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

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 6830)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

FINANCIAL HIGHLIGHTS

- Revenue was approximately RMB806,173,000 for the six months ended 30 June 2016, representing an increase of approximately 5.2% when compared to the corresponding period in 2015.

- Profit attributable to owners of the parent amounted to approximately RMB34,721,000 for the six months ended 30 June 2016, representing an increase of approximately 18.9% when compared to the corresponding period in 2015.

- Gross profit margin was 26.7% for the six months ended 30 June 2016 (30 June 2015: 26.7%).

- Basic earnings per share attributable to the owners of the parent was approximately RMB2.16 cents for the six months ended 30 June 2016 (30 June 2015: RMB1.83 cents).

- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2016 (30 June 2015: HK0.4429 cent (approximately RMB0.3651 cent)).

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 2016, together with the comparative figures for the corresponding period in 2015.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2016

		For the six months ended 30 June	
		2016	2015
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	*5*	**806,173**	766,550
Cost of sales		**(591,302)**	(562,045)
Gross profit		**214,871**	204,505
Other income and gains	*5*	**16,409**	9,081
Selling and distribution costs		**(55,481)**	(48,066)
Administrative expenses		**(96,415)**	(92,716)
Other expenses		**(5,509)**	(1,319)
Operating profit		**73,875**	71,485
Share of losses of			
An associate		**—**	(11)
Joint ventures		**(2,086)**	(2,331)
Finance income	*6*	**3,705**	3,655
Finance costs		**(21,178)**	(22,731)
PROFIT BEFORE INCOME TAX EXPENSE	*7*	**54,316**	50,067
Income tax expense	*8*	**(17,136)**	(17,579)
PROFIT FOR THE PERIOD		**37,180**	32,488

		For the six months ended 30 June	
		2016	2015
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Attributable to:			
Owners of the parent		**34,721**	29,211
Non-controlling interests		**2,459**	3,277
		37,180	32,488
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*10*		
Basic			
— For profit for the period		**RMB0.0216**	RMB0.0183
Diluted			
— For profit for the period		**RMB0.0214**	RMB0.0183

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**37,180**	32,488
OTHER COMPREHENSIVE LOSS		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**384**	(971)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	**384**	(971)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**37,564**	31,517
Attributable to:		
Owners of the parent	**35,105**	28,240
Non-controlling interests	**2,459**	3,277
	37,564	31,517

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2016

	Notes	**30 June 2016 RMB'000 (Unaudited)**	31 December 2015 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*11*	**599,227**	572,082
Investment properties		**35,232**	36,384
Prepaid land lease payments	*11*	**175,730**	156,025
Intangible assets		**4,130**	4,363
Investment in an associate		**2,016**	2,016
Investments in joint ventures		**73,004**	63,787
Prepayments for purchase of property, plant and equipment		**16,718**	27,141
Prepayments for an available-for-sale investment		**—**	25,000
Available-for-sale investments		**52,500**	—
Deferred tax assets		**19,425**	18,045
Total non-current assets		**977,982**	904,843
CURRENT ASSETS			
Inventories		**306,554**	287,035
Trade and notes receivables	*12*	**536,430**	578,972
Prepayments and other receivables		**121,422**	114,201
Due from related parties		**63,835**	49,970
Pledged deposits		**112,776**	102,074
Cash and cash equivalents		**233,280**	200,607
Total current assets		**1,374,297**	1,332,859

	Notes	30 June 2016 *RMB'000* (Unaudited)	31 December 2015 *RMB'000* (Audited)
CURRENT LIABILITIES			
Interest-bearing bank borrowings		**718,666**	564,582
Trade and notes payables	*13*	**523,959**	516,149
Other payables, advances from customers and accruals		**193,252**	174,378
Due to the ultimate controlling shareholder		**253**	652
Due to related parties		**50,521**	44,867
Income tax payable		**57,472**	66,704
Total current liabilities		**1,544,123**	1,367,332
NET CURRENT LIABILITIES		**(169,826)**	(34,473)
TOTAL ASSETS LESS CURRENT LIABILITIES		**808,156**	870,370
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings – non-current portion		**131,500**	232,930
Government grants		**9,092**	9,443
Deferred tax liabilities		**20,099**	20,064
Total non-current liabilities		**160,691**	262,437
Net assets		**647,465**	607,933

	Notes	**30 June 2016** **RMB'000** **(Unaudited)**	31 December 2015 *RMB'000* (Audited)
EQUITY			
Equity attributable to owners of the parent			
Share capital		**128,587**	128,587
Reserves		**483,103**	448,030
		611,690	576,617
Non-controlling interests		**35,775**	31,316
Total equity		**647,465**	607,933

1. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2016 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 2015.

