



# 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



Interim Report **2016**



2	Corporate Information
3	Management Discussion and Analysis
9	Corporate Governance and Other Information
15	Interim Condensed Consolidated Statement of Profit or Loss
16	Interim Condensed Consolidated Statement of Comprehensive Income
17	Interim Condensed Consolidated Statement of Financial Position
19	Interim Condensed Consolidated Statement of Changes in Equity
20	Interim Condensed Consolidated Statement of Cash Flows
22	Notes to Interim Condensed Consolidated Financial Statements

### BOARD OF DIRECTORS

#### Executive Directors

Mr. Zhou Minfeng (*Chairman*)  
Mr. Liu Genyu (*Chief executive officer*)  
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 (*Vice-chairman*)  
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

No. 104 Zhenan Road  
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

### COMPLIANCE ADVISER

Alliance Capital Partners Limited

### AUDITORS

Ernst & Young

### SHARE REGISTRARS

#### *Principal Share Registrar and Transfer Office in the Cayman Islands*

SMP Partners (Cayman) Limited  
Isle of Man Office  
Clinch's House, Lord Street,  
Douglas, Isle of Man,  
IM99 1RZ

#### *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](http://www.cn-huazhong.com)



## BUSINESS AND MARKET REVIEW

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

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

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

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

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

## FINANCIAL REVIEW

### Revenue

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

	For the six months ended 30 June			
	2016		2015	
	Revenue (Unaudited) RMB'000	Gross profit margin %	Revenue (Unaudited) RMB'000	Gross profit margin %
Automotive interior and exterior structural and decorative parts	607,286	30.3	551,745	31.5
Moulds and tooling	39,874	16.0	51,641	3.8
Casings and liquid tanks of air conditioners and heaters	89,119	16.7	98,393	18.9
Non-automotive products	37,691	21.8	29,125	25.9
Sale of raw materials	32,203	5.0	35,646	7.1
<b>Total</b>	<b>806,173</b>	<b>26.7</b>	<b>766,550</b>	<b>26.7</b>

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

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

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

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

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

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



## Other income and gains

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

## Selling and Distribution Costs

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

## Administrative Expenses

The Group's administrative expenses for the six months ended 30 June 2016 amounted to approximately RMB96,415,000, representing an increase of approximately 4.0% as compared to RMB92,716,000 in the corresponding period in 2015. This was mainly attributable to the increase of research and development expenses due to new model launched during the period.

## Share of Profits or Losses of Joint Ventures

During the six months ended 30 June 2016, the Group recorded RMB2,086,000 of the share of loss of joint ventures, while a share of loss of joint ventures of RMB2,331,000 was recorded for the six months ended 30 June 2015. The change was primarily due to implementation of cost control during the period.

## Finance Income

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

## Finance Costs

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

## Taxes

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

## Liquidity and Financial Resources

For the six months ended 30 June 2016, the net cash generated from operating activities amounted to approximately RMB101,428,000 (30 June 2015: net cash generated from operating activities RMB54,415,000). The cash generated from operating activities mainly resulted from a decrease in trade and notes receivables, and an increase in inventories and prepayments and other receivables.

The net cash used in investing activities amounted to approximately RMB78,143,000 (30 June 2015: net cash used in investing activities RMB122,137,000) and the net cash flow generated from financing activities amounted to approximately RMB9,225,000 (30 June 2015: net cash flow generated from financing activities RMB46,096,000). The cash used in investing activities was mainly attributable to the payment for purchase of property, plant and machinery and land use right. The net cash generated from financing activities was mainly attributable to new bank loans.

As a result of the cumulative effect described above, the Group recorded a net cash inflow of RMB32,510,000 for the six months ended 30 June 2016 (30 June 2015: net cash outflow of RMB21,626,000).

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

As at 30 June 2016, the Group's interest-bearing bank borrowings were approximately RMB850,166,000 (31 December 2015: approximately RMB797,512,000), among of which, RMB718,666,000 would be due within one year (31 December 2015: RMB564,582,000). The borrowings of the Group were subject to interests payable at rates ranging from 2.48% to 6.9% per annum. The Board of the Company expects that the bank borrowings will either be repaid by internally generated funds or rolled over upon maturity and will continue to provide funding to the Group's operations.

### Capital Commitments

As at 30 June 2016, the Group had capital commitments amounting to RMB227,485,000 (31 December 2015: RMB461,658,000) for the acquisition of property, plant and equipment.

