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 2017

FINANCIAL HIGHLIGHTS

- Revenue was approximately RMB1.76 billion, representing an increase of approximately 1.3% when compared to that of the year ended 31 December 2016.
- Profit attributable to owners of the parent amounted to approximately RMB138.2 million, representing an increase of approximately 31.7% when compared to that of the year ended 31 December 2016.
- Gross profit margin was 29.2%, representing an increase of about 1.7% when compared to that of the year ended 31 December 2016.
- Basic earnings per share attributable to owners of the parent was approximately RMB7.81 cents (2016: RMB5.94 cents (Adjusted for bonus issue of 160,500,000 shares on the basis of one (1) bonus share for every ten (10) existing shares in issue on 16 June 2017.)).
- The Board recommends the payment of a final dividend of RMB0.4810 cent per ordinary share for the Year (2016: Nil). During the Year, an interim dividend of HK0.3536 cent (equivalent to approximately RMB0.2999 cent) per ordinary share 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 consolidated financial results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2017 (the "**Year**"), together with the comparative figures for the year ended 31 December 2016.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
REVENUE	4	**1,761,736**	1,738,891
Cost of sales		**(1,247,313)**	(1,260,153)
Gross profit		**514,423**	478,738
Other income and gains	4	**28,805**	22,847
Selling and distribution expenses		**(120,242)**	(117,418)
Administrative expenses		**(192,341)**	(198,454)
Other expenses		**(16,382)**	(10,668)
Operating profit		**214,263**	175,045
Share of profits and losses of:			
Associates		**1,733**	(12)
Joint ventures		**13,348**	14,377
Finance income	5	**6,050**	10,345
Finance costs		**(40,398)**	(47,296)
PROFIT BEFORE TAX	6	**194,996**	152,459
Income tax expense	7	**(51,724)**	(41,957)
PROFIT FOR THE YEAR		**143,272**	110,502
Attributable to:			
Owners of the parent		**138,151**	104,907
Non-controlling interests		**5,121**	5,595
		143,272	110,502
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic			
— For profit for the year		**RMB0.0781**	RMB0.0594
Diluted			
— For profit for the year		**RMB0.0781**	RMB0.0590

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2017

	2017	2016
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**143,272**	110,502
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**1,285**	326
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**1,285**	326
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**1,285**	326
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**144,557**	110,828
Attributable to:		
Owners of the parent	**139,436**	105,233
Non-controlling interests	**5,121**	5,595
	144,557	110,828

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**623,692**	587,074
Investment properties		**31,369**	33,876
Prepaid land lease payments		**192,914**	173,399
Intangible assets		**6,650**	4,382
Investment in associates		**18,533**	2,004
Investments in joint ventures		**142,605**	105,641
Prepayments for acquiring property, plant and equipment		**72,878**	55,927
Available-for-sale investment		**15,000**	15,000
Deferred tax assets		**16,490**	16,177
Total non-current assets		**1,120,131**	993,480
CURRENT ASSETS			
Inventories		**372,575**	295,575
Trade and notes receivables	*10*	**612,857**	568,277
Prepayments and other receivables		**133,885**	166,407
Due from related parties		**70,920**	137,122
Pledged deposits		**189,864**	87,516
Cash and cash equivalents		**96,799**	187,987
Total current assets		**1,476,900**	1,442,884
CURRENT LIABILITIES			
Trade and notes payables	*11*	**621,519**	590,648
Other payables, advances from customers and accruals		**213,261**	190,752
Interest-bearing bank borrowings		**604,321**	509,388
Due to the ultimate controlling shareholder		**2,150**	3,603
Due to related parties		**74,531**	51,085
Income tax payable		**57,005**	54,814
Total current liabilities		**1,572,787**	1,400,290

	2017	2016
	RMB'000	*RMB'000*
NET CURRENT (LIABILITIES)/ASSETS	**(95,887)**	42,594
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,024,244**	1,036,074
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**118,470**	282,332
Government grants	**8,570**	8,884
Deferred tax liabilities	**42,630**	29,212
Total non-current liabilities	**169,670**	320,428
Net assets	**854,574**	715,646
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**142,956**	128,587
Reserves	**674,704**	553,263
	817,660	681,850
Non-controlling interests	**36,914**	33,796
Total equity	**854,574**	715,646

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.

The financial statements have been prepared under the going concern basis notwithstanding that the Group had net current liabilities of RMB95,887,000 as at 31 December 2017. The directors of the Company are of opinion that based on the available unutilized banking facilities as at 31 December 2017, the Group will have the necessary liquid funds to finance its working capital and to meet its capital expenditure requirements. Accordingly, the directors are of the opinion that it is appropriate to prepare the financial statements on a going concern basis.

