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HUAZHONG IN-VEHICLE HOLDINGS COMPANY LIMITED
華眾車載控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6830)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

FINANCIAL HIGHLIGHTS

- Revenue was approximately RMB975,675,000 for the six months ended 30 June 2018, representing an increase of approximately 17.5% when compared to the six months ended 30 June 2017.

- Profit attributable to owners of the parent amounted to approximately RMB67,465,000 for the six months ended 30 June 2018, representing an increase of approximately 27.2% when compared to the six months ended 30 June 2017.

- Gross profit margin was 26.5% for the six months ended 30 June 2018 (the six months ended 30 June 2017: 28.2%).

- Basic earnings per share attributable to the owners of the parent was approximately RMB3.81 cents for the six months ended 30 June 2018 (the six months ended 30 June 2017: approximately RMB2.99 cents).

- The Board has resolved to declare an interim dividend of HK0.4367 cent (equivalent to approximately RMB0.3810 cent at exchange rate 1: 0.8725) per ordinary share of the Company for the six months ended 30 June 2018 (the six months ended 30 June 2017: HK0.3536 cent (approximately RMB0.2999 cent)).

UNAUDITED INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Huazhong In-Vehicle Holdings Company Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2018, together with the comparative figures for the six months ended 30 June 2017.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018

		For the six months ended 30 June	
		2018	2017
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	*3*	**975,675**	830,695
Cost of sales		**(716,752)**	(596,206)
Gross profit		**258,923**	234,489
Other income and gains	*4*	**8,526**	16,127
Selling and distribution costs		**(66,508)**	(59,351)
Administrative expenses		**(108,827)**	(101,017)
Other expenses		**(2,661)**	(1,777)
Operating profit		**89,453**	88,471
Share of profits of joint ventures		**13,211**	5,093
Finance income	*5*	**2,394**	3,729
Finance costs		**(18,864)**	(21,787)
PROFIT BEFORE INCOME TAX EXPENSE	*6*	**86,194**	75,506
Income tax expense	*7*	**(18,807)**	(19,789)
PROFIT FOR THE PERIOD		**67,387**	55,717

	Notes	For the six months ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Attributable to:			
Owners of the parent		**67,465**	53,058
Non-controlling interests		**(78)**	2,659
		67,387	55,717
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
Basic			
— For profit for the period		**RMB0.0381**	RMB0.0299
Diluted			
— For profit for the period		**RMB0.0381**	RMB0.0299

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**67,387**	55,717
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods, net of tax:		
Exchange differences on translation of foreign operations	**(293)**	730
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**(293)**	730
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**67,094**	56,447
Attributable to:		
Owners of the parent	**67,172**	53,788
Non-controlling interests	**(78)**	2,659
	67,094	56,447

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	**30 June 2018 RMB'000 (Unaudited)**	31 December 2017 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**679,184**	623,692
Investment properties		**30,115**	31,369
Prepaid land lease payments	*10*	**217,841**	192,914
Intangible assets		**7,790**	6,650
Investment in an associate		**—**	18,533
Investments in joint ventures		**156,453**	142,605
Prepayments for acquiring property, plant and equipment		**33,709**	72,878
Available-for-sale investments		**—**	15,000
Financial assets at fair value through other comprehensive income		**32,820**	—
Deferred tax assets		**15,481**	16,490
Total non-current assets		**1,173,393**	1,120,131
CURRENT ASSETS			
Inventories		**392,324**	372,575
Trade and notes receivables	*11*	**602,918**	612,857
Prepayments and other receivables		**202,903**	133,885
Due from related parties		**96,655**	70,920
Pledged deposits		**197,157**	189,864
Cash and cash equivalents		**138,300**	96,799
Total current assets		**1,630,257**	1,476,900

	Notes	**30 June 2018** *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
CURRENT LIABILITIES			
Interest-bearing bank borrowings		**718,442**	604,321
Trade and notes payables	*12*	**705,727**	621,519
Other payables, advances from customers and accruals		**159,932**	213,261
Contract liabilities		**53,678**	—
Due to the ultimate controlling shareholder		**1,110**	2,150
Due to related parties		**73,726**	74,531
Income tax payable		**48,129**	57,005
Total current liabilities		**1,760,744**	1,572,787
NET CURRENT LIABILITIES		**(130,487)**	(95,887)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,042,906**	1,024,244
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**72,620**	118,470
Government grants		**8,163**	8,570
Deferred tax liabilities		**40,455**	42,630
Total non-current liabilities		**121,238**	169,670
Net assets		**921,668**	854,574

	Notes	**30 June 2018** **RMB'000** **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**142,956**	142,956
Reserves		**741,876**	674,704
		884,832	817,660
Non-controlling interests		**36,836**	36,914
Total equity		**921,668**	854,574

1. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2018 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 consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2017.

