

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

2017
Interim Report





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CORPORATE INFORMATION

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

Luk & Partners
in Association with Morgan, Lewis & Bockius

COMPLIANCE OFFICER

Alliance Capital Partners Limited

AUDITORS

Ernst & Young

SHARE REGISTRARS

Principal Share Registrar and Transfer Office in the Cayman Islands

SMP Partners (Cayman) Limited
Royal Bank House - 3rd Floor,
24 Shedden Road, P.O. Box 1586,
Grand Cayman, KY1-1110,
Cayman Islands

Hong Kong Branch 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



BUSINESS AND MARKET REVIEW

Huazhong In-Vehicle Holdings Company Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) are 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 2017, the automobile industry has recorded another year of stable growth. According to the statistics from China Association of Automobile Manufacturers (“**CAAM**”), over 13.53 million vehicles were manufactured and over 13.35 million vehicles were sold in the first half of 2017, representing a growth of 4.6% and 3.8%, respectively.

The sales volume of the top ten automobile manufacturers reached approximately 11.8 million units during the first half of 2017, accounting for 88.5% 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 2017, the Group’s revenue was approximately RMB830,695,000, representing an increase of approximately 3.0% as compared to approximately RMB806,173,000 for the six months ended 30 June 2016. Profit attributable to the owners of the parent for the six months ended 30 June 2017 was approximately RMB53,058,000, representing an increase of approximately 52.8% as compared to RMB34,721,000 for the six months ended 30 June 2016.

The new manufacturing facilities in Tianjin and Qingdao are under construction and are expected to be completed and commence production later this year.

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			
	2017		2016	
	Revenue (Unaudited) RMB'000	Gross profit margin %	Revenue (Unaudited) RMB'000	Gross profit margin %
Automotive interior and exterior structural and decorative parts	629,464	31.9	607,286	30.3
Moulds and tooling	44,620	17.5	39,874	16.0
Casings and liquid tanks of air conditioners and heaters	97,281	18.7	89,119	16.7
Non-automotive products	31,524	21.0	37,691	21.8
Sale of raw materials	27,806	3.4	32,203	5.0
Total	830,695	28.2	806,173	26.7

For the six months ended 30 June 2017, the total revenue generated from automotive interior and exterior structural and decorative parts was RMB629,464,000 (30 June 2016: RMB607,286,000), accounting for 75.8% of the Group's total revenue for the six months ended 30 June 2017 (30 June 2016: 75.3%). The increase was primarily because of the expansion of new market and customers. Gross profit margin increased slightly from 30.3% for the six months ended 30 June 2016 to 31.9% for the six months ended 30 June 2017.

For the six months ended 30 June 2017, revenue from moulds and tooling was RMB44,620,000 (30 June 2016: RMB39,874,000), accounting for 5.4% of the Group's total revenue for the six months ended 30 June 2017 (30 June 2016: 4.9%). Gross profit margin increased from 16.0% for the six months ended 30 June 2016 to 17.5% for the six months ended 30 June 2017. The increase in gross profit margin was mainly due to an increase of operating efficiency during the period.

For the six months ended 30 June 2017, revenue from casings and liquid tanks of air conditioners and heaters was RMB97,281,000 (30 June 2016: RMB89,119,000), accounting for 11.7% of the Group's total revenue for the six months ended 30 June 2017 (30 June 2016: 11.1%). Gross profit margin increased from 16.7% for the six months ended 30 June 2016 to 18.7% for the six months ended 30 June 2017.

For the six months ended 30 June 2017, revenue from non-automotive products was RMB31,524,000 (30 June 2016: RMB37,691,000), accounting for 3.8% of the Group's total revenue for the six months ended 30 June 2017 (30 June 2016: 4.7%). Gross profit margin decreased slightly from 21.8% for the six months ended 30 June 2016 to 21.0% for the six months ended 30 June 2017.

For the six months ended 30 June 2017, revenue from sale of raw materials was RMB27,806,000 (30 June 2016: RMB32,203,000), accounting for 3.3% of the Group's total revenue for the six months ended 30 June 2017 (30 June 2016: 4.0%). The gross profit margin was 3.4% for the six months ended 30 June 2017, which recorded a decrease as compared to the corresponding period in 2016.

For the six months ended 30 June 2017, the overall gross profit margin increased slightly to 28.2% (30 June 2016: 26.7%).





Other income and gains

Other income and gains of the Group for the six months ended 30 June 2017 amounted to RMB16,127,000 (30 June 2016: RMB16,409,000), representing a slight decrease of approximately 1.7% as compared to the corresponding period in 2016.