### Foreign Exchange Exposure

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

### Capital Structure

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

### Contingent Liabilities

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



## Pledge of Assets

As at 30 June 2016, the Group's assets of approximately RMB352,759,000 (31 December 2015: approximately RMB223,622,000) were pledged to secure some of the Group's interest-bearing bank borrowings. The book values of the pledged assets are set out below:

	<b>30 June 2016 (Unaudited) RMB'000</b>	31 December 2015 (Audited) RMB'000
Property, plant and equipment	<b>166,675</b>	63,934
Investment property	<b>2,757</b>	3,006
Prepaid land lease payments	<b>67,657</b>	68,481
Notes Receivable	<b>71,059</b>	65,181
Pledged deposits	<b>44,611</b>	23,020
<b>Total</b>	<b>352,759</b>	223,622

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

## Gearing Ratio

As at 30 June 2016, the Group's gearing ratio was approximately 69.4% (31 December 2015: 69.8%). The gearing ratio is derived by dividing net liabilities (including interest-bearing bank borrowings, trade and notes payables, other payables and accruals, and payables to related parties and the ultimate controlling shareholder less cash and cash equivalents) by total capital (including equity attributable to owners of the parent company) plus net liabilities at the end of the period under review.

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

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

## Employees and Remuneration Policies

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



## PROSPECT

### Outlook

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

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

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

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

### Forward Looking Statements

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

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



## CORPORATE GOVERNANCE CODE

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

The Board is of the view that the Company has complied with all applicable code provisions set out in the CG Code throughout the six months ended 30 June 2016, except for the following deviations:

### Code Provision A.2.1

This code provision stipulates that the roles of the chairman and chief executive should be separate and should not be performed by the same individual. Please refer to the paragraph under “Chairman and Chief Executive” below.

### Code Provisions A.6.7 and E.1.2

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

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

## CHAIRMAN AND CHIEF EXECUTIVE

On 4 January 2016, the roles of the chairman and chief executive have been separated upon the change of chief executive officer of the Company from Mr. Zhou Minfeng to Mr. Liu Genyu.

## 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 2016, they were in compliance with the required provisions set out in the Model Code. All of the Directors declared that they have complied with the required standard of dealings as set out in the Model Code throughout the six months ended 30 June 2016.

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

As at 30 June 2016, 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:

## 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 <sup>(1)</sup>	1,198,500,000	—	74.67%
	Beneficial owner	—	3,000,000 <sup>(2)</sup>	0.18% <sup>(4)</sup>
	Spouse's interest	—	2,000,000 <sup>(2)(3)</sup>	0.12% <sup>(4)</sup>
Mr. Chang Jingzhou	Beneficial owner	—	1,200,000 <sup>(2)</sup>	0.07% <sup>(4)</sup>
Ms. Lai Cairong	Beneficial owner	—	7,600,000 <sup>(2)</sup>	0.47% <sup>(4)</sup>
Mr. Wong Luen Cheung Andrew	Beneficial owner	5,000,000	—	0.31% <sup>(4)</sup>

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 2016.

Save as disclosed above, as at 30 June 2016, 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 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

Pursuant to the terms of the Pre-IPO Share Option Scheme, 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, in June 2015 as a result of the implementation of bonus issue of shares of the Company.

Details of the share options movement under the Pre-IPO Share Option Scheme for the six months ended 30 June 2016 are as follows:

Name	Outstanding as at 1 January 2016	Granted during the six months ended 30 June 2016	Exercised during the six months ended 30 June 2016	Lapsed during the six months ended 30 June 2016	Cancelled during the six months ended 30 June 2016	Outstanding as at 30 June 2016
<b>Directors</b>						
Mr. Zhou Minfeng	3,000,000	—	—	—	—	3,000,000
Mr. Chang Jingzhou	1,200,000	—	—	—	—	1,200,000
Ms. Lai Cairong	7,600,000	—	—	—	—	7,600,000
<b>Senior Management</b>						
In aggregate	3,100,000	—	—	—	—	3,100,000
<b>Others</b>						
In aggregate	19,800,000	—	—	—	—	19,800,000
<b>Total</b>	<b>34,700,000</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>34,700,000</b>

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 2016.

## 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.

There were no outstanding options, and there were no options granted, exercised, lapsed or cancelled pursuant to the Share Option Scheme during the six months ended 30 June 2016 and as at the date of this report.

## 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 2016 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 2016, 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 <sup>(1)</sup>	Beneficial owner	1,198,500,000	—	74.67%
Chen Chun'er <sup>(2)</sup>	Beneficial owner	—	2,000,000 <sup>(3)</sup>	0.12% <sup>(6)</sup>
	Spouse's interest	1,198,500,000 <sup>(4)</sup>	—	74.67%
		—	3,000,000 <sup>(5)</sup>	0.18% <sup>(6)</sup>

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 2016.

Save as disclosed above, as at 30 June 2016, 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.

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 (“ <b>Changxing Huaxin</b> ”) <sup>(1)</sup>	Shanghai Automobile Air Conditioner Factory (上海汽車空調器廠)	30%
Changxing Huaxin <sup>(1)</sup>	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 2016, 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.

## TERM LOAN FACILITY AND SPECIFIC PERFORMANCE OBLIGATION

On 22 August 2016, the Company’s wholly-owned subsidiary, Huayou Investment (Hong Kong) Limited, as a borrower (the “**Borrower**”) entered into a facility agreement (“**Facility Agreement**”) relating to a USD17,000,000 term loan facility (“**Loan Facility**”) with a licensed bank in Hong Kong. The final maturity date of the Loan Facility shall be the date falling 3 years from 22 August 2016.

