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 2016

FINANCIAL HIGHLIGHTS

- Revenue was approximately RMB1.74 billion, representing an increase of approximately 6.3% when compared to the same period in 2015.
- Profit attributable to owners of the parent amounted to approximately RMB104.9 million, representing an increase of approximately 51.2% when compared to the same period in 2015.
- Gross profit margin was 27.5%, representing an increase of about 3.3% when compared to the same period in 2015.
- Basic earnings per share attributable to the owners of the parent was approximately RMB6.54 cents (2015: RMB4.33 cents).
- The Board does not recommend the payment of a final dividend for the Year. (2015: Nil).

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 2016 (the "Year"), together with the comparative figures for the year ended 31 December 2015.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
REVENUE	5	**1,738,891**	1,635,565
Cost of sales		**(1,260,153)**	(1,239,432)
Gross profit		**478,738**	396,133
Other income and gains	5	**22,847**	12,254
Selling and distribution expenses		**(117,418)**	(94,348)
Administrative expenses		**(198,454)**	(177,006)
Other expenses		**(10,668)**	(91)
Operating profit		**175,045**	136,942
Share of profits and losses of:			
An associate		**(12)**	(199)
Joint ventures		**14,377**	1,785
Finance income	6	**10,345**	7,824
Finance costs		**(47,296)**	(41,731)
PROFIT BEFORE TAX	7	**152,459**	104,621
Income tax expense	8	**(41,957)**	(29,745)
PROFIT FOR THE YEAR		**110,502**	74,876
Attributable to:			
Owners of the parent		**104,907**	69,404
Non-controlling interests		**5,595**	5,472
		110,502	74,876
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10		
Basic			
— For profit for the year		**RMB0.0654**	RMB0.0433
Diluted			
— For profit for the year		**RMB0.0649**	RMB0.0428

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2016

	2016 *RMB'000*	2015 *RMB'000*
PROFIT FOR THE YEAR	**110,502**	74,876
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**326**	(403)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**326**	(403)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**326**	(403)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**110,828**	74,473
Attributable to:		
Owners of the parent	**105,233**	69,001
Non-controlling interests	**5,595**	5,472
	110,828	74,473

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**587,074**	551,502
Investment properties		**33,876**	36,384
Prepaid land lease payments		**173,399**	156,025
Intangible assets		**4,382**	4,363
Investment in an associate		**2,004**	2,016
Investments in joint ventures		**105,641**	63,787
Prepayments for acquiring property, plant and equipment		**55,927**	47,721
Available-for-sale investment		**15,000**	—
Prepayments for an available-for-sale investment		**—**	25,000
Deferred tax assets		**16,177**	18,045
Total non-current assets		**993,480**	904,843
CURRENT ASSETS			
Inventories		**295,575**	287,035
Trade and notes receivables	*11*	**568,277**	578,972
Prepayments and other receivables		**166,407**	114,201
Due from related parties		**137,122**	49,970
Pledged deposits		**87,516**	102,074
Cash and cash equivalents		**187,987**	200,607
Total current assets		**1,442,884**	1,332,859
CURRENT LIABILITIES			
Trade and notes payables	*12*	**590,648**	516,149
Other payables, advances from customers and accruals		**190,752**	174,378
Interest-bearing bank borrowings		**509,388**	564,582
Due to the ultimate controlling shareholder		**3,603**	652
Due to related parties		**51,085**	44,867
Income tax payable		**54,814**	66,704
Total current liabilities		**1,400,290**	1,367,332

	2016	2015
	RMB'000	*RMB'000*
NET CURRENT ASSET/(LIABILITIES)	**42,594**	(34,473)
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,036,074**	870,370
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**282,332**	232,930
Government grants	**8,884**	9,443
Deferred tax liabilities	**29,212**	20,064
Total non-current liabilities	**320,428**	262,437
Net assets	**715,646**	607,933
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**128,587**	128,587
Reserves	**553,263**	448,030
	681,850	576,617
Non-controlling interests	**33,796**	31,316
Total equity	**715,646**	607,933

1. BASIS OF PREPARATION

These 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 2016. 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.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
IFRS 14	*Regulatory Deferral Accounts*
Amendments to IAS 1	*Disclosure Initiative*
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*
Amendments to IAS 27	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs

The adoption of the above revised standards has had no significant financial effect on these 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.