Selling and Distribution Costs

The Group's selling and distribution costs for the six months ended 30 June 2017 amounted to approximately RMB59,351,000, representing an increase of approximately 7.0% as compared to RMB55,481,000 in the corresponding period in 2016. The increase was mainly due to the increase in packing expenses as a result of the increase in sales volume.

Administrative Expenses

The Group's administrative expenses for the six months ended 30 June 2017 amounted to approximately RMB101,017,000, representing an increase of approximately 4.8% as compared to RMB96,415,000 in the corresponding period in 2016. This was mainly attributable to the increase of other miscellaneous tax expenses such as city construction tax during the period.

Share of Profits or Losses of Joint Ventures

During the six months ended 30 June 2017, the Group recorded RMB5,093,000 of the share of profits of joint ventures, while a share of loss of joint ventures of RMB2,086,000 was recorded for the six months ended 30 June 2016. The change was primarily due to implementation of cost control during the period.

Finance Income

The Group's finance income increased slightly by approximately 0.6% from approximately RMB3,705,000 for the six months ended 30 June 2016 to approximately RMB3,729,000 for the six months ended 30 June 2017. The increase in finance income was mainly attributable to the increase in average cash and bank balance.

Finance Costs

The Group's finance costs increased from approximately RMB21,178,000 for the six months ended 30 June 2016 to approximately RMB21,787,000 for the six months ended 30 June 2017, representing an increase of approximately 2.9%. 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 15.5% from approximately RMB17,136,000 for the six months ended 30 June 2016 to approximately RMB19,789,000 for the six months ended 30 June 2017. The increase was mainly due to the increase in taxable profits in the six months ended 30 June 2017 as compared to the corresponding period in 2016.

Liquidity and Financial Resources

For the six months ended 30 June 2017, the net cash generated from operating activities amounted to approximately RMB120,227,000 (30 June 2016: net cash generated from operating activities RMB101,428,000). 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.





MANAGEMENT DISCUSSION AND ANALYSIS

The net cash used in investing activities amounted to approximately RMB98,396,000 (30 June 2016: net cash used in investing activities of approximately RMB78,143,000) and the net cash flow generated from financing activities amounted to approximately RMB13,191,000 (30 June 2016: net cash flow generated from financing activities of approximately RMB9,225,000). 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 RMB35,022,000 for the six months ended 30 June 2017 (30 June 2016: net cash inflow of RMB32,510,000).

As at 30 June 2017, the Group's cash and cash equivalents (comprise cash on hand and at banks, including non-pledged time deposits) amounted to approximately RMB224,070,000 (31 December 2016: approximately RMB187,987,000).

As at 30 June 2017, the Group's interest-bearing bank borrowings were approximately RMB874,203,000 (31 December 2016: approximately RMB791,720,000), among of which, RMB650,204,000 would be due within one year (31 December 2016: RMB509,388,000). The borrowings of the Group were subject to interests payable at rates ranging from 2.20% to 6.72% per annum. The board (the "**Board**") of the directors (the "**Directors**") 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 2017, the Group had capital commitments amounting to RMB203,066,000 (31 December 2016: RMB208,619,000) for the acquisition of property, plant and equipment.

Foreign Exchange Exposure

The sales and purchases of the Group are mainly denominated in Renminbi ("**RMB**") and Euro. The cash and cash equivalents of the Group are mainly denominated in RMB, Hong Kong dollars and Euro. The borrowings are denominated in RMB, 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

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

Bonus Issue

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

The total number of issued and fully paid ordinary shares of the Company as at 30 June 2017 was 1,769,193,800.

Contingent Liabilities

As at 30 June 2017, the Group had no significant contingent liabilities (31 December 2016: Nil).



Pledge of Assets

As at 30 June 2017, the Group's assets of approximately RMB139,798,000 (31 December 2016: approximately RMB95,765,000) 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 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Property, plant and equipment	10,281	10,655
Investment property	2,508	2,632
Prepaid land lease payments	44,590	45,158
Pledged deposits	82,419	37,320
Total	139,798	95,765

As at 30 June 2017, deposits with a total book value of approximately RMB55,688,000 (31 December 2016: approximately RMB50,196,000) were pledged to secure the issue of notes payable.

Gearing Ratio

As at 30 June 2017, the Group's gearing ratio was approximately 66.4% (31 December 2016: 67.9%). 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 2017, the Group had 2,611 employees (30 June 2016: 2,559). Total staff costs of the Group (excluding directors' and chief executive's remuneration) for six months ended 30 June 2017 was approximately RMB97,818,000 (30 June 2016: approximately RMB87,154,000). 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 2017, the development of China's economy continued to be improved with a slight slowdown in certain segments. In the long run, China's automobile industry is expected to grow steadily in the coming years. As it can be seen from the data of first half 2017, the auto industry successfully maintained stable growth. According to CAAM, the sales volume for the period from January to June 2017 increased by 3.8% compared with the same period of last year. The sales volume is estimated to grow continuously during the second half of the year.