Pursuant to the Facility Agreement, the Loan Facility will be cancelled and all outstanding under Loan Facility should be payable immediately upon Mr. Zhou Minfeng (“**Mr. Zhou**”) ceases to maintain in aggregate at least 51% direct or indirect equity interest in the Borrower. As at the date of this report, Mr. Zhou indirectly owned approximately 74.67% of the issued share capital of the Borrower.

### AUDIT COMMITTEE

During the six months ended 30 June 2016, the audit committee of the Company (the “**Audit Committee**”) consisted of three members, namely Mr. Yu Shuli (chairman), Mr. Tian Yushi and Mr. Xu Jiali, all of them were the independent non-executive Directors. The primary duties of the Audit Committee are to review and supervise the financial reporting process, risk management and internal control systems of the Group.

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2016 have been reviewed by the Audit Committee and the Audit Committee is of the view that the announcement of interim results for the six months ended 30 June 2016 is prepared in accordance with applicable accounting standards, rules and regulations and appropriate disclosures have been duly made.

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

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2016.

### DIVIDENDS

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

### APPRECIATION

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

On behalf of the Board

**Zhou Minfeng**

*Chairman*

Zhejiang, the PRC, 30 August 2016

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2016

	Notes	For the six months ended 30 June	
		2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
<b>REVENUE</b>	4	<b>806,173</b>	766,550
Cost of sales		<b>(591,302)</b>	(562,045)
<b>Gross profit</b>		<b>214,871</b>	204,505
Other income and gains	4	<b>16,409</b>	9,081
Selling and distribution costs		<b>(55,481)</b>	(48,066)
Administrative expenses		<b>(96,415)</b>	(92,716)
Other expenses		<b>(5,509)</b>	(1,319)
<b>Operating profit</b>		<b>73,875</b>	71,485
Share of losses of			
An associate		—	(11)
Joint ventures		<b>(2,086)</b>	(2,331)
Finance income	5	<b>3,705</b>	3,655
Finance costs	6	<b>(21,178)</b>	(22,731)
<b>PROFIT BEFORE INCOME TAX EXPENSE</b>	7	<b>54,316</b>	50,067
Income tax expense	8	<b>(17,136)</b>	(17,579)
<b>PROFIT FOR THE PERIOD</b>		<b>37,180</b>	32,488
Attributable to:			
Owners of the parent		<b>34,721</b>	29,211
Non-controlling interests		<b>2,459</b>	3,277
		<b>37,180</b>	32,488
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	10		
Basic			
— For profit for the period		<b>RMB0.0216</b>	RMB0.0183
Diluted			
— For profit for the period		<b>RMB0.0214</b>	RMB0.0183



# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

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

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Notes	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	599,227	572,082
Investment properties	12	35,232	36,384
Prepaid land lease payments	11	175,730	156,025
Intangible assets		4,130	4,363
Investment in an associate		2,016	2,016
Investments in joint ventures	13	73,004	63,787
Prepayments for purchase of property, plant and equipment		16,718	27,141
Prepayments for an available-for-sale investment		—	25,000
Available-for-sale investments		52,500	—
Deferred tax assets		19,425	18,045
Total non-current assets		977,982	904,843
<b>CURRENT ASSETS</b>			
Inventories	14	306,554	287,035
Trade and notes receivables	15	536,430	578,972
Prepayments and other receivables	16	121,422	114,201
Due from related parties	23(d)	63,835	49,970
Pledged deposits		112,776	102,074
Cash and cash equivalents		233,280	200,607
Total current assets		1,374,297	1,332,859
<b>CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings	17	718,666	564,582
Trade and notes payables	18	523,959	516,149
Other payables, advances from customers and accruals	19	193,252	174,378
Due to the ultimate controlling shareholder	23(d)	253	652
Due to related parties	23(d)	50,521	44,867
Income tax payable		57,472	66,704
Total current liabilities		1,544,123	1,367,332
<b>NET CURRENT LIABILITIES</b>		<b>(169,826)</b>	<b>(34,473)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>808,156</b>	<b>870,370</b>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Notes	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings			
— non-current portion	17	131,500	232,930
Government grants		9,092	9,443
Deferred tax liabilities		20,099	20,064
<b>Total non-current liabilities</b>		<b>160,691</b>	<b>262,437</b>
<b>Net assets</b>		<b>647,465</b>	<b>607,933</b>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital		128,587	128,587
Reserves		483,103	448,030
		<b>611,690</b>	<b>576,617</b>
<b>Non-controlling interests</b>		<b>35,775</b>	<b>31,316</b>
<b>Total equity</b>		<b>647,465</b>	<b>607,933</b>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to owners of the parent										Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Statutory reserve funds	Merger reserve	Share option reserve	Exchange fluctuation reserve	Retained earnings	Total			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
As at 1 January 2016	128,587	20,030	5,580	34,348	88,278	9,504	(2,961)	293,251	576,617	31,316	607,933	
Total comprehensive income for the period:												
Profit for the period	—	—	—	—	—	—	—	34,721	34,721	2,459	37,180	
Exchange differences on translation of foreign operations	—	—	—	—	—	—	352	—	352	—	352	
Capital contribution from NCI	—	—	—	—	—	—	—	—	—	2,000	2,000	
Transfer to statutory reserve funds	—	—	—	2,526	—	—	—	(2,526)	—	—	—	
Equity-settled share option arrangements	—	—	—	—	—	—	—	—	—	—	—	
As at 30 June 2016 (Unaudited)	128,587	20,030	5,580	36,874	88,278	9,504	(2,609)	325,446	611,690	35,775	647,465	
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)	
Bonus issue	63,056	(63,056)	—	—	—	—	—	—	—	—	—	
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	20,968	5,580	31,175	88,278	10,710	(3,529)	256,231	537,589	32,189	569,778	