Going concern basis

Notwithstanding that the Group had consolidated net current liabilities of RMB130,487,000 as at 30 June 2018, the consolidated 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 2018, the Group had unutilised credit facilities from banks of approximately RMB605,200,000; 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 consolidated financial statements on a going concern basis, notwithstanding the Group's financial and liquidity positions at 30 June 2018.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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 consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group has adopted the following revised IFRSs for the first time in this interim condensed consolidated financial information.

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
IFRS 9	*Financial Instruments*
IFRS 15	*Revenue from Contracts with Customers*
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*
Amendments to IAS 40	*Transfers of Investment Property*
IFRIC-22	*Foreign Currency Transactions and Advance Consideration*
IFRIC-23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2014-2016 Cycle	*Amendments to IFRS 1 and IAS 28*

The Group applies, for the first time, IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments*. As required by IAS 34, the nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the interim condensed consolidated financial statements of the Group.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 supersedes IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted IFRS 15 using the modified retrospective method of adoption. The effect of adopting IFRS 15 is, as follows:

- The comparative information for each of the primary financial statements would be presented based on the requirements of IAS 11, IAS 18 and related Interpretations;

- The cumulative catch-up adjustment to the opening balance of retained earnings (or other components of equity) as at 1 January 2018, either for all contracts or only for contracts that are not completed at the date of initial application, would not be significant and retrospected in the condensed consolidated statement of changes in equity for the six months ended 30 June 2018;

- As required for the interim condensed consolidated financial information, the Group disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. Refer to note 3 for the disclosure on disaggregated revenue. Disclosures for the comparative period in the notes to the financial statements would also follow the requirements of IAS 11, IAS 18 and related Interpretations. As a result, the disclosure of disaggregated revenue in note 3 would not include comparative information under IFRS 15; and

- The outstanding balance of advances from customers of approximately RMB72,603,000 as of 1 January 2018 arising from contracts with customers in the scope of IFRS 15 were reclassified from other payables, advanced from customers and accruals to contract liabilities.

IFRS 9 *Financial Instruments*

IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has not restated comparative information for financial instruments in the scope of IFRS 9. Therefore, the comparative information is reported under IAS 39 and is not comparable to the information presented for the six months ended 30 June 2018. Differences arising from the adoption of IFRS 9 have been recognised directly in retained profits and accumulated other comprehensive income as of 1 January 2018.

Changes to classification and measurement

Except for certain trade receivables, under IFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under IFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

The new classification and measurement of the Group's debt financial assets are, as follows:

All the Group's debt financial assets are debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's cash and cash equivalents, restricted cash, trade and notes receivables, financial assets included in prepayments and other receivables, and due from related parties.

Other financial assets are classified and subsequently measured, as follows:

All the Group's equity financial assets are equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition. This category only includes equity instruments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to so classify upon initial recognition or transition. The Group classified its unquoted equity instruments as equity instruments at FVOCI. Equity instruments at FVOCI are not subject to an impairment assessment under IFRS 9. Under IAS 39, the Group's unquoted equity instruments were classified as available-for-sale financial assets.

The assessment of the Group's business models was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

As of 1 January 2018, the category of loans and receivables under IAS 39, including cash and cash equivalents, restricted cash, trade and notes receivables, financial assets included in prepayments and other receivables, and due from related parties, were transferred to debt instruments at amortised cost under IFRS 9. Meanwhile, available-for-sale investments under IAS 39 were transferred to financial assets at fair value through other comprehensive income under IFRS 9.

The opening balance of retained earnings and accumulated comprehensive income as at 1 January 2018 would not be restated as the new measurement requirement under IFRS 9 is not of significant financial impact.

