



2015

Interim Report

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

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhou Minfeng (*Chairman*)
Mr. Chang Jingzhou

Non-executive Directors

Ms. Lai Cairong
Mr. Wang Yuming
Mr. He Jifeng
Mr. Guan Xin

Independent non-executive Directors

Mr. Wong Luen Cheung Andrew
Mr. Yu Shuli
Mr. Tian Yushi
Mr. Xu Jiali

AUDIT COMMITTEE

Mr. Yu Shuli (*Chairman*)
Mr. Tian Yushi
Mr. Xu Jiali

REMUNERATION COMMITTEE

Mr. Yu Shuli (*Chairman*)
Mr. Zhou Minfeng
Mr. Tian Yushi

NOMINATION COMMITTEE

Mr. Zhou Minfeng (*Chairman*)
Mr. Yu Shuli
Mr. Tian Yushi

JOINT COMPANY SECRETARIES

Mr. Cheung Wah Lung Warren (*AICPA, ACS*)
Ms. Ho Wing Yan (*ACIS, ACS(PE)*)

AUTHORISED REPRESENTATIVES

Mr. Zhou Minfeng
Mr. Cheung Wah Lung Warren

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTERS IN CHINA

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Xizhou Town
Xiangshan County
Zhejiang Province
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1704, 17/F., Tai Yau Building
181 Johnston Road
Wanchai
Hong Kong

PRINCIPAL BANKERS

Bank of China
Agricultural Bank of China

LEGAL ADVISER AS TO HONG KONG LAW

Orrick, Herrington & Sutcliffe

AUDITORS

Ernst & Young

SHARE REGISTRARS

Principal Share Registrar and Transfer Office in the Cayman Islands

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

Hong Kong Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

LISTING EXCHANGE INFORMATION

The Stock Exchange of Hong Kong Limited
Main Board

Stock Code

6830

COMPANY WEBSITE

www.cn-huazhong.com

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Huazhong In-Vehicle Holdings Company Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) is principally engaged in the manufacture and sale of automotive internal and external structural and decorative parts, moulds and tooling, casings and liquid tanks of air conditioners or heaters and other non-automotive products.

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

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

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

FINANCIAL REVIEW

Revenue

The revenue of the Group was primarily derived from five categories of products:

- (i) automotive interior and exterior structural and decorative parts;
- (ii) moulds and tooling;
- (iii) casings and liquid tanks of air conditioners and heaters;
- (iv) non-automotive products; and
- (v) sale of raw materials.

MANAGEMENT DISCUSSION AND ANALYSIS

	For the six months ended 30 June			
	2015		2014	
	Revenue (Unaudited) RMB'000	Gross profit margin %	Revenue (Unaudited) RMB'000	Gross profit margin %
Automotive interior and exterior structural and decorative parts	551,745	31.5	585,447	24.5
Moulds and tooling	51,641	3.8	48,818	10.3
Casings and liquid tanks of air conditioners and heaters	98,393	18.9	100,547	19.7
Non-automotive products	29,125	25.9	31,481	36.8
Sale of raw materials	35,646	7.1	47,469	1.4
Total	766,550	26.7	813,762	22.2

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

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

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

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

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

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

Other income and gains

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

Selling and Distribution Costs

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

Administrative Expenses

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

Share of Profits or Losses of Joint Ventures

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

Finance Income

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

Finance Costs

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

Taxes

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

Liquidity and Financial Resources

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

Prepayment and Other Receivables

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

Capital Commitments

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

Foreign Exchange Exposure

The sales and purchases of the Group are mainly denominated in Renminbi and Euro. The cash and cash equivalents of the Group are mainly denominated in Renminbi, Hong Kong dollars and Euro. The borrowings are denominated in Renminbi and Euro. Since the Group's exposure to fluctuations in foreign exchange rates was immaterial, the Group has not implemented any foreign currency hedging policy at the moment. However, the management will closely monitor the foreign exchange exposure of the Group and will consider hedging against any foreign exchange risk if such becomes significant to the Group.

Capital Structure

Bonus Issue

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

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

Contingent Liabilities

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

Pledge of Assets

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

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

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

Gearing Ratio

As at 30 June 2015, the Group's gearing ratio was approximately 69.0% (31 December 2014: 70.3%). The gearing ratio is derived by dividing net liabilities (including interest-bearing bank borrowings, trade and notes payables, other payables and accruals, and payables to related parties and the ultimate controlling shareholder less cash and cash equivalents) by total capital (including equity attributable to owners of the parent company) plus net liabilities at the end of the period under review.

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

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

Employees and Remuneration Policies

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

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECT

Outlook

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

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

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

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

Forward Looking Statements

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

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions prescribed in the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”) as the code of the Company.

The Board is of the view that the Company has complied with all applicable code provisions set out in the CG Code thought out the six months ended 30 June 2015, except for the deviation from Code Provision A.2.1, which stipulates that the roles of the chairman and chief executive should be separate and should not be performed by the same individual. Please refer to the paragraph below.

CHAIRMAN AND CHIEF EXECUTIVE

The Group does not at present separate the roles of the chairman and chief executive. Mr. Zhou Minfeng is the chairman and chief executive of the Group. He has extensive experience in automobile body parts industry and is responsible for the overall corporate strategic planning and business management of the Group. The Board considers that vesting the roles of chairman and chief executive in the same individual is beneficial to the business prospects and management of the Group. The balance of power and authorities is ensured by the operation of the Board and the senior management, which are comprised of experienced and high caliber individuals. The Board is currently comprised of two executive Directors, four non-executive Directors and four independent non-executive Directors and has a strong independence element in its composition.

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

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct governing dealings by all the Directors in the securities of the Company. Specific enquiries have been made with all Directors, who have confirmed that, during the six months ended 30 June 2015, they were in compliance with the required provisions set out in the Model Code. All of the Directors declared that they have complied with the required standard of dealings as set out in the Model Code throughout the six months ended 30 June 2015.

DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2015, the Directors and the chief executive of the Company had the following interests or short positions in the shares (the “**Shares**”), underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“**SFO**”) which have been notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors and the chief executive of the Company are taken and deemed to have under such provisions of the SFO, or which are required to be and are recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

CORPORATE GOVERNANCE AND OTHER INFORMATION

Long position in the Company

Name of Director	Capacity/ Nature of interest	Number of Shares	Number of Underlying Shares	Approximate percentage of the issued share capital
Mr. Zhou Minfeng	Interests of controlled corporation ⁽¹⁾	1,200,000,000	—	75.00%
	Beneficial owner	—	3,000,000 ⁽²⁾	0.18% ⁽⁴⁾
	Spouse's interest	—	2,000,000 ⁽²⁾⁽³⁾	0.12% ⁽⁴⁾
Mr. Chang Jingzhou	Beneficial owner	—	1,200,000 ⁽²⁾	0.07% ⁽⁴⁾
Ms. Lai Cairong	Beneficial owner	—	7,600,000 ⁽²⁾	0.47% ⁽⁴⁾
Mr. Wong Luen Cheung Andrew	Beneficial owner	—	5,000,000 ⁽⁵⁾	0.31% ⁽⁴⁾

Notes:

- (1) Mr. Zhou Minfeng is deemed to be interested in Shares held by Huayou Holdings Company Limited (“**Huayou Holdings**”) by virtue of Huayou Holdings being wholly-owned by Mr. Zhou Minfeng.
- (2) Underlying shares subject to options under the Pre-IPO Share Option Scheme.
- (3) Ms. Chen Chun'er, the spouse of Mr. Zhou Minfeng, has been granted an option to subscribe for 2,000,000 Shares under the Pre-IPO Share Option Scheme, therefore, Mr. Zhou Minfeng is deemed to be interested in Ms. Chen Chun'er's option.
- (4) Calculated based on the number of issued Shares taking into account the Shares which may be allotted and issued to all grantees upon their full exercise of the options under the Pre-IPO Share Option Scheme and Share Option Scheme as at 30 June 2015.
- (5) Underlying share subject to options under the Share Option Scheme.

Save as disclosed above, as at 30 June 2015, none of the Directors or the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which had been notified to the Company and the Stock Exchange pursuant to the Model Code.

At no time was the Company, its holding company, or any of its subsidiaries a party to any arrangements to enable the Directors and the chief executive of the Company (including their spouse and children under 18 years of age) to hold any interest or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

SHARE OPTION SCHEMES

Pre-IPO Share Option Scheme

The Company adopted a pre-IPO share option scheme (the “**Pre-IPO Share Option Scheme**”) on 15 December 2011 for the purposes of giving certain eligible persons an opportunity to have a personal stake in the Company and motivating them to optimize their future performance and efficiency to the Group and/or rewarding them for their past contributions, and attracting and retaining, or otherwise maintaining ongoing relationships with, such eligible persons who are significant to and/or whose

CORPORATE GOVERNANCE AND OTHER INFORMATION

contributions are or will be beneficial to the performance, growth or success of the Group. Options to subscribe for an aggregate of 18,000,000 Shares were granted on 23 December 2011. The exercise price per Share is HK\$1.12, representing a discount of 20% to the global offering price per Share. Save as disclosed below, no further options were granted under the Pre-IPO Share Option Scheme prior to 12 January 2012 (the “**Listing Date**”), the date on which the Shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (i.e. the day the Shares being listed on the Stock Exchange). All options granted under the Pre-IPO Share Option Scheme may be exercised during the option period commencing from the end of 12 months after the Listing Date to the date falling 10 years from the adoption date of the Pre-IPO Share Option Scheme and can only be exercised in the following manner:

Exercise period	Maximum percentage of options exercisable
Anytime after the first anniversary of the Listing Date	35 % of the total number of options granted
Anytime after the second anniversary of the Listing Date	70 % of the total number of options granted
Anytime after the third anniversary of the Listing Date	100 % of the total number of options granted

Details of the share options movement under the Pre-IPO Share Option Scheme for the six months ended 30 June 2015 are as follows:

Name	Outstanding as at 1 January 2015	Granted during the six months ended 30 June 2015	Exercised during the six months ended 30 June 2015	Lapsed during the six months ended 30 June 2015	Cancelled during the six months ended 30 June 2015	Outstanding as at 30 June 2015 (Note)
Directors						
Mr. Zhou Minfeng	1,500,000	—	—	—	—	3,000,000
Mr. Chang Jingzhou	600,000	—	—	—	—	1,200,000
Ms. Lai Cairong	3,800,000	—	—	—	—	7,600,000
Senior Management						
In aggregate	1,550,000	—	—	—	—	3,100,000
Others						
In aggregate	9,900,000	—	—	—	—	19,800,000
Total	17,350,000	—	—	—	—	34,700,000

Note: Pursuant to the terms of the Pre-IPO Share Option Scheme adopted on 15 December 2011, the exercise price of the share options granted under the Pre-IPO Share Option Scheme and the number of shares to be allotted and issued upon exercise in full of the subscription rights attaching to the outstanding share options have been adjusted to HK\$0.56 and 34,700,000, respectively, during the six months ended 30 June 2015 as a result of the implementation of bonus issue of shares of the Company (the “**Bonus Issue**”).

Save as disclosed above, no options were granted, exercised, lapsed or cancelled under the Pre-IPO Share Option Scheme during the six months ended 30 June 2015.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Share Option Scheme

The Company adopted a share option scheme (the “**Share Option Scheme**”) on 15 December 2011 for the purpose of giving certain eligible persons an opportunity to have a personal stake in the Company and motivating them to optimize their future performance and efficiency to the Group and/or rewarding them for their past contributions, and attracting and retaining, or otherwise maintaining on-going relationships with, such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group.

Details of the share options movement under the Share Option Scheme for the six months ended 30 June 2015 are as follows:

Name	Date of grant	Exercise period	Exercise price	Outstanding	Granted	Exercised	Lapsed	Cancelled	Outstanding
				as at	during the	during the	during the	during the	as at
				1 January	six months	six months	six months	six months	30 June
				2015	ended	ended	ended	ended	2015
					30 June	30 June	30 June	30 June	
					2015	2015	2015	2015	
Mr. Wong Luen Cheung Andrew	15 April 2015	15 April 2015-14 April 2017	HK\$1.00 (Note)	—	5,000,000 (Note)	—	—	—	5,000,000

Note:

Pursuant to a shareholders’ resolution passed on 29 May 2015 and as a result of the Bonus Issue, the exercise price and the number of shares to be allotted and issued upon full exercise of the subscription rights attaching to the share options granted to Mr. Wong Luen Cheung Andrew under the Share Option Scheme have been adjusted from HK\$2.00 and 2,500,000 to HK\$1.00 and 5,000,000, respectively, with effect from 19 June 2015.

Closing price of the shares on the last trading day prior to the date of grant was HK\$ 1.0050 per share.