The growth of vehicle fleet has placed enormous pressure on China's energy supply and environment. Therefore, automobile manufacturers are paying more and more efforts to produce lightweight vehicles that reduce energy-consumption and pollutant emission.

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

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

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

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 2017, except for the following deviations:

Code Provisions A.6.7 and E.1.2

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

Mr. Zhou Minfeng (the chairman of the Board), four non-executive Directors and two independent non-executive Directors were unable to attend the Company’s annual general meeting held on 7 June 2017 due to their other business engagement.

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 2017, 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 2017.

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

As at 30 June 2017, 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 (the “**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 positions in the Company

Name of Director	Capacity/ Nature of interest	Number of Shares	Approximate percentage of the issued Shares
Mr. Zhou Minfeng	Interests of controlled corporation ⁽¹⁾	1,318,350,000	74.51%
	Spouse's interest	1,100,000 ⁽²⁾	0.06%
Mr. Chang Jingzhou	Beneficial owner	840,400	0.04%
Mr. Wong Luen Cheung Andrew	Beneficial owner	4,692,000	0.26%

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) Ms. Chen Chun'er, the spouse of Mr. Zhou Minfeng, has interest in 1,100,000 Shares. Therefore, Mr. Zhou Minfeng is deemed to be interested in Ms. Chen Chun'er's Shares.

Save as disclosed above, as at 30 June 2017, 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 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. The Pre-IPO Share Option Scheme has expired on 11 January 2017.

Details of the share options movement under the Pre-IPO Share Option Scheme for the six months ended 30 June 2017 are as follows:

Name	Outstanding as at 1 January 2017	Granted during the six months ended 30 June 2017	Exercised during the six months ended 30 June 2017	Lapsed during the six months ended 30 June 2017	Cancelled during the six months ended 30 June 2017	Outstanding as at 30 June 2017
Directors						
Mr. Zhou Minfeng	3,000,000	—	—	(3,000,000)	—	—
Mr. Chang Jingzhou	1,200,000	—	(764,000)	(436,000)	—	—
Ms. Lai Cairong	7,600,000	—	—	(7,600,000)	—	—
Senior Management						
In aggregate	3,100,000	—	(1,594,000)	(1,506,000)	—	—
Others						
In aggregate	19,800,000	—	(1,000,000)	(18,800,000)	—	—
Total	34,700,000	—	(3,358,000)⁽¹⁾	(31,342,000)	—	—

Note:

(1) The weighted average closing price of the Shares immediately before the dates on which these share options were exercised is HK\$0.72.

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 2017.

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 2017 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 2017 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 2017, 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 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 positions in the Company

Name	Capacity/Nature of Interest	Number of Shares	Approximate percentage of the issued Shares
Huayou Holdings ⁽¹⁾	Beneficial owner	1,318,350,000	74.51%
Chen Chun'er ⁽²⁾	Beneficial owner	1,100,000	0.06%
	Spouse's interest	1,318,350,000 ⁽³⁾	74.51%

Notes:

(1) Huayou Holdings is wholly-owned by Mr. Zhou Minfeng.

(2) Spouse of Mr. Zhou Minfeng.

(3) Shares held by Huayou Holdings, in which Mr. Zhou Minfeng is deemed to be interested by virtue of Huayou Holdings being wholly-owned by Mr. Zhou Minfeng.

Save as disclosed above, as at 30 June 2017, 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 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 (“ 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 2017, 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 (the “**Facility Agreement**”) relating to a USD17,000,000 term loan facility (the “**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 74.51% of the issued share capital of the Borrower.





AUDIT COMMITTEE

During the six months ended 30 June 2017, 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 are the independent non-executive Directors. The primary duties of the Audit Committee are to review and supervise the financial reporting process, risk management and internal control systems of the Group.

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2017 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 2017 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 26 June 2017, 160,835,800 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 every ten (10) existing Shares in issue on 16 June 2017. The total number of issued and fully paid ordinary Shares as at 30 June 2017 was 1,769,193,800.

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 2017.

INTERIM DIVIDENDS

The Board declared an interim dividend of HK0.3536 cents (equivalent to approximately RMB0.2999 cents at exchange rate 1:0.84823) per ordinary share for the six months ended 30 June 2017 (30 June 2016: Nil).