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Notes	For the six months ended 30 June	
		2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
<b>Cash flows from operating activities:</b>			
Profit before tax		54,316	50,067
Adjustments for:			
Finance costs	6	21,178	22,731
Share of profits and losses of joint ventures and an associate		2,086	2,342
Interest income	5	(3,705)	(3,655)
Gain on disposal of items of property, plant and equipment	4	(22)	(48)
Release of government grants		(501)	(193)
Depreciation of property, plant and equipment		34,893	31,709
Depreciation of investment properties		1,152	1,254
Amortisation of prepaid land lease payments		1,895	1,737
Amortisation of intangible assets		285	257
Equity-settled share option expense		—	1,239
Write-down of inventories to net realisable value		71	132
Reversal of impairment of receivables		(332)	(3,555)
Increase in inventories		(19,204)	(16,685)
Decrease in trade and notes receivables		42,874	24,912
Increase in prepayments and other receivables		(4,944)	(32,505)
(Increase)/decrease in amounts due from related parties		(32,181)	24,766
Increase in amounts due from the ultimate shareholder		—	(430)
Increase/ (decrease)/ in trade and notes payables		7,810	(213)
Increase/ (decrease) in other payables, advances from customers and accruals		7,185	(17,588)
Increase/(decrease)/ in amounts due to related parties		5,654	(35,209)
Decrease in pledged deposits		10,889	28,268
Decrease in amounts due to the controlling shareholder		(399)	(466)
Cash generated from operations		129,000	78,867
Income tax paid		(27,572)	(24,452)
Net cash flows generated from operating activities		101,428	54,415

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Notes	For the six months ended 30 June	
		2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
<b>Cash flows from investing activities:</b>			
Interest received	5	2,832	1,786
Purchases of items of property, plant and equipment		(53,511)	(33,075)
Purchases of items of prepaid land lease payments		(21,430)	—
Purchases of items of intangible assets		(52)	(639)
Proceeds from disposal of items of property, plant and equipment		3,215	618
Purchase of available-for-sale investments		(27,500)	—
Receipt of government grants		150	241
Advances to related parties	23(b)	—	(18,316)
Entrusted loan to a related party	23(b)	—	(20,000)
Recovery of advances to related parties	23(b)	18,316	430
Increase in non-pledged time deposits with original maturity of three months or more when acquired		(163)	(53,182)
<b>Net cash flows used in investing activities</b>		<b>(78,143)</b>	<b>(122,137)</b>
<b>Cash flows from financing activities:</b>			
Capital contribution by non-controlling shareholders		2,000	—
New bank loans		516,994	439,120
Repayment of bank loans		(467,000)	(341,228)
Interest paid		(21,178)	(22,731)
Increase in pledged deposits		(21,591)	(29,065)
<b>Net cash flows generated from financing activities</b>		<b>9,225</b>	<b>46,096</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>32,510</b>	<b>(21,626)</b>
Cash and cash equivalents at beginning of year		75,987	126,270
Cash and cash equivalents at end of year		108,497	104,644
<b>Analysis of balances of cash and cash equivalents</b>			
Cash and cash equivalents as stated in the consolidated statement of cash flows		108,497	104,644
Cash and bank balances		108,497	104,644
Non-pledged time deposits with original maturity of three months or more when acquired		124,783	124,437
Cash and cash equivalents as stated in the consolidated statement of financial position		233,280	229,081

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

## 1. CORPORATE INFORMATION

Huazhong In-Vehicle 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 2016 have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting".

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2015.

### Going concern basis

Notwithstanding that the Group had consolidated net current liabilities of RMB169,826,000 as at 30 June 2016, the financial statements have been prepared by the directors of the Company on a going concern basis.