The accounting for financial liabilities remains largely the same as it was under IAS 39.

Changes to the impairment calculation

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

IFRS 9 requires the Group to record an allowance for ECLs for all the debt financial assets not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets (i.e., financial assets included in prepayments and other receivables and due from related parties), the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The Group considers a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

The impact of adopting expected credit loss model under IFRS 9 was not significant and, therefore, the Group made no adjustment to retained profits and accumulated other comprehensive income as of 1 January 2018.

3. OPERATING SEGMENT AND REVENUE FROM CONTRACTS WITH CUSTOMERS

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

(a) Revenue from external customers

With the adoption of IFRS 15 from 1 January 2018, the disaggregation of the Group's revenue from contracts with customers, for the six months ended 30 June 2018 and 2017 is as follows:

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Type of goods or service		
Sales of plastic parts and automotive parts	**871,670**	786,075
Sales of moulds and tooling	**104,005**	44,620
Total	**975,675**	830,695
An analysis of the Group's geographical information on revenue:		
Mainland China	**861,047**	767,067
Overseas	**114,628**	63,628
Total	**975,675**	830,695

All the revenues are recognized at a point in time upon goods transfer.

(b) Non-current assets

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Mainland China	**1,125,579**	1,069,327
Overseas	**32,333**	34,314
Total	**1,157,912**	1,103,641

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

(c) Information about major customers

Revenues from sales to customers that individually amounted to 7 percent or more of the Group's revenue for the six months ended 30 June 2018 are set out in the following table:

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Customer A	**266,339**	224,406
Customer B	**65,667**	89,624

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

4. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Rental income	**3,417**	5,439
Foreign exchange gain, net	**—**	3,313
Reversal of impairment of trade receivables	**1,500**	—
Gain on disposal of an associate	**547**	3,185
Compensation income	**—**	1,666
Government grants	**1,457**	1,500
Sales of scrap materials	**846**	411
Gain on disposal of items of property, plant and equipment	**519**	34
Others	**240**	579
	8,526	16,127

5. FINANCE INCOME

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest income on bank deposits	**2,394**	3,729

6. 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	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories recognised	**716,752**	596,206
Depreciation of property, plant and equipment	**38,019**	34,927
Depreciation of investment properties	**1,254**	1,253
Amortisation of prepaid land lease payments	**2,488**	2,170
Amortisation of intangible assets	**479**	605
Research and development costs	**32,675**	28,830
Lease payments under operating leases in respect of properties	**4,550**	7,089
Auditor's remuneration	**1,632**	1,300
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages, salaries and other benefits	**103,910**	88,562
Pension scheme contributions	**9,630**	9,256
	113,540	97,818
Gross rental income	**(4,999)**	(8,996)
Less: Direct expenses that generated rental income	**1,582**	3,557
Rental income, net	**(3,417)**	(5,439)
Foreign exchange difference, net	**1,194**	(3,313)
(Reversal of impairment)/impairment to trade receivables	**(1,500)**	1,251
Gain on disposal of investment in an associate	**(547)**	(3,185)
Write-down/(reversal of write-down) of inventories to net realisable value	**161**	(7,579)
Gain on disposal of items of property, plant and equipment	**(519)**	(34)
Government grants	**(1,457)**	(1,500)
Interest income	**(2,394)**	(3,729)

7. 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	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax		
— Charge for the period	**19,913**	19,219
Deferred income tax	**(1,106)**	570
Total tax charge for the period	**18,807**	19,789

8. DIVIDENDS PROPOSED

The board has resolved to declare an interim dividend of HK0.4367 cent per share, amounting to a total of approximately RMB6,746,000 based on the 1,769,193,800 ordinary shares as at the date of this announcement for the six months ended 30 June 2018 (the six months ended 30 June 2017: HK0.3536 cent (approximately RMB0.2999 cent)).

9. 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 1,769,193,800 in issue during the six months ended 30 June 2018 (the six months ended 30 June 2017: 1,768,990,000).

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

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to owners of the parent used in the basic and diluted earnings per share calculation	**67,465**	53,058

	For the six months ended 30 June Number of shares	
	2018	2017
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**1,769,193,800**	1,768,990,000
	1,769,193,800	1,768,990,000

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

During the six months ended 30 June 2018, the Group acquired property, plant and equipment with a total cost of RMB95,663,000 (the six months ended 30 June 2017: RMB61,567,000).