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[2]
IFRS 9	*Financial Instruments*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*[2]
IFRS 16	*Leases*[3]
Amendments to IAS 7	*Disclosure Initiative*[1]
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]

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

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

The IASB issued amendments to IFRS 2 in June 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet the employee’s tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The Group expects to adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

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 is currently assessing the impact of the standard upon adoption and expects that the adoption of IFRS 9 will have an impact on the classification and measurement of the Group's financial assets.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for application now.

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 April 2016, the IASB issued amendments to IFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt IFRS 15 on 1 January 2018 and is currently assessing the impact of IFRS 15 upon adoption.

IFRS 16 replaces IAS 17 Leases, IFRIC-4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases — Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance 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 7 require an entity to provide 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 will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 January 2017.

Amendments to IAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group expects to adopt the amendments from 1 January 2017.

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:

	2016	2015
	RMB'000	*RMB'000*
Mainland China	**1,595,277**	1,500,526
Overseas	**143,614**	135,039
Total	**1,738,891**	1,635,565

(b) Non-current assets

	2016	2015
	RMB'000	*RMB'000*
Mainland China	**942,995**	852,905
Overseas	**34,308**	33,893
Total	**977,303**	886,798

The non-current asset information above is based on the locations of the assets and excludes 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 year are set out in the following table:

Company	**2016**	2015
	RMB'000	*RMB'000*
Customer A	**496,157**	544,633
Customer B	**182,060**	149,937

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:

	2016	2015
	RMB'000	*RMB'000*
Revenue:		
Sales of goods	**1,668,719**	1,572,317
Sales of materials	**70,172**	63,248
	1,738,891	1,635,565
Other income and gains:		
Government grants	**1,936**	1,407
Rental income	**10,470**	7,452
Gain on sales of scrap materials	**638**	901
Gain on disposal of items of property, plant and equipment	**7,841**	150
Others	**1,962**	2,344
Total	**22,847**	12,254

6. FINANCE INCOME

	2016	2015
	RMB'000	*RMB'000*
Interest income on bank deposits	**10,345**	7,824

7. PROFIT BEFORE TAX

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

	2016	2015
	RMB'000	*RMB'000*
Cost of inventories recognised	**1,260,153**	1,239,432
Depreciation of property, plant and equipment	**81,158**	58,966
Depreciation of investment properties	**2,508**	2,508
Amortisation of land lease payments	**3,890**	3,743
Amortisation of intangible assets	**440**	939
Research and development costs	**57,233**	49,723
Lease payments under operating leases in respect of properties	**13,192**	8,956
Auditors' remuneration	**2,500**	3,000
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	**195,665**	176,338
Pension scheme costs	**14,013**	13,115
Equity-settled share option expense	**—**	1,239
	209,678	190,692
Gross rental income	**(13,929)**	(10,334)
Less: Direct expenses for generating rental income	**3,459**	2,882
Rental income, net	**(10,470)**	(7,452)
Net foreign exchange losses	**5,597**	4,733
Reversal of impairment of trade receivables	**(1,513)**	(6,357)
Write-down of inventories to net realisable value	**2,704**	2,267
Impairment of intangible assets	**—**	750
Gain on disposal of items of property, plant and equipment	**(7,841)**	(150)
Government grants	**(1,936)**	(1,407)
Interest income	**(6,736)**	(7,824)

8. INCOME TAX

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

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

All of the Group's subsidiaries registered in the 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 and Chengdu Huazhong were qualified as Western China development enterprises, and were entitled to a preferential rate of 15% during the year ended 31 December 2016. (2015: 15%)

In November 2016, Ningbo Huazhong Plastic Products Co., Ltd. ("Ningbo Huazhong Plastic") was accredited as a "High and New Technology Enterprise" for three years to enjoy a preferential rate of 15% for the years ended 31 December 2016, 2017 and 2018 (2015: 25%).

Pursuant to the local tax rules in Germany, HZ FBZ Formenbau Zuttlingen GmbH ("HZ FBZ") was subject to a tax rate of 28.075% (2015: 28.075%) during the year ended 31 December 2016.