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 2017. 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 revised IFRSs for the first time for the current year's financial statements.

Amendments to IAS 7	*Disclosure Initiative*
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to IFRS 12 Included in *Annual Improvements to IFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of IFRS 12*

None of the above amendments to IFRSs has had a significant financial effect on these financial statements.

Disclosure will be made in the relevant notes to the financial statements to the included in the annual report published by the Company in due course upon the adoption of amendments to IAS 7, which 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.

3. 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:

	2017	2016
	RMB'000	*RMB'000*
Mainland China	**1,594,420**	1,595,277
Overseas	**167,316**	143,614
Total	**1,761,736**	1,738,891

(b) Non-current assets

	2017	2016
	RMB'000	*RMB'000*
Mainland China	**1,069,327**	942,995
Overseas	**34,314**	34,308
Total	**1,103,641**	977,303

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 8 percent or more of the Group's revenue for the year is set out in the following table:

Company	**2017**	2016
	RMB'000	*RMB'000*
Customer A	**499,136**	496,157
Customer B	**148,118**	182,060

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

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue, other income and gains is as follows:

	2017	2016
	RMB'000	*RMB'000*
Revenue:		
Sales of goods	**1,710,780**	1,668,719
Sales of materials	**50,956**	70,172
	1,761,736	1,738,891
Other income and gains:		
Government grants	**2,857**	1,936
Rental income	**8,220**	10,470
Gain on sales of scrap materials	**775**	638
Gain on disposal of items of property, plant and equipment	**1,041**	7,841
Gain on deregistration of an associate	**3,181**	—
Foreign exchange gain, net	**7,880**	—
Others	**4,851**	1,962
Total	**28,805**	22,847

5. FINANCE INCOME

	2017	2016
	RMB'000	*RMB'000*
Interest income on bank deposits	**6,050**	10,345

6. PROFIT BEFORE TAX

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

	2017	2016
	RMB'000	*RMB'000*
Cost of inventories recognised	**1,247,313**	1,260,153
Depreciation of property, plant and equipment	**71,486**	81,158
Depreciation of investment properties	**2,507**	2,508
Amortisation of land lease payments	**4,227**	3,890
Amortisation of intangible assets	**829**	440
Research and development costs	**59,987**	57,233
Lease payments under operating leases in respect of properties	**13,974**	13,192
Auditors' remuneration	**2,550**	2,500
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	**177,892**	195,665
Pension scheme costs	**12,836**	14,013
	190,728	209,678
Gross rental income	**(11,886)**	(13,929)
Less: Direct expenses for generating rental income	**3,666**	3,459
Rental income, net	**(8,220)**	(10,470)
Foreign exchange differences, net	**(7,880)**	5,597
Recognised/(reversal) impairment of trade receivables and other receivables	**12,735**	(1,513)
(Reversal)/write-down of inventories to net realisable value	**(5,121)**	2,704
Gain on disposal of items of property, plant and equipment	**(1,041)**	(7,841)
Government grants	**(2,857)**	(1,936)
Interest income on bank deposits	**(6,050)**	(10,345)

7. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "**BVI**"), the Group is not subject to any income tax in the Cayman Islands and the 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 (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 2017. (2016: 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 and 2017, and the year ending 2018 (2016: 15%).

In November 2017, Ningbo Huazhong Moulding Manufacturing Co., Ltd. ("**Ningbo Huazhong Moulding**") was accredited as a "High and New Technology Enterprise" for three years to enjoy a preferential rate of 15% for the year ended 31 December 2017 and the years ending 31 December 2018 and 2019 (2016: 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% (2016: 28.075%) during the year ended 31 December 2017.

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

	2017	2016
	RMB'000	*RMB'000*
Current income tax		
Income tax for the year	**38,353**	31,042
Deferred income tax	**13,371**	10,915
Total tax charge for the year	**51,724**	41,957

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

	2017	2016
	RMB'000	*RMB'000*
Profit before tax	**194,996**	152,459
Tax at the statutory tax rate	**48,749**	38,115
Tax rate differences for specific provincial or local tax authority	**(7,607)**	(3,738)
Tax losses not recognised	**2,845**	1,896
Profits and losses attributable to joint ventures and associates	**(3,770)**	(3,591)
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	**12,704**	10,000
Under/(Over) provision in prior years	**1,116**	(215)
Expenses not deductible for tax	**1,906**	2,180
Tax losses utilised previous periods	**(544)**	(6,391)
Tax incentives on eligible expenditures	**(3,967)**	—
Realisation of profits attributable to an associate from its deregistration	**246**	—
Effect on opening deferred tax of increase in rates	**46**	3,701
Tax charge for the year	**51,724**	41,957

8. DIVIDENDS

	2017	2016
	RMB'000	*RMB'000*
Interim — HK0.3536 cent (2016: Nil) per ordinary share	**5,306**	—

RMB8,509,000 final dividend (2016: Nil) was proposed by the directors of the Company for the year ended 31 December 2017.