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 2017



INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2017

	Notes	For the six months ended 30 June	
		2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
REVENUE	4	830,695	806,173
Cost of sales		(596,206)	(591,302)
Gross profit		234,489	214,871
Other income and gains	4	16,127	16,409
Selling and distribution costs		(59,351)	(55,481)
Administrative expenses		(101,017)	(96,415)
Other expenses		(1,777)	(5,509)
Operating profit		88,471	73,875
Share of profits and losses of joint ventures		5,093	(2,086)
Finance income	5	3,729	3,705
Finance costs	6	(21,787)	(21,178)
PROFIT BEFORE INCOME TAX EXPENSE	7	75,506	54,316
Income tax expense	8	(19,789)	(17,136)
PROFIT FOR THE PERIOD		55,717	37,180
Attributable to:			
Owners of the parent		53,058	34,721
Non-controlling interests		2,659	2,459
		55,717	37,180
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10		
Basic			
— For profit for the period		RMB0.0299	RMB0.0197
Diluted			
— For profit for the period		RMB0.0299	RMB0.0195



INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	For the six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
PROFIT FOR THE PERIOD	55,717	37,180
OTHER COMPREHENSIVE INCOME <i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	730	384
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	730	384
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	56,447	37,564
Attributable to:		
Owners of the parent	53,788	35,105
Non-controlling interests	2,659	2,459
	56,447	37,564

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	596,550	587,074
Investment properties	12	32,623	33,876
Prepaid land lease payments	11	173,781	173,399
Intangible assets		4,010	4,382
Investment in an associate		16,816	2,004
Investments in joint ventures	13	139,963	105,641
Prepayments for acquiring property, plant and equipment		64,831	55,927
Available-for-sale investments		15,000	15,000
Deferred tax assets		15,397	16,177
Total non-current assets		1,058,971	993,480
CURRENT ASSETS			
Inventories	14	336,801	295,575
Trade and notes receivables	15	533,360	568,277
Prepayments and other receivables	16	168,268	166,407
Due from related parties	23(d)	75,780	137,122
Pledged deposits		138,107	87,516
Cash and cash equivalents		224,070	187,987
Total current assets		1,476,386	1,442,884
CURRENT LIABILITIES			
Trade and notes payables	18	583,185	590,648
Other payables, advances from customers and accruals	19	191,800	190,752
Interest-bearing bank borrowings	17	650,204	509,388
Due to the ultimate controlling shareholder	23(d)	3,443	3,603
Due to related parties	23(d)	25,439	51,085
Income tax payable		47,996	54,814
Total current liabilities		1,502,067	1,400,290
NET CURRENT (LIABILITIES)/ASSETS		(25,681)	42,594
TOTAL ASSETS LESS CURRENT LIABILITIES		1,033,290	1,036,074



INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings			
— non-current portion	17	223,999	282,332
Government grants		8,519	8,884
Deferred tax liabilities		29,002	29,212
Total non-current liabilities		261,520	320,428
Net assets		771,770	715,646
EQUITY			
Equity attributable to owners of the parent			
Share capital		142,956	128,587
Reserves		594,362	553,263
		737,318	681,850
Non-controlling interests		34,452	33,796
Total equity		771,770	715,646

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to owners of the parent										Total equity
	Share capital	Share premium	Capital reserve	Statutory	Merger reserve	Share option reserve	Exchange fluctuation reserve	Retained earnings	Total	Non-controlling interests	
				reserve funds							
	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 2017	128,587	20,030	5,580	44,441	88,278	9,504	(2,635)	388,065	681,850	33,796	715,646
Total comprehensive income for the period:											
Profit for the period	—	—	—	—	—	—	—	53,058	53,058	2,659	55,717
Exchange differences on translation of foreign operations	—	—	—	—	—	—	730	—	730	—	730
Exercise of share option	300	2,196	—	—	—	(816)	—	—	1,680	—	1,680
Bonus issue	14,069	(14,069)	—	—	—	—	—	—	—	—	—
Dividends paid to non-controlling shareholders	—	—	—	—	—	—	—	—	—	(2,003)	(2,003)
Transfer to statutory reserve funds	—	—	—	4,516	—	—	—	(4,516)	—	—	—
Transfer to discretionary surplus reserve	—	—	—	6,349	—	—	—	(6,349)	—	—	—
As at 30 June 2017 (Unaudited)	142,956	8,157	5,580	55,306	88,278	8,688	(1,905)	430,258	737,318	34,452	771,770
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 non-controlling shareholders	—	—	—	—	—	—	—	—	—	2,000	2,000
Transfer to statutory reserve funds	—	—	—	2,526	—	—	—	(2,526)	—	—	—
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