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

- (i) as at 30 June 2016, the Group had unutilised credit facilities from banks of approximately RMB440,000,000; and
- (ii) the directors continue to take action to tighten cost controls over various operating expenses, and are actively seeking new investment and business opportunities with an aim to attaining profitable and positive cash flow operations;

In the opinion of the directors of the Company, in light of the measures taken to date, together with the expected results of other measures in progress, it is appropriate to prepare the financial statements on a going concern basis, notwithstanding the Group's financial and liquidity positions at 30 June 2016.

## 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and basis of preparation adopted in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2015, except in relation to the new and revised International Financial Reporting Standards ("IFRSs", which also include IASs and interpretations) as set out in note 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 2016

### 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 IFRS 11	<i>Accounting for Acquisitions of Interests In Joint Operations</i>
Amendments to IFRS 10, IFRS 12 and IAS 28	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to IAS 1	<i>Disclosure Initiative</i>
Amendments to IAS 16 and IAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortization</i>
Amendments to IAS 27	<i>Equity Method in Separate Financial Statements</i>
Amendments under Annual Improvements 2012-2014 Cycle	<i>Amendments to a number of IFRSs</i>

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 internal and external decorative and structural automobile parts, moulds and tooling, casing and liquid tanks of air conditioning or heater units and other non-automobile products. Management reviews the consolidated results when making decisions about allocating resources and assessing the performance of the Group. Accordingly, no segment analysis is presented.

#### Geographical information

##### (a) Revenue from external customers

An analysis of the Group's geographical information on revenue on the basis of the customers' locations for the six months ended 30 June 2016 is set out in the following table:

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



## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

### 3. OPERATING SEGMENT *(Continued)*

#### Geographical information *(Continued)*

##### *(b) Non-current assets*

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

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

#### Information about major customers

Revenues from sales to customers that individually amounted to 10 percent or more of the Group's revenue for the six months ended 30 June 2016 are set out in the following table:

	<b>For the six months ended 30 June</b>	
	<b>2016 RMB'000 (Unaudited)</b>	2015 RMB'000 (Unaudited)
Customer A	<b>252,265</b>	280,064
Customer B	<b>86,910</b>	73,064

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 2016

### 4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue and other income is as follows:

	For the six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
<b>Revenue:</b>		
Sales of goods	773,970	730,904
Sales of materials	32,203	35,646
	<b>806,173</b>	766,550
<b>Other income and gains:</b>		
Rental income	14,129	3,696
Government grants	601	847
Gain on sales of scrap materials	629	480
Gain on disposal of property, plant and equipment	22	48
Reversal of impairment of trade receivables	332	3,555
Others	696	455
	<b>16,409</b>	9,081

### 5. FINANCE INCOME

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

### 6. FINANCE COSTS

	For the six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Interest expense on bank loans and borrowings	21,178	22,731

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

### 7. PROFIT BEFORE INCOME TAX EXPENSE

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

	For the six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Cost of inventories recognised as expenses	591,302	562,045
Depreciation of property, plant and equipment	34,893	31,709
Depreciation of investment properties	1,152	1,254
Amortisation of prepaid land lease payments	1,895	1,737
Amortisation of intangible assets	285	257
Research and development costs	26,800	24,274
Lease payments under operating leases in respect of properties	6,236	5,148
Auditor's remuneration	1,500	1,500
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages, salaries and other benefits	78,907	76,723
Pension scheme contributions	8,247	7,933
Equity-settled share option expense	—	21
	<b>87,154</b>	84,677
Gross rental income	(15,498)	(4,950)
Less: Direct expenses that generated rental income	1,369	1,254
Rental income, net	(14,129)	(3,696)
Foreign exchange difference, net	1,123	495
Reversal of impairment of receivables	(332)	(3,555)
Provision for inventories written down	71	132
Gain on disposal of items of property, plant and equipment	(22)	(48)
Interest income	(3,705)	(3,655)

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

### 8. INCOME TAX EXPENSE

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

	For the six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Current income tax		
— Charge for the period	18,481	12,716
Deferred income tax	(1,345)	4,863
Total tax charge for the period	17,136	17,579

### 9. DIVIDENDS PAID AND PROPOSED

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

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

The calculation of basic earnings per share for the period is based on the consolidated net profit attributable to owners of the parent and the weighted average number of ordinary shares of 1,605,000,000 in issue during the six months ended 30 June 2016 (30 June 2015: 1,600,000,000).

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

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

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

### 10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT *(Continued)*

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

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

During the six months ended 30 June 2016, the Group acquired property, plant and equipment with a total cost of RMB63,934,000 (30 June 2015: RMB31,006,000).

Included in the property, plant and equipment as at 30 June 2016 were certain buildings with a net carrying value of RMB255,595,000 (31 December 2015: RMB257,083,000), of which the property ownership certificates have not been obtained. The directors are of the view that the Group is entitled to lawfully and validly occupy and use the above mentioned buildings. The directors are also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at 30 June 2016.

Certain of the Group's buildings and machineries with a net carrying value of RMB166,675,000 as at 30 June 2016 (31 December 2015: RMB63,934,000) were pledged to secure bank loans granted to the Group (Note 17).