Save for the disclosed above, during the six months ended 30 June 2015, no options were exercised, lapsed or cancelled pursuant to the Share Option Scheme.

ARRANGEMENT FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in “Share Option Schemes” above, at no time during the six months ended 30 June 2015 were rights to acquire benefits by means of the acquisition of Shares or debentures of the Company granted to any Director or their respective spouses or minor children, or were such rights exercised by them, or was the Company, its holding company or any of its subsidiaries a party to any arrangements which enable the Directors of the Company to acquire benefits by means of the acquisition of Shares in, or debt securities (including debentures) of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS’ INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as is known to any Director or the chief executive of the Company, as at 30 June 2015, the persons or corporations (other than Director or the chief executive of the Company) who had interests or short positions in the Shares and underlying Shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

Long position in the Company

Name	Capacity/Nature of Interest	Number of Shares	Number of Underlying Shares	Approximate percentage of issued share capital
Huayou Holdings ⁽¹⁾	Beneficial owner	1,200,000,000	—	75.00%
Chen Chun'er ⁽²⁾	Beneficial owner	—	2,000,000 ⁽³⁾	0.12% ⁽⁶⁾
	Spouse's interest	1,200,000,000 ⁽⁴⁾	—	75.00%
		—	3,000,000 ⁽⁵⁾	0.18% ⁽⁶⁾
Munsun Asset Management (Asia) Ltd ⁽⁷⁾	Beneficial owner	113,796,000	—	7.11%
Munsun Assets Management Ltd ⁽⁷⁾	Interest of controlled corporation	113,796,000	—	7.11%
China Precious Metal Resources Holdings Co., Ltd ⁽⁷⁾	Interest of controlled corporation	113,796,000	—	7.11%

Notes:

- (1) Huayou Holdings is wholly-owned by Mr. Zhou Minfeng.
- (2) Spouse of Mr. Zhou Minfeng.
- (3) Underlying shares subject to option under the Pre-IPO Share Option Scheme.
- (4) Shares held by Huayou Holdings Company, in which Mr. Zhou is deemed to be interested by virtue of Huayou Holdings being wholly-owned by Mr. Zhou Minfeng.
- (5) Shares subject to options granted to Mr. Zhou Minfeng under the Pre-IPO Share Option Scheme.
- (6) Calculated based on the number of issued Shares taking into account the Shares which may be allotted and issued to all grantees upon their full exercise of the options under the Pre-IPO Share Option Scheme and Share Option Scheme as at 30 June 2015.
- (7) Munsun Asset Management (Asia) Ltd is wholly-owned by Munsun Assets Management Ltd, which is in turn wholly-owned by China Precious Metal Resources Holdings Co., Ltd.

Save as disclosed above, as at 30 June 2015, the Directors and the chief executive of the Company are not aware of any other person or corporation having an interest or short position in the Shares and underlying Shares of the Company which would require disclosure to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Direct or indirect interests in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group:

Name	Shareholder	Approximate percentage of shareholding
Shanghai Huaxin	Shanghai Automobile Air Conditioner Factory* (上海汽車空調器廠)	30%
Shanghai Huaxin	Shanghai Beicai Industrial Co., Ltd. (上海北蔡工業有限公司)	19%
Changxing Huaxin Automobile Latex and Plastic Co., Ltd (“ Changxing Huaxin ”) ⁽¹⁾	Shanghai Automobile Air Conditioner Factory* (上海汽車空調器廠)	30%
Changxing Huaxin ⁽¹⁾	Shanghai Beicai Industrial Co., Ltd. (上海北蔡工業有限公司)	19%

Note:

- (1) Shanghai Automobile Air Conditioner Factory* (上海汽車空調器廠) and Shanghai Beicai Industrial Co., Ltd. (上海北蔡工業有限公司) directly hold 30% and 19% interests in Shanghai Huaxin, respectively. Changxing Huaxin is wholly-owned by Shanghai Huaxin and as a result, Shanghai Automobile Air Conditioner Factory* (上海汽車空調器廠) and Shanghai Beicai Industrial Co., Ltd. (上海北蔡工業有限公司) also indirectly hold 30% and 19% interests in Changxing Huaxin, respectively.

Save as disclosed above, as at 30 June 2015, the Directors and the chief executive of the Company are not aware of any other person or corporation who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

BOARD OF DIRECTORS

Mr. He Jifeng’s service contract as a non-executive director of the Company has been renewed for a term of 3 years commencing from the Company’s annual general meeting on 29 May 2015.

Mr. Guan Xin’s service contract as a non-executive director of the Company has been renewed for a term of 3 years commencing from the Company’s annual general meeting on 29 May 2015.

Mr. Xu Jiali’s service contract as an independent non-executive director of the Company has been renewed for a term of 3 years commencing from the Company’s annual general meeting on 29 May 2015.

Mr. Wong Luen Cheung Andrew was appointed as an independent non-executive director of the Company and has entered into a service contract with the Company for a term of 3 years commencing from 8 April 2015.

CHANGE OF COMPANY NAME

The Board announced that subsequent to the passing of the special resolution by the Shareholders at the EGM held on 11 December 2014 for the Change of Company Name, a certificate of incorporation on change of name has been issued by the Registrar of Companies in Cayman Islands on 12 December 2014 certifying the change of the English name of the Company from “Huazhong Holdings Company Limited” to “Huazhong In-Vehicle Holdings Company Limited” and the change of the Chinese name of the Company from “華眾控股有限公司” to “華眾車載控股有限公司”.

CORPORATE GOVERNANCE AND OTHER INFORMATION

A certificate of registration of alteration of name of registered non-Hong Kong company was issued by the Registrar of Companies in Hong Kong on 15 January 2015 confirming the Company has altered its name and is thereafter registered under the name of “Huazhong In-Vehicle Holdings Company Limited 華眾車載控股有限公司” in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

AUDIT COMMITTEE

During the six months ended 30 June 2015, the audit committee of the Company (the “**Audit Committee**”) consisted of three members, namely Mr. Yu Shuli (chairman), Mr. Tian Yushi and Mr. Xu Jiali, all of them were the independent non-executive Directors. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group.

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

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

BONUS ISSUE

On 19 June 2015, 800,000,000 ordinary shares were issued at par value at HK\$0.10 per ordinary share pursuant to the bonus issue of shares on the basis of one (1) bonus share for each existing share in issue on 9 June 2015. The total number of issued and fully paid ordinary shares of the Company as at 30 June 2015 was 1,600,000,000.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2015.