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	Notes	For the six months ended 30 June	
		2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Cash flows from operating activities:			
Profit before tax		75,506	54,316
Adjustments for:			
Finance costs	6	21,787	21,178
Share of profits and losses of joint ventures and an associate		(5,105)	2,086
Interest income	5	(3,729)	(3,705)
Gain on disposal of items of an associate	4	(3,185)	—
Gain on disposal of items of property, plant and equipment	4	(34)	(22)
Release of government grants		(365)	(501)
Depreciation of property, plant and equipment		34,927	34,893
Depreciation of investment properties		1,253	1,152
Amortisation of prepaid land lease payments		2,170	1,895
Amortisation of intangible assets		605	285
(Reversal of)/provision for inventories written down		(7,579)	71
Provision for/(reversal of) impairment of receivables		1,251	(332)
		117,502	111,316
Increase in inventories		(32,876)	(19,204)
Decrease in trade and notes receivables		33,666	42,874
Increase in prepayments and other receivables		(886)	(4,944)
Decrease/(increase) in amounts due from related parties		61,342	(32,181)
(Decrease)/increase in trade and notes payables		(7,463)	7,810
Increase in other payables, advances from customers and accruals		5,876	7,185
(Decrease)/increase in amounts due to related parties		(25,646)	5,654
(Increase)/decrease in pledged deposits		(5,491)	10,889
Decrease in amounts due to the controlling shareholder		(160)	(399)
Cash generated from operations		145,864	129,000
Income tax paid		(25,636)	(27,572)
Net cash flows generated from operating activities		120,228	101,428

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	Notes	For the six months ended 30 June	
		2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Cash flows from investing activities:			
Interest received	5	7,883	2,832
Purchases of items of property, plant and equipment		(61,567)	(53,511)
Purchases of items of prepaid land lease payments		(1,746)	(21,430)
Purchases of items of intangible assets		—	(52)
Proceeds from disposal of items of property, plant and equipment		4,894	3,215
Purchase of available-for-sale investments		—	(27,500)
Additional investment in a joint venture		(30,000)	—
Investment in an associate		(16,800)	—
Receipt of government grants		—	150
Recovery of advances to related parties		—	18,316
Increase in non-pledged time deposits with original maturity of three months or more when acquired		(1,060)	(163)
Net cash flows used in investing activities		(98,396)	(78,143)
Cash flows from financing activities:			
Capital contribution by non-controlling shareholders		—	2,000
New bank loans		455,405	516,994
Repayment of bank loans		(373,324)	(467,000)
Dividends paid to non-controlling shareholders		(2,003)	—
Interest paid		(21,787)	(21,178)
Increase in pledged deposits		(45,100)	(21,591)
Net cash flows generated from financing activities		13,191	9,225
Net increase in cash and cash equivalents		35,023	32,510
Cash and cash equivalents at beginning of year		65,472	75,987
Cash and cash equivalents at end of year		100,495	108,497
Analysis of balances of cash and cash equivalents			
Cash and cash equivalents as stated in the consolidated statement of cash flows		100,495	108,497
Cash and bank balances		100,495	108,497
Non-pledged time deposits with original maturity of three months or more when acquired		123,575	124,783
Cash and cash equivalents as stated in the consolidated statement of financial position		224,070	233,280



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

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 2017 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 2016.

Going concern basis

Notwithstanding that the Group had consolidated net current liabilities of RMB25,681,000 as at 30 June 2017, 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 2017, the Group had unutilised credit facilities from banks of approximately RMB408,000,000; 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 2017.

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 2016, 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 2017



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 7	<i>Statement of Cash Flows: Disclosure Initiative</i>
Amendments to IAS 12	<i>Income Taxes: Recognition of Deferred Tax Assets for unrecognized Losses</i>
Annual Improvements 2014-2016 Cycle	<i>Amendments to IFRS 12 Disclosure of Interests in other Entities: Clarification of the scope of disclosure requirements in IFRS 12</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 2017 is set out in the following table:

	For the six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Mainland China	767,067	744,348
Overseas	63,628	61,825
Total	830,695	806,173





NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

3. OPERATING SEGMENT *(Continued)*

Geographical information *(Continued)*

(b) Non-current assets

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Mainland China	1,008,258	942,995
Overseas	35,316	34,308
Total	1,043,574	977,303

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 2017 are set out in the following table:

	For the six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Customer A	224,406	252,265
Customer B	89,624	86,910

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 2017



4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue and other income is as follows:

	For the six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Revenue:		
Sales of goods	802,889	773,970
Sales of materials	27,806	32,203
	830,695	806,173
Other income and gains:		
Rental income	5,439	14,129
Foreign exchange gain	3,313	—
Gain on disposal of an associate	3,185	—
Compensation income	1,666	268
Government grants	1,500	601
Gain on sales of scrap materials	411	629
Gain on disposal of property, plant and equipment	34	22
Others	579	760
	16,127	16,409