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

	2016	2015
	RMB'000	*RMB'000*
Current income tax		
Income tax for the year	**31,042**	33,130
Deferred income tax	**10,915**	(3,385)
Total tax charge for the year	**41,957**	29,745

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 years is as follows:

	2016	2015
	RMB'000	*RMB'000*
Profit before tax	**152,459**	104,621
Tax at the statutory tax rate	**38,115**	26,155
Lower tax rate for specific provincial or local tax authority	**(3,738)**	(1,027)
Tax losses not recognised	**1,896**	10,920
Profits and losses attributable to joint ventures and an associate	**(3,591)**	(2,355)
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	**10,000**	1,000
Non-taxable income	**—**	(192)
Overprovision in prior years	**(215)**	(754)
Expenses not deductible for tax	**2,180**	3,134
Tax losses utilised	**(6,391)**	(1,924)
Effect on opening deferred tax of increase in rates	**3,701**	(5,212)
Tax charge for the year	**41,957**	29,745

9. DIVIDENDS

	2016	2015
	RMB'000	*RMB'000*
Interim — Nil (2015: HK0.4429 cent per ordinary share)	**—**	5,842

No final dividend (2015: Nil) was proposed by the directors of the Company for the year ended 31 December 2016.

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 1,605,000,000 in issue during the year ended 31 December 2016 (2015: 1,601,548,000).

The calculation of the 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:

	2016	2015
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic and diluted earnings per share calculations	**104,907**	69,404
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,605,000,000**	1,601,548,000
Effect of dilution — weighted average number of ordinary shares:		
Share options	**11,842,000**	18,878,000
	1,616,842,000	1,620,426,000

11. TRADE AND NOTES RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Trade receivables	**519,871**	498,021
Notes receivable	**51,932**	85,990
	571,803	584,011
Impairment of trade receivables	**(3,526)**	(5,039)
	568,277	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 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:

	2016	2015
	RMB'000	*RMB'000*
Within 3 months	**485,461**	453,563
3 to 6 months	**26,444**	36,590
6 months to 1 year	**3,576**	2,489
Over 1 year	**864**	340
	516,345	492,982

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

	2016	2015
	RMB'000	*RMB'000*
At beginning of year	**5,039**	11,396
Reversal of impairment for the year	**(3,207)**	(7,148)
Impairment losses recognized	**1,694**	791
At end of year	**3,526**	5,039

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

	2016	2015
	RMB'000	*RMB'000*
Neither past due nor impaired	**489,118**	451,155
Less than 1 month past due	**21,812**	31,301
1 to 2 months past due	**2,267**	4,374
2 to 3 months past due	**1,630**	5,115
Over 3 months and within 1 year past due	**784**	696
Over 1 year past due	**734**	341
	516,345	492,982

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 2016, based on the invoice date, is as follows:

	2016	2015
	RMB'000	*RMB'000*
Within 3 months	**442,083**	331,184
3 to 12 months	**144,350**	177,685
1 to 2 years	**1,048**	3,653
2 to 3 years	**940**	1,497
Over 3 years	**2,227**	2,130
	590,648	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.

Certain notes payable were secured by pledged deposits of the Group with a carrying value of RMB50,196,000 as at 31 December 2016 (2015: RMB79,054,000).

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

Continuing the trend from 2015, the automobile industry has recorded another year of stable growth in 2016. According to the statistics from China Association of Automobile Manufacturers (CAAM), over 28.1 million vehicles were manufactured and over 28.0 million vehicles were sold in 2016, representing a growth of 14.5% and 13.7%, respectively, from the previous year. In terms of sales and manufacturing volumes, China has again ranked number one in the world for another year.

In 2016, the sales volume of the top 10 automobile manufacturers reached approximately 24.8 million units, accounting for 88.3% (2015: 89.5%) of the overall vehicle sales in China, representing a decrease of 1.2 percentage points. As a tier-one supplier with scalable production capacity and strong research and development ("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

The Group offers one-stop solution to its customers, from the design and manufacture of moulds and tooling for mass production of specific products to the development and manufacture of new products which meet its customers' functional requirements and specifications.

The Group offers a wide range of automobile body parts, including internal and external structural and decorative parts (such as front/rear bumper, front-end carrier, dashboard, ABCD-pillars, air inlet grille and rocker panel), air conditioning unit casings and liquid tanks through our subsidiaries and jointly controlled entities. We also manufacture fabric used for ABCD-pillar and headliner for automobile through one of our jointly controlled entities.

The Group also produces moulds and tooling for our manufacturing arm, with the ability to produce moulds and tooling for complex or large-size automobile body parts such as bumper and front-end carrier. Apart from automobile-related products, the Group also manufactures other products such as top cowl cover for engine of motorboat and office chair parts.