DIVIDENDS

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

APPRECIATION

The chairman of the Group would like to take this opportunity to thank his fellow Directors for their invaluable advice and guidance, and to thank each and everyone of the staff of the Group for their hard work and loyalty to the Group.

On behalf of the Board

Zhou Minfeng
Chairman

Zhejiang, the PRC, 20 August 2015

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2015

	Notes	For the six months ended 30 June	
		2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
REVENUE	4	766,550	813,762
Cost of sales		(562,045)	(633,496)
Gross profit		204,505	180,266
Other income and gains	4	9,081	6,274
Selling and distribution costs		(48,066)	(46,515)
Administrative expenses		(92,716)	(72,201)
Other expenses		(1,319)	(1,305)
Operating profit		71,485	66,519
Share of losses of			
An associate		(11)	(304)
Joint ventures		(2,331)	(5,081)
Finance income	5	3,655	4,782
Finance costs	6	(22,731)	(21,391)
PROFIT BEFORE INCOME TAX EXPENSE	7	50,067	44,525
Income tax expense	8	(17,579)	(15,756)
PROFIT FOR THE PERIOD		32,488	28,769
Attributable to:			
Owners of the parent		29,211	26,476
Non-controlling interests		3,277	2,293
		32,488	28,769
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10		
Basic and diluted		RMB 0.0183	RMB 0.0165*

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2015

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Notes	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	544,747	552,333
Investment properties	12	37,638	38,892
Prepaid land lease payments	11	158,399	159,666
Intangible assets		4,845	4,463
Investment in an associate		2,204	2,215
Investments in joint ventures	13	55,664	57,995
Prepayments for purchase of property, plant and equipment		36,143	29,627
Deferred tax assets		13,088	14,355
Total non-current assets		852,728	859,546
CURRENT ASSETS			
Inventories	14	264,553	248,000
Trade and notes receivables	15	448,651	470,008
Prepayments and other receivables	16	139,764	106,653
Due from related parties	23(d)	40,551	27,001
Pledged deposits		115,043	114,246
Cash and cash equivalents		229,081	197,525
Assets classified as held for sale		3,980	—
Total current assets		1,241,623	1,163,433
CURRENT LIABILITIES			
Interest-bearing bank borrowings	17	538,437	556,431
Trade and notes payables	18	499,286	499,499
Other payables, advances from customers and accruals	19	133,415	145,774
Due to the ultimate controlling shareholder	23(d)	405	871
Due to related parties	23(d)	44,326	79,535
Income tax payable		45,009	56,972
Total current liabilities		1,260,878	1,339,082
NET CURRENT LIABILITIES		19,255	175,649
TOTAL ASSETS LESS CURRENT LIABILITIES		833,473	683,897

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Notes	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings-non-current portion	17	230,250	117,000
Government grants		9,794	9,934
Deferred tax liabilities		23,651	19,941
Total non-current liabilities		263,695	146,875
Net assets		569,778	537,022
EQUITY			
Equity attributable to owners of the parent			
Share capital		128,176	65,120
Reserves		403,571	442,990
Proposed dividend	9	5,842	—
		537,589	508,110
Non-controlling interests		32,189	28,912
Total equity		569,778	537,022

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Attributable to owners of the parent											Total equity
	Share capital	Share premium	Capital reserve	Statutory		Share option reserve	Exchange		Retained earnings	Non-controlling interests	Total	
				reserve funds	Merger reserve		fluctuation reserve	Proposed dividend				
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
As at 1 January 2015	65,120	84,024	5,580	29,903	88,278	9,471	—	(2,558)	228,292	508,110	28,912	537,022
Total comprehensive income for the period:												
Profit for the period	—	—	—	—	—	—	—	—	29,211	29,211	3,277	32,488
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	(971)	—	(971)	—	(971)
Capitalisation issue of shares												
Bonus issue	63,056	(63,056)	—	—	—	—	—	—	—	—	—	—
Dividends	—	(5,842)	—	—	—	—	5,842	—	—	—	—	—
Transfer to statutory reserve funds	—	—	—	1,272	—	—	—	—	(1,272)	—	—	—
Equity-settled share option arrangements	—	—	—	—	—	1,239	—	—	—	1,239	—	1,239
As at 30 June 2015 (Unaudited)	128,176	15,126	5,580	31,175	88,278	10,710	5,842	(3,529)	256,231	537,589	32,189	569,778
As at 1 January 2014	65,120	84,024	5,580	28,449	88,278	8,427	15,842	742	143,163	439,625	26,723	466,348
Total comprehensive income for the period:												
Profit for the period	—	—	—	—	—	—	—	—	26,476	26,476	2,293	28,769
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	(96)	—	(96)	—	(96)
Dividends	—	—	—	—	—	—	(15,842)	—	—	(15,842)	—	(15,842)
Equity-settled share option arrangements	—	—	—	—	—	544	—	—	—	544	—	544
As at 30 June 2014 (Unaudited)	65,120	84,024	5,580	28,449	88,278	8,971	—	646	169,639	450,707	29,016	479,723