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

Included in the prepaid land lease payments as at 30 June 2016 were certain lands with a net book value of RMB18,706,000 (31 December 2015: RMB3,954,000) of which the land use right certificates have not been obtained. The directors are of the view that the Group is entitled to lawfully and validly occupy and use the above mentioned land. The directors are also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at 30 June 2016.

Certain of the Group's prepaid land lease payments with a carrying value of RMB67,657,000 as at 30 June 2016 (31 December 2015: RMB68,481,000) were pledged to secure bank loans granted to the Group (Note 17).

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

### 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 2016 were certain buildings with a net carrying value of RMB11,776,000 (31 December 2015: RMB12,604,000) of which the property ownership certificates have not been obtained. The directors are of the view that the Group is entitled to lawfully and validly occupy and use the above mentioned buildings. The directors are also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at 30 June 2016.

The Group's investment properties with a net carrying value of RMB2,757,000 as at 30 June 2016 (31 December 2015: RMB3,006,000) were pledged to secure bank loans granted to the Group (Note 17).

### 13. INVESTMENTS IN JOINT VENTURES

	<b>30 June 2016 RMB'000 (Unaudited)</b>	31 December 2015 RMB'000 (Audited)
Share of net assets	<b>73,004</b>	63,787

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-Zoeppritec-Tex-Line Co., Ltd. ("Ningbo Hualete")	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

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

### 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:

	<b>30 June 2016 RMB'000 (Unaudited)</b>	31 December 2015 RMB'000 (Audited)
Cash and cash equivalents	<b>3,831</b>	5,900
Other current assets	<b>177,144</b>	151,770
Current assets	<b>180,975</b>	157,670
Non-current assets	<b>4,894</b>	5,173
Financial liabilities, excluding trade and other payables	<b>(10,000)</b>	(10,000)
Other current liabilities	<b>(29,862)</b>	(25,268)
Net assets	<b>146,007</b>	127,575
Net assets, excluding goodwill	<b>146,007</b>	127,575
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	<b>50%</b>	50%
Group's share of net assets of the joint venture, excluding goodwill	<b>73,004</b>	63,787
Carrying amount of the investment	<b>73,004</b>	63,787
	<b>For the six months ended 30 June</b>	
	<b>2016 RMB'000 (Unaudited)</b>	2015 RMB'000 (Unaudited)
Revenues	<b>83,742</b>	75,075
Interest income	<b>—</b>	9
Depreciation and amortisation	<b>(566)</b>	(1,192)
Interest expenses	<b>(287)</b>	(508)
Profit and total comprehensive income for the year	<b>18,433</b>	15,477
Group's share of comprehensive income for the year	<b>9,217</b>	7,739

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

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

### 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:

	<b>30 June 2016 RMB'000 (Unaudited)</b>	31 December 2015 RMB'000 (Audited)
Cash and cash equivalents	32,950	32,618
Other current assets	348,321	358,694
Current assets	381,271	391,312
Non-current assets	156,499	156,022
Financial liabilities, excluding trade and other payables	(195,000)	(195,000)
Other current liabilities	369,644	(368,002)
Net liabilities	(26,874)	(15,668)
Net liabilities, excluding goodwill	(26,874)	(15,668)
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	50%	50%
Group's share of net liabilities of the joint venture, excluding goodwill, including additional loss	(13,437)	(7,834)
Additional loss recognised in other payables, advances from customers and accruals	13,437	7,834
Carrying amount of the investment	—	—
	<b>For the six months ended 30 June</b>	
	<b>2016 RMB'000 (Unaudited)</b>	2015 RMB'000 (Unaudited)
Revenues	195,619	276,102
Interest income	50	66
Depreciation and amortisation	(8,245)	(10,134)
Interest expenses	(5,114)	(5,066)
Loss and total comprehensive loss for the year	(26,414)	(23,176)
Group's share of comprehensive loss for the year	(13,207)	(11,588)

The financial statements of Changchun Huaxiang Faurecia were not audited by Ernst & Young Hua Ming LLP, Hong Kong or another member firm of the Ernst & Young global network.



## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

### 14. INVENTORIES

	<b>30 June 2016 RMB'000 (Unaudited)</b>	31 December 2015 RMB'000 (Audited)
Raw materials	57,290	47,943
Work in progress	61,216	49,750
Finished goods	188,048	189,342
	<b>306,554</b>	287,035

### 15. TRADE AND NOTES RECEIVABLES

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

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

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

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

	<b>30 June 2016 RMB'000 (Unaudited)</b>	31 December 2015 RMB'000 (Audited)
Within 3 months	404,041	453,563
3 to 6 months	20,574	36,590
6 months to 1 year	9,641	2,489
Over 1 year	351	340
	<b>434,607</b>	492,982