In 2016, the Group 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 RMB1.74 billion, representing an increase of approximately 6.3% as compared to approximately RMB1.64 billion in 2015. Profit attributable to the owners of the parent for the Year was approximately RMB104.9 million, representing an increase of approximately 51.2% as compared to approximately RMB69.4 million in 2015.

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 R&D 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.

	2016		2015	
		Gross profit		Gross profit
	Revenue	**Margin**	Revenue	Margin
	RMB'000	***%***	*RMB'000*	*%*
Automotive interior and exterior structural and decorative parts	**1,233,256**	**30.6**	1,179,085	28.4
Moulds and tooling	**180,763**	**21.5**	136,920	0.3
Casings and liquid tanks of air conditioners and heaters	**185,425**	**23.4**	191,007	19.3
Non-automobile products	**69,275**	**22.6**	65,305	32.4
Sale of raw materials	**70,172**	**5.0**	63,248	5.0
Total	**1,738,891**	**27.5**	1,635,565	24.2

For the Year, the total revenue generated from automotive interior and exterior structural and decorative parts was approximately RMB1,233,256,000 (2015: RMB1,179,085,000), accounting for 70.9% of the Group's total revenue for the Year (2015: 72.1%). The increase was primarily because of the expansion of new markets and new customers during the Year. Gross profit margin increased from approximately 28.4% in 2015 to approximately 30.6% in 2016, primarily due to improved operating efficiency and implementation of stringent cost control.

For the Year, revenue from moulds and tooling was approximately RMB180,763,000 (2015: RMB136,920,000), accounting for approximately 10.4% of the Group's total revenue for the Year (2015: 8.4%). A gross profit margin of approximately 21.5% was recorded in the Year mainly due to reducing high cost outsourcing processes during the Year.

For the Year, revenue from casings and liquid tanks of air conditioners and heaters was approximately RMB185,425,000 (2015: RMB191,007,000), accounting for approximately 10.7% of the Group's total revenue for the Year (2015: 11.7%). Gross profit margin increased from approximately 19.3% in 2015 to approximately 23.4% in the Year.

For the Year, revenue from non-automobile products was approximately RMB69,275,000 (2015: RMB65,305,000), accounting for approximately 4.0% of the Group's total revenue for the Year (2015: 4.0%). Gross profit margin decreased from approximately 32.4% in 2015 to approximately 22.6% in the Year.

For the Year, revenue from sale of raw materials was approximately RMB70,172,000 (2015: RMB63,248,000), accounting for approximately 4.0% of the Group's total revenue for the Year (2015: 3.9%). Gross profit margin remained stable at approximately 5.0% during the Year.

Other Income and Gains

Other income and gains of the Group for the Year amounted to approximately RMB22,847,000 (2015: RMB12,254,000). The increase was mainly attributable to gain on disposal of items of property, plant and equipment.

Selling and Distribution Expenses

The Group's selling and distribution expenses for the Year amounted to approximately RMB117,418,000 (2015: RMB94,348,000). The proportion of selling and distribution expenses in sales revenue for the Year was around 6.8% (2015: 5.8%). The increase was mainly attributable to the increase in transportation expenses and warehousing expenses.

Administrative Expenses

The Group's administrative expenses for the Year amounted to approximately RMB198,454,000, representing an increase of approximately 12.1% as compared to approximately RMB177,006,000 in 2015. The increase was mainly attributable to (i) the increase in employees expenses; and (ii) increase in research and development expenses.

Share of Profits and Losses of Joint Ventures

During the Year, the Group recorded approximately RMB14,377,000 of the share of profits of joint ventures as compared to the share of profits of approximately RMB1,785,000 for 2015. The increase in the share of profits during the Year was attributable to the reduce of loss from one of its joint ventures, Changchun Huaxiang Faurecia Automotive Plastic Components Co., Ltd..

Finance Income

The Group's finance income increased by approximately 32.2% from approximately RMB7,824,000 in 2015 to approximately RMB10,345,000 in the Year.

Finance Costs

The Group's finance costs increased from approximately RMB41,731,000 in 2015 to approximately RMB47,296,000 in the Year, representing an increase of approximately 13.3%, which was attributable to increase of average bank borrowing balance during the Year.