Going concern basis

Notwithstanding that the Group had consolidated net current liabilities of RMB169,826,000 as at 30 June 2016, 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 2016, the Group had unutilised credit facilities from banks of approximately RMB440,000,000; 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 2016.

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 2015, 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 IFRS 11	*Accounting for Acquisitions of Interests In Joint Operations*
Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*
Amendments to IAS 1	*Disclosure Initiative*
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortization*
Amendments to IAS 27	*Equity Method in Separate Financial Statements*
Amendments under Annual Improvements 2012-2014 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 2016 is set out in the following table:

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Mainland China	**744,348**	705,004
Overseas	**61,825**	61,546
Total	**806,173**	766,550

(b) Non-current assets

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Mainland China	**924,876**	852,905
Overseas	**33,681**	33,893
Total	**958,557**	886,798

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 2016 are set out in the following table:

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Customer A	**252,265**	280,064
Customer B	**86,910**	80,204

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	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue:		
Sales of goods	**773,970**	730,904
Sales of materials	**32,203**	35,646
	806,173	766,550
Other income and gains:		
Rental income	**14,129**	3,696
Government grants	**601**	847
Gain on sales of scrap materials	**629**	480
Gain on disposal of property, plant and equipment	**22**	48
Reversal of impairment of trade receivables	**332**	3,555
Others	**696**	455
	16,409	9,081

6. FINANCE INCOME

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest income on bank deposits	**3,705**	3,655

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	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories recognised as expenses	**591,302**	562,045
Depreciation of property, plant and equipment	**34,893**	31,709
Depreciation of investment properties	**1,152**	1,254
Amortisation of prepaid land lease payments	**1,895**	1,737
Amortisation of intangible assets	**285**	257
Research and development costs	**26,800**	24,274
Lease payments under operating leases in respect of properties	**6,236**	5,148
Auditor's remuneration	**1,500**	1,500
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages, salaries and other benefits	**78,907**	76,723
Pension scheme contributions	**8,247**	7,933
Equity-settled share option expense	**—**	21
	87,154	84,677
Gross rental income	**(15,498)**	(4,950)
Less: Direct expenses that generated rental income	**1,369**	1,254
Rental income, net	**(14,129)**	(3,696)
Foreign exchange difference, net	**1,123**	495
Reversal of impairment of receivables	**(332)**	(3,555)
Provision for inventories written down	**71**	132
Gain on disposal of items of property, plant and equipment	**(22)**	(48)
Interest income	**(3,705)**	(3,655)

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	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax		
— Charge for the period	**18,481**	12,716
Deferred income tax	**(1,345)**	4,863
Total tax charge for the period	**17,136**	17,579

9. DIVIDENDS PAID AND PROPOSED

The board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2016 (six months ended 30 June 2015: HK$0.004429 per share).

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 1,605,000,000 in issue during the six months ended 30 June 2016 (30 June 2015: 1,600,000,000).

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

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to owners of the parent used in the basic and diluted earnings per share calculation	**34,721**	29,211

	For the six months ended 30 June Number of shares	
	2016	2015
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**1,605,000,000**	1,600,000,000
Effect of dilution — weighted average number of ordinary shares:		
Share options	**14,224,000**	—
	1,619,224,000	1,600,000,000

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

During the six months ended 30 June 2016, the Group acquired property, plant and equipment with a total cost of RMB63,934,000 (30 June 2015: RMB31,600,000).

Included in the property, plant and equipment as at 30 June 2016 were certain buildings with a net carrying value of RMB255,595,000 (31 December 2015: RMB257,083,000), 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 2016.