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

### 16. PREPAYMENTS AND OTHER RECEIVABLES

	Note	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Prepayments		67,572	77,612
Other receivables	(i)	44,511	27,955
Current portion of prepaid land lease payments		3,381	3,549
Interest receivable		5,958	5,085
		<b>121,422</b>	114,201

(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 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
<b>Current</b>			
Secured bank loans	(i)	230,166	176,082
Unsecured bank loans		445,000	370,000
Current portion of long term bank loans-unsecured		43,500	18,500
	(ii)	<b>718,666</b>	564,582
<b>Non-current</b>			
Secured bank loans	(i)	131,500	230,930
Unsecured bank loans		—	2,000
		<b>131,500</b>	232,930

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

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

- (i) As at 30 June 2016, the Group's bank loans of RMB361,666,000 (31 December 2015: RMB407,012,000) were secured by pledges of the Group's assets with carrying values as follows:

	<b>30 June 2016 RMB'000 (Unaudited)</b>	31 December 2015 RMB'000 (Audited)
Property, plant and equipment (note 11)	<b>166,675</b>	63,934
Investment properties (note 12)	<b>2,757</b>	3,006
Prepaid land lease payments (note 11)	<b>67,657</b>	68,481
Trade receivables	<b>71,059</b>	65,181
Pledged deposits	<b>44,611</b>	23,020
	<b>352,759</b>	223,622

- (ii) The bank loans bear interest at rates ranging from 2.48% to 6.90% per annum (31 December 2015: 2.48% to 6.89% per annum).

### 18. TRADE AND NOTES PAYABLES

	<b>30 June 2016 RMB'000 (Unaudited)</b>	31 December 2015 RMB'000 (Audited)
Trade payables	<b>344,655</b>	339,336
Notes payable	<b>179,304</b>	176,813
	<b>523,959</b>	<b>516,149</b>

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

### 18. TRADE AND NOTES PAYABLES *(Continued)*

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

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

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

Notes payable were secured by certain of the Group's pledged deposits of RMB68,165,000 as at 30 June 2016 (31 December 2015: RMB79,054,000).

### 19. OTHER PAYABLES, ADVANCES FROM CUSTOMERS AND ACCRUALS

	<b>30 June 2016 RMB'000 (Unaudited)</b>	31 December 2015 RMB'000 (Audited)
Other payables	<b>144,977</b>	128,188
Advances from customers	<b>40,500</b>	31,004
Accruals	<b>7,073</b>	14,484
Government grants — current portion	<b>702</b>	702
	<b>193,252</b>	174,378

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

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

### 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 2016:

	Weighted average exercise price HK\$ per share	Number of options '000
At 1 January 2016 and 30 June 2016	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 2016 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
<u>34,700</u>		

The Group recognised a share option expense of Nil under the Pre-IPO Share Option Scheme during the six months ended 30 June 2016 (30 June 2015: RMB33,000).

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 2.16% 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 RMB2,966,000, and share premium of HK\$15,962,000, equivalent to approximately RMB13,642,000 (before issue expenses).

## **20. SHARE OPTION SCHEME** *(Continued)*

### **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.

There was no grant, exercise, lapse, or cancellation of share options under the Share option Scheme during the six months ended 30 June 2016. There was no outstanding share option under the Share Option Scheme as at the end of the reporting period (31 December 2015: Nil).

The Group recognised a share option expense of Nil under the Share Option Scheme during the six months ended 30 June 2016 (30 June 2015: RMB1,206,000).

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

### 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:

	<b>30 June 2016 RMB'000 (Unaudited)</b>	31 December 2015 RMB'000 (Audited)
Within one year	<b>7,088</b>	7,784
In the second to fifth years, inclusive	<b>1,735</b>	2,321
	<b>8,823</b>	10,105

#### 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:

	<b>30 June 2016 RMB'000 (Unaudited)</b>	31 December 2015 RMB'000 (Audited)
Within one year	<b>7,472</b>	5,287
In the second to fifth years, inclusive	—	—
	<b>7,472</b>	5,287

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

### 22. COMMITMENTS

The Group had the following capital commitments:

	<b>30 June 2016 RMB'000 (Unaudited)</b>	31 December 2015 RMB'000 (Audited)
Contracted, but not provided for in respect of acquisition of: Property, plant and equipment	<b>277,485</b>	278,807

### 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
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
寧波華英模具科技發展有限公司 ("Huaying Moulding")	Controlled by Ningbo Huayou Properties



## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

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

#### (a) Name and relationship *(Continued)*

Name of related party	Relationship with the Group
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
Guangzhou Chengli Industrial Co., Ltd. ("Guangzhou Chengli")	Controlled by Mr. Zhou
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