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	Notes	For the six months ended 30 June	
		2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Cash flows from operating activities:			
Profit before tax		50,067	44,525
Adjustments for:			
Finance costs	6	22,731	21,391
Share of profits and losses of joint ventures and an associate		2,342	5,385
Interest income	5	(3,655)	(4,782)
Gain on disposal of items of property, plant and equipment	4	(48)	(61)
Release of government grants		(193)	(236)
Depreciation of property, plant and equipment		31,709	28,302
Depreciation of investment properties		1,254	1,254
Amortisation of prepaid land lease payments		1,737	2,271
Amortisation of intangible assets		257	187
Equity-settled share option expense		1,239	544
Write-down/(reversal) of inventories to net realisable value		132	(628)
Reversal of impairment of receivables		(3,555)	—
Increase in inventories		(16,685)	(18,341)
Decrease/(increase) in trade and notes receivables		24,912	(41,723)
Increase in prepayments and other receivables		(32,505)	(73,002)
Decrease/(increase) in amounts due from related parties		24,766	(15,813)
(Increase)/decrease in amounts due from the ultimate shareholder		(430)	430
(Decrease)/increase in trade and notes payables		(213)	31,898
(Decrease)/increase in other payables, advances from customers and accruals		(17,588)	5,779
(Decrease)/increase in amounts due to related parties		(35,209)	14,282
Decrease in pledged deposits		28,268	(5,400)
Decrease in amounts due to the controlling shareholder		(466)	(53)
Cash generated from operations		78,867	(3,791)
Income tax paid		(24,452)	(19,082)
Net cash flows generated from/(used in) operating activities		54,415	(22,873)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	Notes	For the six months ended 30 June	
		2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Cash flows from investing activities:			
Interest received	5	1,786	4,782
Purchases of items of property, plant and equipment		(33,075)	(39,034)
Purchases of items of intangible assets		(639)	—
Proceeds from disposal of items of property, plant and equipment		618	402
Receipt of government grants		241	—
Advances to related parties	23(b)	(18,316)	(88,023)
Entrusted loan to a related party	23(b)	(20,000)	—
Recovery of advances to related parties	23(b)	430	87,789
Increase in non-pledged time deposits with original maturity of three months or more when acquired		(53,182)	(53,177)
Net cash flows used in investing activities		(122,137)	(87,261)
Cash flows from financing activities:			
New bank loans		439,120	344,750
Repayment of bank loans		(341,228)	(297,000)
Interest paid		(22,731)	(21,391)
Dividends paid	9	—	(11,339)
Increase in pledged deposits		(29,065)	44,148
Net cash flows generated from financing activities		46,096	59,168
Net increase in cash and cash equivalents		(21,626)	(50,966)
Cash and cash equivalents at beginning of year		126,270	169,759
Cash and cash equivalents at end of year		104,644	118,793
Analysis of balances of cash and cash equivalents			
Cash and cash equivalents as stated in the consolidated statement of cash flows		104,644	118,793
Cash and bank balances		104,644	118,793
Non-pledged time deposits with original maturity of three months or more when acquired		124,437	124,077
Cash and cash equivalents as stated in the consolidated statement of financial position		229,081	242,870

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

1. CORPORATE INFORMATION

Huazhong Holdings Company Limited (the “Company”) is a limited liability company incorporated in the Cayman Islands on 3 December 2010. The registered office address of the Company is Cricket Square, Hutchins Drive, PO BOX 2681, Grand Cayman, KY1-1111, Cayman Islands. The shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 12 January 2012 (the “Listing Date”).

The Company is an investment holding company. During the period, the Company and its subsidiaries (collectively referred to as the “Group”) were engaged in the manufacture and sale of automotive internal and external structural and decorative parts, moulds and tooling, casing and liquid tanks of air conditioning or heater units and other non-automotive products.

2.1 BASIS OF PREPARATION

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

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

Going concern basis

Notwithstanding that the Group had consolidated net current liabilities of RMB19,255,000 as at 30 June 2015, the financial statements have been prepared by the directors of the Company on a going concern basis.

In order to improve the Group’s financial position, the directors of the Company have the following measures:

- (i) As at 30 June 2015, the Group had unutilised credit facilities from banks of approximately RMB756,219,000; and
- (ii) The directors continue to take action to tighten cost controls over various operating expenses, and are actively seeking new investment and business opportunities with an aim to attaining profitable and positive cash flow operations;

In the opinion of the directors of the Company, in light of the measures taken to date, together with the expected results of other measures in progress, it is appropriate to prepare the financial statements on a going concern basis, notwithstanding the Group’s financial and liquidity positions at 30 June 2015.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and basis of preparation adopted in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the Group’s annual financial statements for the year ended 31 December 2014, except in relation to the new and revised International Financial Reporting Standards (“IFRSs”, which also include IASs and interpretations) as set out in note 2.3 that are adopted for the first time for the current period’s unaudited interim condensed consolidated financial statements. The adoption of these new and revised IFRSs has had no significant impact on the results and the financial position of the Group.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

2.3 ADOPTION OF NEW AND REVISED IFRSS

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

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

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

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

3. OPERATING SEGMENT

For management purposes, the Group is organised into one single business unit that includes primarily the manufacture and sale of automotive internal and external decorative and structural parts, moulds and tooling, casing and liquid tanks of air conditioning or heater units and other non-automobile products. Management reviews the consolidated results when making decisions about allocating resources and assessing the performance of the Group. Accordingly, no segment analysis is presented.

Geographical information

(a) Revenue from external customers

An analysis of the Group's geographical information on revenue on the basis of the customers' locations for the six months ended 30 June 2015 is set out in the following table:

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

3. OPERATING SEGMENT *(Continued)*

Geographical information *(Continued)*

(b) Non-current assets

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

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

Information about major customers

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

	For the six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Customer A	280,064	301,621
Customer B	73,064	95,927

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue and other income is as follows:

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

5. FINANCE INCOME

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

6. FINANCE COSTS

	For the six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Interest expense on bank loans and borrowings	22,731	21,391

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

7. PROFIT BEFORE INCOME TAX EXPENSE

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

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

8. INCOME TAX EXPENSE

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

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

9. DIVIDENDS PAID AND PROPOSED

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

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

**NOTES TO INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

For the six months ended 30 June 2015

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

The calculation of basic earnings per share for the period is based on the consolidated net profit attributable to owners of the parent and the weighted average number of ordinary shares of 1,600,000,000 in issue during the six months ended 30 June 2015 (30 June 2014: 1,600,000,000*).

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

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

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

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

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

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

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

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

Certain of the Group's buildings with a net carrying value of RMB63,934,000 as at 30 June 2015 (31 December 2014: RMB71,078,000) were pledged to secure bank loans granted to the Group (Note 17).

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

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

Certain of the Group's prepaid land lease payments with a carrying value of RMB68,166,000 as at 30 June 2015 (31 December 2014: RMB75,586,000) were pledged to secure bank loans granted to the Group (Note 17).

12. INVESTMENT PROPERTIES

The Group's investment properties are situated in Mainland China and on the land that are held under medium term leases.

Included in the investment properties as at 30 June 2015 were certain buildings with a net carrying value of RMB12,604,000 (31 December 2014: RMB13,018,000) of which the property ownership certificates have not been obtained. The directors are of the view that the Group is entitled to lawfully and validly occupy and use the above mentioned buildings. The directors are also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at 30 June 2015.

The Group's investment properties with a net carrying value of RMB3,006,000 as at 30 June 2015 (31 December 2014: RMB3,131,000) were pledged to secure bank loans granted to the Group (Note 17).