Certain of the Group's buildings and machineries with a net carrying value of RMB166,675,000 as at 30 June 2016 (31 December 2015: RMB63,934,000) were pledged to secure bank loans granted to the Group.

During the six months ended 30 June 2016, the Group has acquired prepaid land lease payments of RMB21,430,000 (30 June 2015: Nil).

Included in the prepaid land lease payments as at 30 June 2016 were certain lands with a net book value of RMB18,706,000 (31 December 2015: RMB3,954,000) 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 2016.

Certain of the Group's prepaid land lease payments with a carrying value of RMB67,657,000 as at 30 June 2016 (31 December 2015: RMB68,481,000) were pledged to secure bank loans granted to the Group.

12. TRADE AND NOTES RECEIVABLES

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**439,313**	498,021
Notes receivable	**101,823**	85,990
	541,136	584,011
Impairment of the trade receivables	**(4,706)**	(5,039)
	536,430	578,972

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 2016	31 December 2015
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**404,041**	453,563
3 to 6 months	**20,574**	36,590
6 months to 1 year	**9,641**	2,489
Over 1 year	**351**	340
	434,607	492,982

13. TRADE AND NOTES PAYABLES

An aged analysis of the trade and notes payables of the Group as at 30 June 2016, based on the invoice date, is as follows:

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**366,572**	331,184
3 to 12 months	**146,559**	177,685
1 to 2 years	**7,089**	3,653
2 to 3 years	**910**	1,497
Over 3 years	**2,829**	2,130
	523,959	516,149

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 RMB68,165,000 as at 30 June 2016 (31 December 2015: RMB79,054,000).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND MARKET REVIEW

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

In the first half of 2016, the automobile industry has recorded another year of stable growth. According to the statistics from China Association of Automobile Manufacturers (CAAM), over 12.89 million vehicles were manufactured and over 12.83 million vehicles were sold in the first half of 2016, representing a growth of 6.47% and 8.14%, respectively.

The sales volume of the top 10 automobile manufacturers reached approximately 5 million units during the first half of 2016, accounting for 80.11% of the overall vehicle sales in China. Out of the top ten automobile manufacturers of which six of them have established business relationships with Huazhong Group. The solid partnership with industry leaders has provided a strong foothold for the Group to capture the growth of the automobile industry.

For the six months ended 30 June 2016, the Group's revenue was approximately RMB806,173,000, representing an increase of approximately 5.2% as compared to approximately RMB766,550,000 for the six months ended 30 June 2015. Profit attributable to the owners of the parent for the six months ended 30 June 2016 was approximately RMB34,721,000, representing an increase of approximately 18.9% as compared to RMB29,211,000 for the six months ended 30 June 2015.

In 2016, the Group plans to expand its business and coverage by constructing a new production facility in Qingdao.

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			
	2016		2015	
	Revenue (Unaudited)	**Gross profit margin**	Revenue (Unaudited)	Gross profit margin
	RMB'000	***%***	*RMB'000*	*%*
Automotive interior and exterior structural and decorative parts	**607,286**	**30.3**	551,745	31.5
Moulds and tooling	**39,874**	**16.0**	51,641	3.8
Casings and liquid tanks of air conditioners and heaters	**89,119**	**16.7**	98,393	18.9
Non-automotive products	**37,691**	**21.8**	29,125	25.9
Sale of raw materials	**32,203**	**5.0**	35,646	7.1
Total	**806,173**	**26.7**	766,550	26.7

For the six months ended 30 June 2016, the total revenue generated from automotive interior and exterior structural and decorative parts was RMB607,286,000 (30 June 2015: RMB551,745,000), accounting for 75.3% of the Group's total revenue for the six months ended 30 June 2016 (30 June 2015: 72.0%). The increase was primarily because of the expansion of new market and customers. Gross profit margin decreased slightly from 31.5% for the six months ended 30 June 2015 to 30.3% for the six months ended 30 June 2016.

