48% to 6.89%. Amongst the bank borrowings, RMB500,511,000 were borrowed at floating interest rate, representing 63% of total borrowings (37% 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 2015, the Group had capital commitments amounting to RMB461,658,000 (31 December 2014: RMB511,631,000) 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, Euro and USD. 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

No contingent liabilities was noted as at 31 December 2015. As at 31 December 2014, the Group issued a guarantee of RMB4,991,000 for bank facilities of a joint venture of the Group, which were repaid during the Year.

Pledge of Assets

As at 31 December 2015, the Group's assets of approximately RMB224,250,000 (2014: approximately RMB180,395,000) were pledged to secure some of the Group's interest-bearing bank borrowings. The book value of the pledged assets is set out below:

	2015	2014
	RMB'000	*RMB'000*
Property, plant and equipment	**65,708**	71,078
Investment properties	**2,882**	3,131
Prepaid land lease payments	**67,459**	75,586
Notes receivables	**65,181**	—
Pledged deposits	**23,020**	30,600
Total	**224,250**	180,395

As at 31 December 2015, pledged deposits with book value of approximately RMB79,054,000 (2014: approximately RMB83,646,000) were used as security to provide guarantee for the issue of notes payable.

Gearing Ratio

As at 31 December 2015, the Group's gearing ratio was approximately 69.8%, which was close to the gearing ratio of approximately 70.3% as at 31 December 2014. 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 2,691 (2014: 2,644) employees as at 31 December 2015. Total staff costs of the Group (excluding directors' and chief executive's remuneration) for the Year was approximately RMB190,692,000 (2014: approximately RMB170,921,000). The increase was attributable to the increase of average basic salary and the increase of number of employees. The Group's remuneration policies were in line with relevant legislation, market conditions and the performance of our employees.

PROSPECT

Going forward into 2016, the China's general macro-economic conditions and the operating environment will continue to remain challenging. However, the introduction of government favorable policy in automotive industry promotes the growth in the automotive consumption and it is expected that the automotive market is able to maintain its stable growth momentum. In addition, 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. 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.

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.

During the Year, the Group did not separate the roles of the chairman and chief executive. Mr. Zhou Minfeng was 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 during the Year comprised two executive Directors, four non-executive Directors and three independent non-executive Directors and has a strong independence element in its composition.

The Company has complied with code provision A.2.1 upon change of chief executive officer from Mr. Zhou Minfeng to Mr. Liu Genyu on 4 January 2016.

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, 30 March 2016

As at the date of this announcement, the executive Directors are Mr. Zhou Minfeng, Mr. Liu Genyu 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.