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13. INVESTMENTS IN JOINT VENTURES

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Share of net assets	55,664	57,995

Particulars of the joint ventures are as follows:

Name	Place and date of registration	Percentage of			Principal activities
		Ownership interest	Voting power	Profit sharing	
Ningbo Roekona- Zoeppritex-Tex-Line Co., Ltd. ("Ningbo Hualeté")	Mainland China 17 March 2004	50%	50%	50%	Manufacture and sale of auto parts, designing and manufacture of high-grade textiles
Changchun Huaxiang Faurecia	Mainland China 3 June 2011	50%	50%	50%	Manufacture and sale of auto parts, provision of after-sale services, and technical consultations

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13. INVESTMENTS IN JOINT VENTURES *(Continued)*

The following table illustrates the summarised financial information of Ningbo Hualete adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements:

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Cash and cash equivalents	19,398	3,759
Other current assets	130,456	125,556
Current assets	149,854	129,315
Non-current assets	6,166	7,211
Financial liabilities, excluding trade and other payables	(16,397)	(14,737)
Other current liabilities	(20,559)	(18,199)
Net assets	119,064	103,590
Net assets, excluding goodwill	119,064	103,590
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	50%	50%
Group's share of net assets of the joint venture, excluding goodwill	59,532	51,795
Carrying amount of the investment	59,532	51,795
	For the six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Revenues	75,075	79,584
Interest income	9	123
Depreciation and amortisation	(1,192)	(1,204)
Interest expenses	(508)	(500)
Profit and total comprehensive income for the year	15,477	15,593
Group's share of comprehensive income for the year	7,739	7,797

The financial statements of Ningbo Hualete were not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

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13. INVESTMENTS IN JOINT VENTURES *(Continued)*

The following table illustrates the summarised financial information of Changchun Huaxiang Faurecia adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements:

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Cash and cash equivalents	45,153	35,195
Other current assets	336,023	319,617
Current assets	381,176	354,812
Non-current assets	153,056	151,936
Financial liabilities, excluding trade and other payables	(229,023)	(197,732)
Other current liabilities	(294,703)	(275,336)
Net assets	10,506	33,680
Net assets, excluding goodwill	10,506	33,680
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	50%	50%
Group's share of net assets of the joint venture, excluding goodwill	5,253	16,840
Carrying amount of the investment	5,253	16,840
	For the six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Revenues	276,102	339,229
Interest income	66	35
Depreciation and amortisation	(10,134)	(10,143)
Interest expenses	(5,066)	(4,210)
Loss and total comprehensive income for the year	(23,176)	(25,756)
Group's share of comprehensive income for the year	(11,588)	(12,878)

The financial statements of Changchun Huaxiang Faurecia were audited by Ernst & Young Hua Ming LLP.

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14. INVENTORIES

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Raw materials	42,726	42,798
Work in progress	43,523	55,782
Finished goods	178,304	149,420
	264,553	248,000

15. TRADE AND NOTES RECEIVABLES

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

The Group's trading terms with its customers are mainly on credit. The credit period is from one to three months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

The Group's notes receivable all age within six months and are neither past due nor impaired.

An aged analysis of the trade receivables of the Group, based on the invoice date and net of impairment loss, is as follows:

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

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16. PREPAYMENTS AND OTHER RECEIVABLES

	Note	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Prepayments		101,720	74,536
Other receivables	(i)	29,642	25,114
Current portion of prepaid land lease payments		3,181	3,651
Interest receivable		5,221	3,352
		139,764	106,653

(i) Other receivables are advances made to unrelated parties, which are unsecured, interest-free and have no fixed terms of repayment.

17. INTEREST-BEARING BANK BORROWINGS

	Notes	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Current			
Secured bank loans	(i)	151,644	169,547
Unsecured bank loans		384,793	380,884
Current portion of long term bank loans-unsecured		2,000	6,000
	(ii)	538,437	556,431
Non-current			
Secured bank loans	(i)	67,250	27,000
Unsecured bank loans		163,000	90,000
		230,250	117,000

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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17. INTEREST-BEARING BANK BORROWINGS *(Continued)*

- (i) As at 30 June 2015, the Group's bank loans of RMB218,894,000 (31 December 2014: RMB196,547,000) were secured by pledges of the Group's assets with carrying values as follows:

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Property, plant and equipment (note 11)	63,934	71,078
Investment properties (note 12)	3,006	3,131
Prepaid land lease payments (note 11)	68,166	75,586
Pledged deposits	59,666	30,600
	194,772	180,395

- (ii) The bank loans bear interest at rates ranging from 2.48% to 6.9% per annum (31 December 2014: 2.47% to 7.8% per annum).

18. TRADE AND NOTES PAYABLES

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Trade payables	300,267	350,249
Notes payable	199,019	149,250
	499,286	499,499

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For the six months ended 30 June 2015

18. TRADE AND NOTES PAYABLES *(Continued)*

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

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

The trade payables due to third parties are non-interest-bearing and normally settled on terms of 30 to 90 days. Notes payable are generally with a maturity period of six months.

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

19. OTHER PAYABLES, ADVANCES FROM CUSTOMERS AND ACCRUALS

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Other payables	105,785	106,821
Advances from customers	21,875	34,125
Accruals	5,053	4,156
Government grants — current portion	702	672
	133,415	145,774

Other payables are non-interest-bearing and repayable on demand.

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20. SHARE OPTION SCHEME

Pre-IPO Share Option Scheme

The Company operates a Pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") for the purpose to aid the Group in recruiting and retaining key employees, directors or consultants of outstanding ability and to motivate such employees, directors or consultants to exert their best efforts on behalf of the Company. Under a Pre-IPO Share Option Scheme, the Company granted options to subscribe at an exercise price equivalent to 80% of the offer price for an aggregate of 18,000,000 shares in the Company. The Pre-IPO Share Option Scheme became effective on 15 December 2011.

All the options under the Pre-IPO Share Option Scheme were granted on 23 December 2011 and no further options will be granted under the Pre-IPO Share Option Scheme on and after the Listing Date.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the Pre-IPO Share Option Scheme during the six months ended 30 June 2015:

	Weighted average exercise price HK\$ per share	Number of options '000
At 1 January 2015	1.12	17,350
Adjusted upon completion of the bonus issue	—	17,350
Forfeited during the period	—	—
At 30 June 2015	0.56	34,700

The exercise prices and exercise periods of the share options under the Pre-IPO Share Option Scheme outstanding as at the end of the reporting period are as follows:

30 June 2015 Number of options '000	Exercise price HK\$ per share	Exercise period
12,144	0.56	12 January 2013 to 11 January 2017
12,146	0.56	12 January 2014 to 11 January 2017
10,410	0.56	12 January 2015 to 11 January 2017
34,700		

The Group recognised a share option expense of RMB33,000 under the Pre-IPO Share Option Scheme during the six months ended 30 June 2015 (30 June 2014: RMB544,000).