For the six months ended 30 June 2016, revenue from moulds and tooling was RMB39,874,000 (30 June 2015: RMB51,641,000), accounting for 4.9% of the Group's total revenue for the six months ended 30 June 2016 (30 June 2015: 6.7%). Gross profit margin increased from 3.8% for the six months ended 30 June 2015 to 16.0% for the six months ended 30 June 2016. The increase in gross profit margin was mainly due to reducing certain high cost outsourced processes during the period.

For the six months ended 30 June 2016, revenue from casings and liquid tanks of air conditioners and heaters was RMB89,119,000 (30 June 2015: RMB98,393,000), accounting for 11.1% of the Group's total revenue for the six months ended 30 June 2016 (30 June 2015: 12.8%). Gross profit margin slightly decreased from 18.9% for the six months ended 30 June 2015 to 16.7% for the six months ended 30 June 2016.

For the six months ended 30 June 2016, revenue from non-automotive products was RMB37,691,000 (30 June 2015: RMB29,125,000), accounting for 4.7% of the Group's total revenue for the six months ended 30 June 2016 (30 June 2015: 3.8%). Gross profit margin decreased from 25.9% for the six months ended 30 June 2015 to 21.8% for the six months ended 30 June 2016.

For the six months ended 30 June 2016, revenue from sale of raw materials was RMB32,203,000 (30 June 2015: RMB35,646,000), accounting for 4.0% of the Group's total revenue for the six months ended 30 June 2016 (30 June 2015: 4.7%). The gross profit margin was 5.0% for the six months ended 30 June 2016, which recorded a slight decrease as compared to the corresponding period in 2015.

For the six months ended 30 June 2016, the overall gross profit margin remained stable at 26.7% (30 June 2015: 26.7%).

Other income and gains

Other income and gains of the Group for the six months ended 30 June 2016 amounted to RMB16,409,000 (30 June 2015: RMB9,081,000), representing an increase of approximately 80.7% as compared to the corresponding period in 2015. The increase was mainly attributable to the increase in rental income from the jointly controlled entity during the period.

Selling and Distribution Costs

The Group's selling and distribution costs for the six months ended 30 June 2016 amounted to approximately RMB55,481,000, representing an increase of approximately 15.4% as compared to RMB48,066,000 in the corresponding period in 2015. The increase was mainly due to the increase in transportation expenses as a result of the increase in sales volume.

Administrative Expenses

The Group's administrative expenses for the six months ended 30 June 2016 amounted to approximately RMB96,415,000, representing an increase of approximately 4.0% as compared to RMB92,716,000 in the corresponding period in 2015. This was mainly attributable to 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 2016, the Group recorded RMB2,086,000 of the share of loss of joint ventures, while a share of loss of joint ventures of RMB2,331,000 was recorded for the six months ended 30 June 2015. The change was primarily due to implementation of cost control during the period.

Finance Income

The Group's finance income increased slightly by approximately 1.4% from approximately RMB3,655,000 for the six months ended 30 June 2015 to approximately RMB3,705,000 for the six months ended 30 June 2016. The increase in finance income was mainly attributable to the increase in average cash and bank balance.

Finance Costs

The Group's finance costs decreased from approximately RMB22,731,000 for the six months ended 30 June 2015 to approximately RMB21,178,000 for the six months ended 30 June 2016, representing a decrease of approximately 6.8%. The decrease in finance costs was mainly due to the decrease in average bank interest rate during the period.

Taxes

The Group's tax expenses decreased by approximately 2.5% from approximately RMB17,579,000 for the six months ended 30 June 2015 to approximately RMB17,136,000 for the six months ended 30 June 2016. The decrease was mainly due to the decrease in taxable profits in the six months ended 30 June 2016 as compared to the corresponding period in 2015.

Liquidity and Financial Resources

For the six months ended 30 June 2016, the net cash generated from operating activities amounted to approximately RMB101,428,000 (30 June 2015: net cash generated from operating activities RMB54,415,000). The cash generated from 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 RMB78,143,000 (30 June 2015: net cash used in investing activities RMB122,137,000) and the net cash flow generated from financing activities amounted to approximately RMB9,225,000 (30 June 2015: net cash flow generated from financing activities RMB46,096,000). The cash used in investing activities was mainly attributable to the payment for purchase of property, plant and machinery and land use right. 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 inflow of RMB32,510,000 for the six months ended 30 June 2016 (30 June 2015: net cash outflow of RMB21,626,000).