9. 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 1,769,092,600 in issue during the year ended 31 December 2017 (2016: 1,765,500,000*).

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:

	2017	2016
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**138,151**	104,907
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,769,092,600**	1,765,500,000*
Effect of dilution — weighted average number of ordinary shares:		
Share options	**141,300**	13,026,300
	1,769,233,900	1,778,526,300

* Adjusted for bonus issue of 160,500,000 shares on the basis of one (1) bonus share for every ten (10) existing shares in issue on 16 June 2017.

10. TRADE AND NOTES RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Trade receivables	**519,970**	519,871
Notes receivable	**98,978**	51,932
	618,948	571,803
Impairment of trade receivables	**(6,091)**	(3,526)
	612,857	568,277

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

	2017	2016
	RMB'000	*RMB'000*
Within 3 months	**475,893**	485,461
3 to 6 months	**30,003**	26,444
6 months to 1 year	**4,267**	3,576
Over 1 year	**3,716**	864
	513,879	516,345

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

	2017	2016
	RMB'000	*RMB'000*
At beginning of year	**3,526**	5,039
Reversal of impairment for the year	**(636)**	(3,207)
Impairment losses recognised	**3,201**	1,694
At end of year	**6,091**	3,526

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

	2017	2016
	RMB'000	*RMB'000*
Neither past due nor impaired	**476,324**	489,118
Less than 1 month past due	**25,101**	21,812
1 to 2 months past due	**2,097**	2,267
2 to 3 months past due	**2,973**	1,630
Over 3 months and within 1 year past due	**3,668**	784
Over 1 year past due	**3,716**	734
	513,879	516,345

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.

11. TRADE AND NOTES PAYABLES

An aging analysis of the trade and notes payables of the Group as at 31 December 2017, based on the invoice date, is as follows:

	2017	2016
	RMB'000	*RMB'000*
Within 3 months	**450,177**	442,083
3 to 12 months	**167,645**	144,350
1 to 2 years	**1,996**	1,048
2 to 3 years	**1,047**	940
Over 3 years	**654**	2,227
	621,519	590,648

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 RMB52,634,000 as at 31 December 2017 (2016: RMB50,196,000).

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

Continuing the trend from 2016, the automobile industry has recorded another year of stable growth in 2017. According to the statistics from China Association of Automobile Manufacturers, over 29.0 million vehicles were manufactured and over 28.9 million vehicles were sold in 2017, representing a growth of 3.2% and 3.0%, 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 2017, the sales volume of the top 10 automobile manufacturers reached approximately 25.6 million units, accounting for 88.5% (2016: 88.3%) of the overall vehicle sales in China, representing an increase of 0.2 percentage points. As a tier-one supplier with scalable production capacity and strong research and development (the "**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 solutions 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 2017, 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 RMB1.76 billion, representing an increase of approximately 1.3% as compared to approximately RMB1.74 billion in 2016. Profit attributable to the owners of the parent for the Year was approximately RMB138.2 million, representing an increase of approximately 31.7% as compared to approximately RMB104.9 million in 2016.

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.

	2017		2016	
		Gross profit		Gross profit
	Revenue	**Margin**	Revenue	Margin
	RMB'000	***%***	*RMB'000*	*%*
Automotive interior and exterior structural and decorative parts	**1,345,644**	**33.1**	1,233,256	30.6
Moulds and tooling	**140,196**	**14.9**	180,763	21.5
Casings and liquid tanks of air conditioners and heaters	**149,775**	**14.2**	185,425	23.4
Non-automobile products	**75,165**	**31.9**	69,275	22.6
Sale of raw materials	**50,956**	**4.7**	70,172	5.0
Total	**1,761,736**	**29.2**	1,738,891	27.5

For the Year, the total revenue generated from automotive interior and exterior structural and decorative parts was approximately RMB1,345,644,000 (2016: RMB1,233,256,000), accounting for 76.4% of the Group's total revenue for the Year (2016: 70.9%). The increase was primarily because of the expansion of new markets and new customers during the Year. Gross profit margin increased from approximately 30.6% in 2016 to approximately 33.1% in 2017, primarily due to improved operating efficiency and implementation of stringent cost control.