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20. SHARE OPTION SCHEME *(Continued)*

Pre-IPO Share Option Scheme *(Continued)*

At the end of the reporting period, the Company had 34,700,000 share options outstanding under the Pre-IPO Share Option Scheme, which represented approximately 2.17% of the Company's share in issue as at the date of these financial statements. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 34,700,000 additional ordinary shares of the Company and additional share capital of HK\$3,470,000, equivalent to approximately RMB2,736,000, and share premium of HK\$15,962,000, equivalent to approximately RMB12,588,000 (before issue expenses).

Share Option Scheme

The Company adopted the Share Option Scheme on 15 December 2011 for the purpose of giving certain eligible persons an opportunity to have a personal stake in the Company and motivating them to optimise their future performance and efficiency for the Group and/or rewarding them for their past contributions, and attracting and retaining, or otherwise maintaining on-going relationships with, such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the shares in issue as at the Listing Date, i.e. 80,000,000 shares. The maximum number of shares issued and to be issued upon exercise of the options granted under the Share Option Scheme to any one person (including exercised and outstanding options) in any 12-month period shall not exceed 1% of the shares in issue from time to time.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as determined by the Board and not exceeding 10 years from the date of the grant. There is no minimum period for which an option must be held before it can be exercised. Participants of the Share Option Scheme are required to pay the Company HK\$1.0 upon acceptance of the grant on or before 28 days after the date that the Board meeting proposes such grant (the "Offer Date"). The exercise price of the options is determined by the Board at its absolute discretion and shall not be less than whichever is the highest of:

- (a) the nominal value of a share;
- (b) the closing price of a share as stated in the Stock Exchange's daily quotation sheet on the Offer Date; and
- (c) the average of the closing prices of a share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Offer Date.

The Share Option Scheme shall be valid and effective for a period of 10 years from the Listing Date, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any subsisting option granted prior to the expiry of the 10-year period or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

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20. SHARE OPTION SCHEME (Continued)

Share Option Scheme (Continued)

The following share options were outstanding under the Share Option Scheme during the six months ended 30 June 2015:

	Weighted average exercise price HK\$ per share	Number of options '000
At 1 January 2015	—	—
Granted during the period	2.00	2,500
Adjusted upon completion of the bonus issue	—	2,500
Forfeited during the period	—	—
At 30 June 2015	1.00	5,000

The exercise prices and exercise periods of the share options under the Share Option Scheme outstanding as at the end of the reporting period are as follows:

30 June 2015 Number of options '000	Exercise price HK\$ per share	Exercise period
5,000	1.00	15 April 2015 to 14 April 2017

The Group recognised a share option expense of RMB1,206,000 under the Share Option Scheme during the six months ended 30 June 2015 (30 June 2014: Nil).

At the end of the reporting period, the Company had 5,000,000 share options outstanding under the Share Option Scheme, which represented approximately 0.31% of the Company's share in issue as at the date of these financial statements. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 5,000,000 additional ordinary shares of the Company and additional share capital of HK\$500,000, equivalent to approximately RMB394,000, and share premium of HK\$4,500,000, equivalent to approximately RMB3,549,000 (before issue expenses).

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21. OPERATING LEASE ARRANGEMENTS

Group as lessee

The Group leases certain of its plants and warehouses under operating lease arrangements.

As at the end of each reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Within one year	6,015	5,526
In the second to fifth years, inclusive	307	1,651
	6,322	7,177

Group as lessor

The Group has entered into commercial property leases on its investment property portfolio, consisting of the Group's surplus offices and manufacturing plants.

Future minimum rentals receivable under non-cancellable operating leases as at the end of each reporting period are as follows:

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Within one year	4,909	8,053
In the second to fifth years, inclusive	—	4,698
	4,909	12,751

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22. COMMITMENTS

The Group had the following capital commitments:

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Contracted, but not provided for in respect of acquisition of: Property, plant and equipment	432,342	511,631

23. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Name and relationship

Name of related party	Relationship with the Group
Mr. Zhou	Ultimate controlling shareholder
Mr. Zhou Cimei	Father of Mr. Zhou
Ms. Lai Cairong	Mother of Mr. Zhou
Ms. Lai Danfen	Cousin of Mr. Zhou
Mr. Zhou Xiaofeng	Brother of Mr. Zhou
Huaxiang Group	Collectively controlled by Mr. Zhou Cimei and Ms. Lai Cairong
Ningbo Huaxiang Electronics Co., Ltd. ("Ningbo Huaxiang Electronics")	Significantly influenced by Mr. Zhou Xiaofeng
Ningbo Huayou Properties Co. Ltd. ("Ningbo Huayou Properties")	Controlled by Mr. Zhou
Huayou Holdings Company Ltd. ("Huayou Holdings")	Controlling shareholder of the Company
寧波華翔汽車飾件有限公司 ("Huaxiang Trim")	Controlled by Ningbo Huaxiang Electronics
寧波瑪克特汽車飾件有限公司 ("Ningbo Makete")	Controlled by Ningbo Huaxiang Electronics
Chengdu Huaxiang Auto Parts Co., Ltd. ("Chengdu Huaxiang")	Controlled by Ningbo Huaxiang Electronics

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23. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

(a) Name and relationship *(Continued)*

Name of related party	Relationship with the Group
寧波華英模具科技發展有限公司 ("Huaying Moulding")	Controlled by Ningbo Huayou Properties
寧波華翔汽車銷售服務有限公司 ("Huaxiang Sales Co.")	Controlled by Huaxiang Group
南昌江鈴華翔汽車零部件有限公司 ("Nanchang Jiangling")	Joint venture of Ningbo Huaxiang Electronics
Ningbo Hualete	Joint venture of the Group
象山華翔國際酒店有限公司 ("Huaxiang Resort")	Collectively controlled by Mr. Zhou Cimei and Ms. Lai Cairong
Changchun Huayou Properties Co., Ltd. ("Changchun Huayou")	An associate of the Group prior to disposal on 31 March 2011 and controlled by Mr. Zhou
Ningbo City Huaxiang Technology Co., Ltd. ("Huaxiang Technology")*	Controlled by Ningbo Huayou Properties
Guangzhou Chengli Industrial Co., Ltd. ("Guangzhou Chengli")	Controlled by Mr. Zhou
Ningbo Huayue Automotive Co., Ltd. ("Ningbo Huayue")	Controlled by Ningbo Huazhong Moulding and became a subsidiary in 2010 and being disposed of to Ms. Lai Danfen in 2011
Changchun Huaxiang Faurecia	Joint venture of the Group
Shanghai Baodegu Plastic Science & Technology Co., Ltd. ("Shanghai Baodegu")	An associate of the Group
寧波華翔進出口有限公司 ("Huaxiang Export")	Significantly influenced by Huaxiang Group
沈陽華翔汽車零部件有限公司 ("Shenyang Huaxiang")	Controlled by Huaxiang Electronics