Included in the property, plant and equipment as at 30 June 2018 were certain buildings with a net carrying value of RMB151,689,000 (31 December 2017: RMB120,899,000), 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 2018.

Certain of the Group's buildings with a net carrying value of RMB9,456,000 as at 30 June 2018 (31 December 2017: RMB10,225,000) were pledged to secure bank loans granted to the Group.

During the six months ended 30 June 2018, the Group has acquired prepaid land lease payments of RMB26,897,000 (the six months ended 30 June 2017: RMB1,746,000).

Included in the prepaid land lease payments as at 30 June 2018 were certain parcels of land with a net book value of nil (31 December 2017: RMB25,399,000) 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 2018.

Certain of the Group's prepaid land lease payments with a carrying value of RMB43,512,000 as at 30 June 2018 (31 December 2017: RMB44,021,000) were pledged to secure bank loans granted to the Group.

11. TRADE AND NOTES RECEIVABLES

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**504,846**	519,970
Notes receivable	**102,663**	98,978
	607,509	618,948
Impairment of the trade receivables	**(4,591)**	(6,091)
	602,918	612,857

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 2018	31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**432,205**	475,893
3 to 6 months	**57,581**	30,003
6 months to 1 year	**5,284**	4,267
Over 1 year	**5,185**	3,716
	500,255	513,879

12. TRADE AND NOTES PAYABLES

An aged analysis of the trade and notes payables of the Group as at 30 June 2018 and 31 December 2017, based on the invoice date, is as follows:

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**501,204**	450,177
3 to 12 months	**200,240**	167,645
1 to 2 years	**2,555**	1,996
2 to 3 years	**53**	1,047
Over 3 years	**1,675**	654
	705,727	621,519

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 RMB58,440,000 as at 30 June 2018 (31 December 2017: RMB52,634,000).

MANAGEMENT DISCUSSION AND ANALYSIS

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 2018, the automobile industry has recorded another year of stable growth. According to the statistics from China Association of Automobile Manufacturers, over 14.06 million vehicles were manufactured and over 14.07 million vehicles were sold in the first half of 2018, representing a growth of 4.2% and 5.6%, respectively.

The sales volume of the top ten automobile manufacturers reached approximately 12.52 million units during the first half of 2018, accounting for 89.0% 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 2018, the Group's revenue was approximately RMB975,675,000, representing an increase of approximately 17.5% as compared to approximately RMB830,695,000 for the six months ended 30 June 2017. Profit attributable to the owners of the parent for the six months ended 30 June 2018 was approximately RMB67,465,000, representing an increase of approximately 27.2% as compared to RMB53,058,000 for the six months ended 30 June 2017.

The new manufacturing facilities in Tianjin has commenced production in 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.

	For the six months ended 30 June			
	2018		2017	
	Revenue (Unaudited)	**Gross profit margin**	Revenue (Unaudited)	Gross profit margin
	RMB'000	***%***	*RMB'000*	*%*
Automotive interior and exterior structural and decorative parts	**738,055**	**30.9**	629,464	31.9
Moulds and tooling	**104,005**	**11.0**	44,620	17.5
Casings and liquid tanks of air conditioners and heaters	**58,627**	**13.0**	97,281	18.7
Non-automotive products	**23,882**	**38.9**	31,524	21.0
Sale of raw materials	**51,106**	**5.2**	27,806	3.4
Total	**975,675**	**26.5**	830,695	28.2

For the six months ended 30 June 2018, the total revenue generated from automotive interior and exterior structural and decorative parts was RMB738,055,000 (the six months ended 30 June 2017: RMB629,464,000), accounting for 75.6% of the Group's total revenue for the six months ended 30 June 2018 (the six months ended 30 June 2017: 75.8%). Gross profit margin decreased slightly from 31.9% for the six months ended 30 June 2017 to 30.9% for the six months ended 30 June 2018.