For the Year, revenue from moulds and tooling was approximately RMB140,196,000 (2016: RMB180,763,000), accounting for approximately 8.0% of the Group's total revenue for the Year (2016: 10.4%). Gross profit margin decreased from 21.5% in 2016 to 14.9% in the Year, mainly because of infavorable product mix shift. The decrease in revenue was mainly due to the decrease in sales of moulds and tooling in China.

For the Year, revenue from casings and liquid tanks of air conditioners and heaters was approximately RMB149,775,000 (2016: RMB185,425,000), accounting for approximately 8.5% of the Group's total revenue for the Year (2016: 10.7%). Gross profit margin decreased from approximately 23.4% in 2016 to approximately 14.2% in the Year, mainly because of the decrease in demand of certain products with higher gross margin.

For the Year, revenue from non-automobile products was approximately RMB75,165,000 (2016: RMB69,275,000), accounting for approximately 4.3% of the Group's total revenue for the Year (2016: 4.0%). Gross profit margin increased from approximately 22.6% in 2016 to approximately 31.9% in the Year, mainly because of the change in product mix with better gross margin.

For the Year, revenue from sale of raw materials was approximately RMB50,956,000 (2016: RMB70,172,000), accounting for approximately 2.9% of the Group's total revenue for the Year (2016: 4.0%). Gross profit margin remained stable at approximately 4.7% during the Year.

Other Income and Gains

Other income and gains of the Group for the Year amounted to approximately RMB28,805,000 (2016: RMB22,847,000). The increase was mainly attributable to the exchange gain arise from the appreciation of RMB against United States dollars ("**USD**").

Selling and Distribution Expenses

The Group's selling and distribution expenses for the Year amounted to approximately RMB120,242,000 (2016: RMB117,418,000). The proportion of selling and distribution expenses in sales revenue for the Year was around 6.8% (2016: 6.8%).

Administrative Expenses

The Group's administrative expenses for the Year amounted to approximately RMB192,341,000, representing an decrease of approximately 3.1% as compared to approximately RMB198,454,000 in 2016.

Share of Profits and Losses of Joint Ventures

During the Year, the Group recorded approximately RMB13,348,000 of the share of profits of joint ventures as compared to the share of profits of approximately RMB14,377,000 for 2016.

Finance Income

The Group's finance income decreased by approximately 41.5% from approximately RMB10,345,000 in 2016 to approximately RMB6,050,000 in the Year. The decrease was mainly due to the decrease in non-pledged time deposits made during the Year.

Finance Costs

The Group's finance costs decreased from approximately RMB47,296,000 in 2016 to approximately RMB40,398,000 in the Year, representing a decrease of approximately 14.6%, which was attributable to a decrease of average bank borrowing balance during the Year.

Taxes

The Group's tax expenses increased by approximately 23.3% from approximately RMB41,957,000 in 2016 to approximately RMB51,724,000 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 RMB320,900,000 (2016: RMB179,357,000). The cash generated from operating activities was mainly from the profits during the Year.

The net cash used in investing activities was approximately RMB150,575,000 (2016: RMB112,597,000). The net cash used in financing activities was approximately RMB208,033,000 (2016: RMB77,275,000). 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 RMB37,708,000 (2016: RMB10,515,000).

As at 31 December 2017, the cash and cash equivalents of the Group (including cash and bank deposits) was approximately RMB96,799,000 (31 December 2016: RMB187,987,000).

As at 31 December 2017, the interest-bearing bank borrowings of the Group were approximately RMB722,791,000 (31 December 2016: RMB791,720,000) of which approximately RMB25,818,000 (equivalent to EUR3,309,000) and RMB99,973,000 (equivalent to USD15,300,000) were borrowed in Euro and USD, respectively, and approximately RMB604,321,000 were due within one year. Effective interest rate ranges from 2.72% to 6.72%. Amongst the bank borrowings, RMB99,973,000 were borrowed at floating interest rate, representing 13.8% of total borrowings (86.2% 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 2017, the Group had capital commitments amounting to approximately RMB183,330,000 (31 December 2016: RMB208,619,000) 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.

Capital Structure

On 11 January 2017, 3,358,000 ordinary shares were issued pursuant to exercise of share options at the price of HK$0.56.

Bonus Issue

On 26 June 2017, 160,835,800 ordinary shares were issued pursuant to the bonus issue of shares on the basis of one (1) bonus share for every ten (10) existing shares in issue on 16 June 2017.