As at 30 June 2016, the Group's cash and cash equivalents (comprise cash on hand and at banks, including time deposits) amounted to approximately RMB233,280,000 (31 December 2015: RMB200,607,000).

As at 30 June 2016, the Group's interest-bearing bank borrowings were approximately RMB850,166,000 (31 December 2015: approximately RMB797,512,000), among of which, RMB718,666,000 would be due within one year (31 December 2015: RMB564,582,000). 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.

Capital Commitments

As at 30 June 2016, the Group had capital commitments amounting to RMB227,485,000 (31 December 2015: RMB461,658,000) 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, USD 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

The total number of issued and fully paid ordinary shares of the Company as at 30 June 2016 was 1,605,000,000.

Contingent Liabilities

The Group provided guarantee of RMB50,000,000 in respect of the banking facilities granted to one of the Group's joint ventures as at 30 June 2016 (31 December 2015: Nil).

Pledge of Assets

As at 30 June 2016, the Group's assets of approximately RMB352,759,000 (31 December 2015: approximately RMB223,622,000) 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 2016 (Unaudited) ***RMB'000***	31 December 2015 (Audited) *RMB'000*
Property, plant and equipment	**166,675**	63,934
Investment property	**2,757**	3,006
Prepaid land lease payments	**67,657**	68,481
Notes Receivable	**71,059**	65,181
Pledged deposits	**44,611**	23,020
Total	**352,759**	223,622

As at 30 June 2016, deposits with a total book value of approximately RMB68,165,000 (31 December 2015: approximately RMB79,054,000) were pledged to secure the issue of notes payable.

Gearing Ratio

As at 30 June 2016, the Group's gearing ratio was approximately 69.4% (31 December 2015: 69.8%). 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 announcement.

Employees and Remuneration Policies

As at 30 June 2016, the Group had 2,559 employees (30 June 2015: 2,571). Total staff costs of the Group (excluding directors' and chief executive's remuneration) for six months ended 30 June 2016 was approximately RMB87,154,000 (30 June 2015: approximately RMB84,677,000). The Group's remuneration policies were in line with relevant legislation, market conditions and the performance of our employees.

PROSPECT

Outlook

During the first half of year 2016, which is the starting point of China's 13th Five-Year Plan, the development of China's economy has always remained positive while the global economic environment getting uncertain. Hence, in the long run, China's automobile industry is expected to grow steadily in the coming five years. As it can be seen from the data of first half 2016, the auto industry successfully maintained stable growth. According to CAAM, the sales volume for the period from January to July 2016 increased by 9.8% compared with the same period of last year. The sales volume is estimated to grow continuously during the third quarter.

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 throughout the six months ended 30 June 2016, except for the following deviations:

Code Provision A.2.1

This code provision stipulates that the roles of the chairman and chief executive should be separate and should not be performed by the same individual. On 4 January 2016, the roles of the chairman and chief executive have been separated upon the change of chief executive officer of the Company from Mr. Zhou Minfeng to Mr. Liu Genyu.

Code Provisions A.6.7 and E.1.2

Code provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders; while code provision E.1.2 stipulates that the chairman of the board should attend the annual general meeting.

Mr. Zhou Minfeng (the chairman of the Board), four non-executive Directors and two independent non-executive Directors were unable to attend the Company's annual general meeting held on 16 June 2016 due to their other business engagement.

A full description of the Company's corporate governance will be set out in the 2016 Interim Report of the Company.

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 2016, 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 2016.

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 2016.

DIVIDENDS

The Board does not recommend the payment of in interim dividend for the six moths ended 30 June 2016 (30 June 2015: HK0.4429 cent (approximately RMB0.3651 cent)).

AUDIT COMMITTEE

During the six months ended 30 June 2016, 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, risk management and internal control systems of the Group.

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2016 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 2016 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 advices and guidance, and to each and everyone of the staff of the Group for their hard work and loyalty to the Group.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (http://www.cn-huazhong.com). The interim report of the Company for the six months ended 30 June 2016 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 August 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.