**NOTES TO INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

For the six months ended 30 June 2016

**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	
		2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Purchase of goods from related parties	(ii)		
Changchun Huaxiang Faurecia		37,261	49,703
Shenyang Huaxiang		5,969	—
Nanchang Jiangling		1,193	905
Huaxiang Resort		1,013	380
Huaxiang Sales Co		—	16
		<b>45,436</b>	51,004
Sales of raw materials to a related party	(i)		
Changchun Huaxiang Faurecia		25,637	33,695
Purchase of raw materials from related parties	(ii)		
Ningbo Hualete		19,868	24,930
Gross rental income from related parties	(iv)		
Changchun Huaxiang Faurecia		14,835	4,531
Ningbo Hualete		504	504
		<b>15,339</b>	5,035

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

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

#### (b) Related party transactions *(Continued)*

	Notes	For the six months ended 30 June	
		2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Gross rental expense to related parties	(iv)		
Guangzhou Chengli		778	778
Huaying Moulding		532	532
		<b>1,310</b>	1,310
Advances to related parties	(v)		
Changchun Huaxiang Faurecia		—	18,316
Entrusted loan to a related party	(iii)		
Changchun Huaxiang Faurecia		55,000	20,000
Purchase of land use right			
Huaxiang Group	(vi)	14,820	—

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.

Note (vi): The purchase of land use right from the related party was made according to the prices and terms offered by the related party.

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

### (c) Other transactions with related parties

- (i) During the six months ended 30 June 2016, the Group provided guarantees to Ningbo Huaite's banking facilities up to a maximum amount of RMB20,000,000. As of 30 June 2016, the aforesaid banking facility utilised by Ningbo Huaite amounted to nil (31 December 2015: nil).
- (ii) On 4 March 2016, Ningbo Huazhong Plastic provided a corporate guarantee (the "Guarantee Letter") in connection with the banking facilities up to a maximum principal amount of RMB70,000,000 provided by China Merchants Bank to Changchun Huaxiang Faurecia, being a joint venture owned as to 50% by Ningbo Huazhong Plastic and as to 50% by an independent third party (the "JV Partner").

On the same date, the JV Partner entered into a counter guarantee in favour of Ningbo Huazhong Plastic, pursuant to which the JV Partner agrees that after Ningbo Huazhong Plastic fulfils its guarantee obligations in accordance with the Guarantee Letter, the JV Partner shall pay Ningbo Huazhong Plastic such amount already paid by Ningbo Huazhong Plastic to China Merchants Bank in proportion to its then shareholding ratio in Changchun Huaxiang Faurecia.

As of 30 June 2016, the aforesaid banking facility utilised by Changchun Huaxiang Faurecia amounted to RMB50,000,000.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

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

#### (d) Outstanding balances with related parties

	<b>30 June 2016 RMB'000 (Unaudited)</b>	31 December 2015 RMB'000 (Audited)
Amounts due from related parties		
Changchun Huaxiang Faurecia	<b>63,295</b>	49,005
Guangzhou Chengli	<b>540</b>	540
Huaying Moulding	—	271
Chengdu Antolin Huaxiang	—	154
	<b>63,835</b>	49,970
Amount due to the ultimate controlling shareholder Mr. Zhou	<b>253</b>	652
	<b>253</b>	652
Amounts due to related parties		
Ningbo Hualete	<b>41,497</b>	34,569
Huayou Holdings	<b>3,758</b>	4,381
Shenyang Huaxiang	<b>3,052</b>	—
Nanchang Jiangling	<b>1,649</b>	2,661
Huaying Moulding	<b>261</b>	—
Huaxiang Resort	<b>296</b>	77
Huaxiang Sales Co.	<b>8</b>	11
Changchun Huaxiang Faurecia	—	2,462
Shanghai Baodegu	—	578
Gongzhuling Antoling Huaxiang	—	99
Huaxiang Trim	—	3
Huaxiang Export	—	26
	<b>50,521</b>	44,867

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 2016.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

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

#### (e) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Wages, salaries and other benefits	2,960	1,375
Pension scheme contributions	27	16
Equity-settled share option expense	—	16
<b>Total compensation paid to key management personnel</b>	<b>2,987</b>	<b>1,407</b>

### 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 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Trade and notes receivables	536,430	578,972
Financial assets included in prepayments and other receivables	50,368	33,040
Due from related parties	63,835	49,970
Available-for-sale investments	52,500	—
Pledged deposits	112,776	102,074
Cash and cash equivalents	233,280	200,607
	<b>1,049,189</b>	<b>964,663</b>

#### Financial liabilities — at amortised cost

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Financial liabilities included in other payables advances from customers and accruals	144,977	128,188
Trade and notes payables	523,959	516,149
Interest-bearing bank borrowings	718,166	564,582
Due to the ultimate controlling shareholder	253	652
Due to related parties	50,521	44,867
	<b>1,437,876</b>	<b>1,254,438</b>

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

### 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 2016, there were no transfers between Level 1 and Level 2 and no transfers into and out of Level 3 (2015: nil).

### 25. CONTINGENT LIABILITIES

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

	<b>30 June 2016 RMB'000 (Unaudited)</b>	31 December 2015 RMB'000 (Audited)
Related parties (Note 23(c))	<b>50,000</b>	—

### 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 30 August 2016.