5. FINANCE INCOME

	For the six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Interest income on bank deposits	3,729	3,705

6. FINANCE COSTS

	For the six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Interest expense on bank loans and borrowings	21,787	21,178





NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

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	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Cost of inventories recognised as expenses	596,206	591,302
Depreciation of property, plant and equipment	34,927	34,893
Depreciation of investment properties	1,253	1,152
Amortisation of prepaid land lease payments	2,170	1,895
Amortisation of intangible assets	605	285
Research and development costs	28,830	26,800
Lease payments under operating leases in respect of properties	7,089	6,236
Auditor's remuneration	1,300	1,500
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages, salaries and other benefits	88,562	78,907
Pension scheme contributions	9,256	8,247
	97,818	87,154
Gross rental income	(8,996)	(15,498)
Less: Direct expenses that generated rental income	3,557	1,369
Rental income, net	(5,439)	(14,129)
Foreign exchange difference, net	(3,313)	1,123
Provision for/(reversal of) impairment of receivables	1,251	(332)
(Reversal of)/provision for inventories written down	(7,579)	71
Gain on disposal of items of property, plant and equipment	(34)	(22)
Interest income	(3,729)	(3,705)

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017



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	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Current income tax		
— Charge for the period	19,219	18,481
Deferred income tax	570	(1,345)
Total tax charge for the period	19,789	17,136

9. DIVIDENDS PAID AND PROPOSED

The board has resolved to declare an interim dividend of HK0.3536 cent per share, amounting to a total of approximately RMB5,306,000 based on the 1,769,193,800 ordinary shares as at the date of this interim report for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

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 1,768,990,000 in issue during the six months ended 30 June 2017 (30 June 2016: 1,765,500,000).

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

	For the six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Earnings		
Profit attributable to owners of the parent used in the basic and diluted earnings per share calculation	53,058	34,721





NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

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

	For the six months ended 30 June	
	Number of shares	
	2017 (Unaudited)	2016 (Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	1,768,990,000	1,765,500,000*
Effect of dilution — weighted average number of ordinary shares:		
Share options	—	16,782,000*
	1,768,990,000	1,782,282,000*

* Adjusted for bonus issue on the basis of one (1) share for each existing ten shares in issue on 26 June 2017.

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

During the six months ended 30 June 2017, the Group acquired property, plant and equipment with a total cost of RMB61,567,000 (30 June 2016: RMB63,934,000).

Included in the property, plant and equipment as at 30 June 2017 were certain buildings with a net carrying value of RMB123,596,000 (31 December 2016: RMB170,151,000), 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 2017.

Certain of the Group's buildings with a net carrying value of RMB10,281,000 as at 30 June 2017 (31 December 2016: RMB10,655,000) were pledged to secure bank loans granted to the Group.

During the six months ended 30 June 2017, the Group has acquired prepaid land lease payments of RMB1,746,000 (30 June 2016: RMB21,430,000).

Included in the prepaid land lease payments as at 30 June 2017 were certain parcels of land with a net book value of RMB5,541,000 (31 December 2016: RMB10,596,000) 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 2017.

Certain of the Group's prepaid land lease payments with a carrying value of RMB44,590,000 as at 30 June 2017 (31 December 2016: RMB45,158,000) were pledged to secure bank loans granted to the Group.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017



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 2017 were certain buildings with a net carrying value of RMB11,362,000 (31 December 2016: RMB11,362,000) 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 2017.

The Group's investment properties with a net carrying value of RMB2,508,000 as at 30 June 2017 (31 December 2016: RMB2,632,000) were pledged to secure bank loans granted to the Group (Note 17).

13. INVESTMENTS IN JOINT VENTURES

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Share of net assets	139,963	105,641

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 Hualete")	Mainland China 17 March 2004	50%	50%	50%	Manufacture and sale of auto parts, designing and manufacture of high-grade textiles
Changchun Huazhong Yanfeng Plastic Omnium Automotive Exteriors Co., Ltd ("Changchun Huazhong Yangfeng", formerly known as "Changchun Huaxiang Faurecia Automotive Plastics Components Co., Ltd.")	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 2017

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 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Cash and cash equivalents	5,407	4,996
Other current assets	236,955	227,506
Current assets	242,362	232,502
Non-current assets	8,082	6,385
Financial liabilities, excluding trade and other payables	(59,900)	(59,900)
Other current liabilities	(27,908)	(29,016)
Net assets	162,636	149,971
Net assets, excluding goodwill	162,636	149,971
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	81,318	74,986
Carrying amount of the investment	81,318	74,986
	For the six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Revenues	73,856	83,742
Interest income	5	—
Depreciation and amortisation	(224)	(566)
Interest expenses	(1,472)	(287)
Profit and total comprehensive income for the year	12,664	18,433
Group's share of comprehensive income for the year	6,332	9,217