Taxes

The Group's tax expenses increased by approximately 41.1% from approximately RMB29,745,000 in 2015 to approximately RMB41,957,000 in the Year. The increase was mainly attributable to the increase in taxable profits during the Year.

Liquidity and Financial Resources

For the Year, the net cash generated from operating activities was approximately RMB179,357,000 (2015: RMB78,575,000). The cash generated from operating activities was mainly from the profits during the Year.

The net cash used in investing activities was approximately RMB112,597,000 (2015: RMB219,917,000). The net cash used in financing activities was approximately RMB77,275,000 (2015: net cash generated from financing activities RMB91,059,000). The net cash used in investing activities was mainly for the purchase of property, plant and equipment. The net cash used in financing activities was mainly due to the repayment of bank loans.

As a result of the above-mentioned comprehensive factors, the net cash outflow of the Group was approximately RMB10,515,000 (2015: net cash outflow RMB50,283,000).

As at 31 December 2016, the cash and cash equivalents of the Group (including cash and bank deposits) was approximately RMB187,987,000 (31 December 2015: RMB200,607,000).

As at 31 December 2016, the interest-bearing bank borrowings of the Group was approximately RMB791,720,000 (31 December 2015: RMB797,512,000) of which approximately RMB21,573,748 (equivalent to EUR2,952,558) and RMB118,146,497 (equivalent to USD17,000,000) were borrowed in EURO and USD, respectively, and approximately RMB509,388,000 were due within one year. Effective interest rate ranges from 2.20% to 6.89%. Amongst the bank borrowings, RMB134,142,776 were borrowed at floating interest rate, representing 16.9% of total borrowings (83.1% 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 2016, the Group had capital commitments amounting to approximately RMB208,619,000 (31 December 2015: RMB278,807,000) 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.

Pledge of Assets

As at 31 December 2016, the Group's assets of approximately RMB95,765,000 (2015: RMB223,622,000) were pledged to secure some of the Group's interest-bearing bank borrowings. The book value of the pledged assets is set out below:

	2016	2015
	RMB'000	*RMB'000*
Property, plant and equipment	**10,655**	63,934
Investment properties	**2,632**	3,006
Prepaid land lease payments	**45,158**	68,481
Notes receivables	**—**	65,181
Pledged deposits	**37,320**	23,020
Total	**95,765**	223,622

As at 31 December 2016, pledged deposits with book value of approximately RMB50,196,000 (2015: RMB79,054,000) were used as security to provide guarantee for the issue of notes payable.

Gearing Ratio

As at 31 December 2016, the Group's gearing ratio was approximately 67.9%, which was close to the gearing ratio of approximately 69.8% as at 31 December 2015. 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 3,166 (2015: 2,691) employees as at 31 December 2016. Total staff costs of the Group (excluding directors' and chief executive's remuneration) for the Year was approximately RMB209,678,000 (2015: approximately RMB190,692,000). The increase was mainly attributable to 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 2017, the China's general macro-economic conditions and the operating environment will continue to remain challenging. However, it is expected that the automotive market is able to maintain its stable growth momentum.

The Group proactively formulates a prospective development strategy, taking the lead to expand into the field of automotive lightweight products. With years of experience in the automotive parts industry, we believe that the approach of "replacing steel with plastics" will continue to be developed in the industry.

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.

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 (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 complied with all applicable code provisions set out in the CG Code throughout the year ended 31 December 2016, except for the following deviations:

Code Provision A.2.1

Code provision A.2.1 stipulates that the roles of the chairman and chief executive should be separate and should not be performed by the same individual. Since 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. An executive director chaired that meeting whereas other attended Board members were already of sufficient calibre and number for answering questions raised by the shareholders of the Company (the "Shareholders").

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

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 complied with the required standards 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 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.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining shareholders' right to attend and vote at the forthcoming annual general meeting of the Company (the "AGM"), the register of members of the Company will be closed from 1 June 2017 to 7 June 2017 (both days inclusive), during which period no transfer of shares in the Company will be registered. The holders of shares whose names appear on the register of members of the Company on 7 June 2017 will be entitled to attend and vote at the AGM. In order to qualify for attending and voting at the AGM, all transfer of shares, accompanied by the relevant share certificates and transfer forms, 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 no later than 4:30 p.m. on 31 May 2017.

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, risk management and internal control systems 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 Board 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 2017

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.