* Ningbo Huayou Properties disposed of 100% of the equity interest in Huaxiang Technology to a third party in February 2014. The share transfer registration with local authority was completed in February 2014.

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23. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

(b) Related party transactions

In addition to the transactions and balances disclosed elsewhere in this report, the Group had the following material transactions with related parties during the period:

	Notes	For the six months ended 30 June	
		2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Sales of goods to related parties	(i)		
Shanghai Baodegu		—	699
Purchase of goods from related parties	(ii)		
Changchun Huaxiang Faurecia		49,703	85,439
Shenyang Huaxiang		1,242	—
Nanchang Jiangling		905	757
Huaxiang Resort		380	—
Huaxiang Sales Co.		16	117
Huaxiang Resort		—	425
Huaxiang Trim		—	53
		52,246	86,791
Sales of raw materials to a related party	(i)		
Changchun Huaxiang Faurecia		33,695	43,161
Purchase of raw materials from related parties	(ii)		
Ningbo Hualete		24,930	37,818
Shanghai Baodegu		—	889
		24,930	38,707
Gross rental income from related parties	(iv)		
Changchun Huaxiang Faurecia		4,531	3,942
Ningbo Hualete		504	504
		5,035	4,446

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23. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

(b) Related party transactions *(Continued)*

In addition to the transactions and balances disclosed elsewhere in this report, the Group had the following material transactions with related parties during the period:

	Notes	For the six months ended 30 June	
		2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Gross rental expense to related parties	(iv)		
Guangzhou Chengli		778	—
Huaying Moulding		532	—
		1,310	—
Prepayments of rental expenses to related parties			
Guangzhou Chengli		2,095	—
Huaying Moulding		803	—
		2,898	—
Advances to related parties	(v)		
Changchun Huaxiang Faurecia		18,316	—
Ningbo Hualete		—	87,789
Huaxiang Technology*		—	234
		18,316	88,023
Recovery of advances to a related party			
Ningbo Hualete		—	87,789
Entrusted loan to a related party			
Changchun Huaxiang Faurecia	(iii)	20,000	—

Note (i): The sales of goods and materials to the related parties were made according to the prices and terms agreed between the related parties.

Note (ii): The purchases of goods and raw materials from the related parties were made according to the prices and terms offered by the related parties.

Note (iii): Entrusted loan was lent to a related party through Agricultural Bank of China with one-year term and annual interest rate of 5.6%.

Note (iv): The gross rental income from related parties was made according to the terms and conditions agreed between the related parties through lease agreements.

Note (v): Advances from/to the ultimate controlling shareholder and related parties are interest-free and repayable on demand.

The related party transactions with Huaxiang Technology in respect of items denoted with "*" incurred before Ningbo Huayou Properties disposed of 100% of equity interest in Huaxiang Technology to a third party.

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23. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

(c) Other transactions with related parties

During the six months ended 30 June 2015, the Group provided guarantees to Ningbo Hualete for their bank facilities amounting to RMB3,871,000 as at 30 June 2015 (31 December 2014: RMB4,991,000).

(d) Outstanding balances with related parties

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Amounts due from related parties		
Changchun Huaxiang Faurecia	37,653	14,626
Guangzhou Chengli	2,095	—
Huaying Moulding	803	—
Ningbo Hualete	—	12,300
Chengdu Antolin Huaxiang	—	75
	40,551	27,001
Amount due to the ultimate controlling shareholder Mr. Zhou	405	871
Amounts due to related parties		
Ningbo Hualete	31,893	54,382
Changchun Huaxiang Faurecia	10,212	22,209
Shenyang Huaxiang	1,516	—
Shanghai Baodegu	579	579
Huaxiang Resort	120	175
Huaxiang Sales Co.	6	—
Guangzhou Chengli	—	1,038
Nanchang Jiangling	—	519
Huaxiang Trim	—	75
Huaying Moulding	—	532
Huaxiang Export	—	26
	44,326	79,535

Other than above disclosed, all amounts due from/to the ultimate controlling shareholder and related parties are unsecured, interest-free and repayable on demand as at 30 June 2015.

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23. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

(e) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Wages, salaries and other benefits	1,375	1,376
Pension scheme contributions	16	14
Equity-settled share option expense	16	228
Total compensation paid to key management personnel	1,407	1,618

24. FINANCIAL INSTRUMENTS

Set out below is an overview of financial instruments held by the Group at the end of the reporting period:

Financial assets — loans and receivables

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Trade and notes receivables	448,651	470,008
Financial assets included in prepayments and other receivables	29,642	25,114
Due from related parties	40,551	27,001
Pledged deposits	115,043	114,246
Cash and cash equivalents	229,081	197,525
	862,968	833,894

Financial liabilities — at amortised cost

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Financial liabilities included in other payables advances from customers and accruals	105,785	106,821
Trade and notes payables	499,286	499,499
Interest-bearing bank borrowings	768,687	673,431
Due to the ultimate controlling shareholder	405	871
Due to related parties	44,326	79,535
	1,418,489	1,360,157

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24. FINANCIAL INSTRUMENTS *(Continued)*

Fair values

The fair values of financial assets and liabilities approximate to their carrying amounts largely due to the short term maturities of these instruments.

Fair value hierarchy

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable)

Level 3 — Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable)

During the six-month period ended 30 June 2015, there were no transfers between Level 1 and Level 2 and no transfers into and out of Level 3 (2014: nil).

25. CONTINGENT LIABILITIES

The Group had issued guarantees to banks in respect of the banking facilities granted to the following parties:

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Related parties (Note 23(c)(i))	3,871	4,991

26. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 20 August 2015.