The financial statements of Ningbo Hualete 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 2017



13. INVESTMENTS IN JOINT VENTURES *(Continued)*

The following table illustrates the summarised financial information of Changchun Huazhong Yanfeng (formerly known as “Changchun Huaxiang Faurecia”) adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Cash and cash equivalents	87,936	21,777
Other current assets	133,051	253,926
Current assets	220,987	275,703
Non-current assets	129,527	134,494
Other current liabilities	(224,751)	(348,887)
Net Assets	125,763	61,310
Net assets, excluding goodwill	125,763	61,310
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	62,882	30,655
Carrying amount of the investment	62,882	30,655
	For the six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Revenues	268,760	195,619
Interest income	89	50
Depreciation and amortisation	(20,570)	(8,245)
Interest expenses	(47)	(5,114)
Loss and total comprehensive loss for the year	(6,263)	(26,414)
Group's share of comprehensive loss for the year	(3,132)	(13,207)

The financial statements of Changchun Huazhong Yanfeng (formerly known as “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 2017

14. INVENTORIES

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Raw materials	41,457	48,515
Work in progress	99,100	69,382
Finished goods	196,244	177,678
	336,801	295,575

15. TRADE AND NOTES RECEIVABLES

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Trade receivables	479,101	519,871
Notes receivable	59,036	51,932
	538,137	571,803
Impairment of the trade receivables	(4,777)	(3,526)
	533,360	568,277

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

The Group's notes receivable 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 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Within 3 months	445,639	485,461
3 to 6 months	19,102	26,444
6 months to 1 year	7,262	3,576
Over 1 year	2,321	864
	474,324	516,345

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For the six months ended 30 June 2017



16. PREPAYMENTS AND OTHER RECEIVABLES

		30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
	Note		
Prepayments		90,949	82,219
Other receivables	(i)	73,923	80,101
Current portion of prepaid land lease payments		3,396	4,087
		168,268	166,407

- (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

		30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
	Note		
Current			
Secured bank loans	(i)	35,929	10,598
Unsecured bank loans		583,900	490,790
Current portion of long term bank loans-unsecured		30,375	8,000
	(ii)	650,204	509,388
Non-current			
Unsecured bank loans		223,999	282,332





NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

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

- (i) As at 30 June 2017, the Group's bank facilities of RMB408,000,000 (31 December 2016: RMB419,065,000) were secured by pledges of the Group's assets with carrying values as follows:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Property, plant and equipment (note 10)	10,281	10,655
Investment properties (note 11)	2,508	2,632
Prepaid land lease payments (note 10)	44,590	45,158
Pledged deposits	82,419	37,320
	139,798	95,765

- (ii) The bank loans bear interest at rates ranging from 2.20% to 6.72% per annum (31 December 2016: 2.20% to 6.89% per annum).

18. TRADE AND NOTES PAYABLES

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Trade payables	399,190	408,520
Notes payable	183,995	182,128
	583,185	590,648

An aged analysis of the trade and notes payables of the Group as at 30 June 2017, based on the invoice date, is as follows:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Within 3 months	435,843	442,083
3 to 12 months	143,190	144,350
1 to 2 years	1,611	1,048
2 to 3 years	407	940
Over 3 years	2,134	2,227
	583,185	590,648

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

Notes payable were secured by certain of the Group's pledged deposits of RMB55,688,000 as at 30 June 2017 (31 December 2016: RMB50,196,000).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017



19. OTHER PAYABLES, ADVANCES FROM CUSTOMERS AND ACCRUALS

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Other payables	134,469	140,386
Advances from customers	50,321	39,256
Accruals	6,279	10,379
Government grants – current portion	731	731
	191,800	190,752

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

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 movement of share options under the Pre-IPO Share Option Scheme during the six months ended 30 June 2017 was as following:

	Weighted average exercise price HK\$ per share	Number of options '000
At 1 January 2017	0.56	34,700
Exercised during the period	0.56	3,358
Expired during the period	0.56	31,342
At 30 June 2017		—





NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

20. SHARE OPTION SCHEME *(Continued)*

Pre-IPO Share Option Scheme *(Continued)*

The 3,358,000 share options exercised during the year resulted in the issue of 3,358,000 ordinary shares of the Company and new share capital of HK\$336,000, equivalent to RMB300,000.

At the end of the reporting period, the Company had no share options outstanding under the Pre-IPO Share Option Scheme.