The total number of issued and fully paid ordinary shares of the Company as at 31 December 2017 was 1,769,193,800.

Contingent Liabilities

As at 31 December 2017, the Group had no significant contingent liabilities (31 December 2016: Nil).

Pledge of Assets

As at 31 December 2017, the Group's assets of approximately RMB193,859,000 (2016: RMB95,765,000) were pledged to secure some of the Group's interest-bearing bank borrowings. The book value of the pledged assets is set out below:

	2017	2016
	RMB'000	*RMB'000*
Property, plant and equipment	**10,225**	10,655
Investment properties	**2,383**	2,632
Prepaid land lease payments	**44,021**	45,158
Pledged deposits	**137,230**	37,320
Total	**193,859**	95,765

As at 31 December 2017, pledged deposits with book value of approximately RMB52,634,000 (2016: RMB50,196,000) were used as security to provide guarantee for the issue of notes payable.

Gearing Ratio

As at 31 December 2017, the Group's gearing ratio was approximately 65.3%, which was decreased slightly as compered with the gearing ratio of approximately 67.9% as at 31 December 2016. 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.

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

During the Year, 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 annual announcement.

Employees and Remuneration Policies

The Group had a total of 2,978 (2016: 3,166) employees as at 31 December 2017. Total staff costs of the Group (excluding the Directors' and chief executive's remuneration) for the Year was approximately RMB190,728,000 (2016: approximately RMB209,678,000). The decrease was mainly attributable to the decrease of number of employees. The Group's remuneration policies were in line with relevant legislation, market conditions and the performance of our employees.

Events after the Year

There were no significant events after the Year up to the date of this announcement.

PROSPECT

Going forward into 2018, the China's general macro-economic conditions is continually to expect to have a stable growth.

The removal of purchase tax subsidies for fuel efficient vehicles earlier this year could have some negative impact on the sales volume growth of passenger vehicles in China during the early part of the year. Nevertheless, in the long run, China's automobile industry is expected to continue to grow steadily in the coming years.

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.

Plastics, being the most important automotive lightweight material, have thus seen strong growth potential. With the continues technology advancement to improve its strengths, tensile properties and hardness, plastic applications in automobile manufacturing has moved from decorative parts to functional structures, such as bumpers, bonnet components and automobile skeleton.

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, except for the following deviations:

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 four independent non-executive Directors were unable to attend the Company's annual general meeting and extraordinary general meeting held on 7 June 2017 due to their other business engagement. An executive Director chaired the meetings 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 2017 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 had purchased, sold or redeemed any of the Company's listed securities during the Year.

DIVIDENDS

The Board recommends the payment of a final dividend of RMB0.4810 cent per ordinary share for the Year (2016: Nil) to be payable to the Shareholders whose names appear on the register of members of the Company as at 19 June 2018. The payment of dividends shall be subject to the approval of the Shareholders of the Company at the forthcoming annual general meeting of the Company (the "**AGM**") which will be held on 7 June 2018. The proposed final dividend is expected to be paid on or before 14 September 2018. During the Year, an interim dividend of HK0.3536 cent (equivalent to approximately RMB0.2999 cent) per ordinary share was declared.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining the Shareholders' right to attend and vote at the forthcoming AGM, the register of members of the Company will be closed from Friday, 1 June 2018 to Thursday, 7 June 2018 (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 Thursday, 7 June 2018 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 (the "**Branch Share Registrar**"), at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Thursday, 31 May 2018.

In addition, for the purpose of ascertaining the Shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, 14 June 2018 to Tuesday, 19 June 2018 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the entitlement to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Branch Share Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 13 June 2018.

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 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.

SCOPE OF WORK OF MESSRS. ERNST & YOUNG

The figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of comprehensive income and consolidated statement of financial position, and the related notes thereto for the year ended 31 December 2017 have been agreed by the Company's auditors to the amounts set out in the Group's consolidated financial statements for the year. The work performed by the Company's auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditors on this preliminary results announcement.

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 the Shareholders 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, 28 March 2018

As at the date of this announcement, the executive Directors are Mr. Zhou Minfeng, Mr. Li Xuejun and Mr. Chang Jingzhou; the non-executive Directors are Ms. Lai Cairong, Mr. Wang Yuming, Mr. Guan Xin and Mr. Liu Genyu; and the independent non-executive Directors are Mr. Wong Luen Cheung Andrew, Mr. Yu Shuli, Mr. Tian Yushi and Mr. Xu Jiali.