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 2017. There was no outstanding share option under the Share Option Scheme as at the end of the reporting period (31 December 2016: Nil)

There was no share option expense recognised under the Share Option Scheme during the six months ended 30 June 2017 (30 June 2016: Nil).



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 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Within one year	7,237	4,655
In the second to fifth years, inclusive	7,219	4,773
	14,456	9,428

22. COMMITMENTS

The Group had the following capital commitments:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Contracted, but not provided for in respect of acquisition of: Property, plant and equipment	203,066	208,619





NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

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
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 Huazhong Yanfeng (formerly known as "Changchun Huaxiang Faurecia")	Joint venture 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
公主嶺安通林華翔汽車內飾件有限公司 ("Gongzhuling Antolin Huaxiang")	Joint venture of Ningbo Huaxiang Electronics

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017



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	
		2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Purchase of goods from related parties	(ii)		
Ningbo Hualete		31,649	—
Shenyang Huaxiang		4,682	5,969
Changchun Huazhong Yanfeng (formerly known as "Changchun Huaxiang Faurecia")		4,204	37,261
Nanchang Jiangling		1,349	1,193
Huaxiang Resort		305	1,013
		42,189	45,436
Sales of raw materials to a related party	(i)		
Changchun Huazhong Yanfeng (formerly known as "Changchun Huaxiang Faurecia")		7,549	25,637
Purchase of raw materials from related parties	(ii)		
Ningbo Hualete		5,333	19,868
Ningbo Trim		74	—
		5,407	19,868
Gross rental income from related parties	(iv)		
Changchun Huazhong Yanfeng (formerly known as "Changchun Huaxiang Faurecia")		8,467	14,835
Ningbo Hualete		529	504
		8,996	15,339





NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

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

(b) Related party transactions *(Continued)*

	Notes	For the six months ended 30 June	
		2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Gross rental expense to related parties	(iv)		
Guangzhou Chengli		389	778
Huaying Moulding		532	532
		921	1,310
Entrusted loan to a related party	(iii)		
Changchun Huazhong Yanfeng (formerly known as "Changchun Huaxiang Faurecia")		—	55,000
Purchase of land use right			
Huaxiang Group	(v)	—	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% last year.

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): 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) 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 Huazhong Yanfeng Plastic (formerly known as "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 Huazhong Yanfeng (formerly known as "Changchun Huaxiang Faurecia").

As of 30 June 2016, the aforesaid banking facility utilised by Changchun Huazhong Yanfeng Plastic (formerly known as "Changchun Huaxiang Faurecia") amounted to RMB50,000,000.

The JV repaid the entrusted loan to Ningbo Huazhong Plastic through Agricultural Bank of China and China Construction Bank in December 2016.





NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

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

(d) Outstanding balances with related parties

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Amounts due from related parties		
Changchun Huazhong Yanfeng (formerly known as "Changchun Huaxiang Faurecia")	74,092	137,049
Ningbo Hualete	1,673	73
Gongzhuling Antolin Huaxiang	15	—
	75,780	137,122
Amount due to the ultimate controlling shareholder Mr. Zhou	3,443	3,603
Amounts due to related parties		
Ningbo Hualete	21,316	42,808
Nanchang Jiangling	1,537	2,780
Changchun Huazhong Yanfeng (formerly known as "Changchun Huaxiang Faurecia")	866	—
Huaying Moulding	733	335
Guangzhou Chengli	399	15
Gongzhuling Antolin Huaxiang	240	—
Huayou Holdings	158	158
Huaxiang Resort	116	281
Huaxiang Trim	74	—
Shenyang Huaxiang	—	4,682
Huaxiang Export	—	26
	25,439	51,085

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 2017.

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For the six months ended 30 June 2017

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

(e) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Wages, salaries and other benefits	3,016	2,960
Pension scheme contributions	28	27
Total compensation paid to key management personnel	3,044	2,987

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 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Trade and notes receivables	533,360	568,277
Financial assets included in prepayments and other receivables	68,923	80,101
Available-for-sale investments	15,000	15,000
Due from related parties	75,780	137,122
Pledged deposits	138,107	87,516
Cash and cash equivalents	224,070	187,987
	1,055,240	1,076,003

Financial liabilities — at amortised cost

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Financial liabilities included in other payables, advances from customers and accruals	132,485	140,386
Trade and notes payables	583,185	590,648
Interest-bearing bank borrowings	874,203	791,720
Due to the ultimate controlling shareholder	3,443	3,603
Due to related parties	25,439	51,085
	1,618,755	1,577,442



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25. FINANCIAL INSTRUMENTS

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 2017, there were no transfers between Level 1 and Level 2 and no transfers into and out of Level 3 (2016: Nil).

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 2017.