For the six months ended 30 June 2018, revenue from moulds and tooling was RMB104,005,000 (the six months ended 30 June 2017: RMB44,620,000), accounting for 10.7% of the Group's total revenue for the six months ended 30 June 2018 (the six months ended 30 June 2017: 5.4%). Gross profit margin decreased from 17.5% for the six months ended 30 June 2017 to 11.0% for the six months ended 30 June 2018. During the period, the company attracted new renowned customers in overseas market with competitive pricing, as a result, the revenue increased while the gross margin decreased as compared with the same period last year.

For the six months ended 30 June 2018, revenue from casings and liquid tanks of air conditioners and heaters was RMB58,627,000 (the six months ended 30 June 2017: RMB97,281,000), accounting for 6.0% of the Group's total revenue for the six months ended 30 June 2018 (the six months ended 30 June 2017: 11.7%). Gross profit margin decreased from 18.7% for the six months ended 30 June 2017 to 13.0% for the six months ended 30 June 2018. The decrease in gross profit margin was mainly due to the decrease in demand of certain product with higher gross margin.

For the six months ended 30 June 2018, revenue from non-automotive products was RMB23,882,000 (the six months ended 30 June 2017: RMB31,524,000), accounting for 2.4% of the Group's total revenue for the six months ended 30 June 2018 (the six months ended 30 June 2017: 3.8%). Gross profit margin increased from 21.0% for the six months ended 30 June 2017 to 38.9% for the six months ended 30 June 2018.

For the six months ended 30 June 2018, revenue from sale of raw materials was RMB51,106,000 (the six months ended 30 June 2017: RMB27,806,000), accounting for 5.2% of the Group's total revenue for the six months ended 30 June 2018 (the six months ended 30 June 2017: 3.3%). The gross profit margin was 5.2% for the six months ended 30 June 2018, which recorded an increase as compared to the six months ended 30 June 2017.

For the six months ended 30 June 2018, the overall gross profit margin decreased to 26.5% (the six months ended 30 June 2017: 28.2%).

Other Income and Gains

Other income and gains of the Group for the six months ended 30 June 2018 amounted to RMB8,526,000 (the six months ended 30 June 2017: RMB16,127,000), representing a decrease of approximately 47.1% as compared to the six months ended 30 June 2017.

Selling and Distribution Costs

The Group's selling and distribution costs for the six months ended 30 June 2018 amounted to approximately RMB66,508,000, representing an increase of approximately 12.1% as compared to RMB59,351,000 in the six months ended 30 June 2017. 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 2018 amounted to approximately RMB108,827,000, representing an increase of approximately 7.7% as compared to RMB101,017,000 in the six months ended 30 June 2017. This was mainly attributable to the increase of salary and welfare, R&D expense and office expense during the period.

Share of Profits of Joint Ventures

During the six months ended 30 June 2018, the Group recorded RMB13,211,000 of the share of profits of joint ventures, while a share of profits of joint ventures of RMB5,093,000 was recorded for the six months ended 30 June 2017. The change was primarily due to implementation of cost control during the period.

Finance Income

The Group's finance income decreased by approximately 35.8% from approximately RMB3,729,000 for the six months ended 30 June 2017 to approximately RMB2,394,000 for the six months ended 30 June 2018. The decrease in finance income was mainly attributable to the decrease in average cash and bank balance.

Finance Costs

The Group's finance costs decreased from approximately RMB21,787,000 for the six months ended 30 June 2017 to approximately RMB18,864,000 for the six months ended 30 June 2018, representing a decrease of approximately 13.4%. The decrease in finance costs was mainly due to the decrease in average bank borrowings during the six months ended 30 June 2018.

Taxes

The Group's tax expenses decreased by approximately 5.0% from approximately RMB19,789,000 for the six months ended 30 June 2017 to approximately RMB18,807,000 for the six months ended 30 June 2018. The decrease was mainly due to the increase in taxable profits of lower tax rate entities in the six months ended 30 June 2018 as compared to the six months ended 30 June 2017.

Liquidity and Financial Resources

For the six months ended 30 June 2018, the net cash generated from operating activities amounted to approximately RMB96,932,000 (the six months ended 30 June 2017: net cash generated from operating activities RMB120,228,000). The cash generated from operating activities mainly resulted from an increase in prepayments and other receivables, and a decrease in amounts due from related parties.

The net cash used in investing activities amounted to approximately RMB118,435,000 (the six months ended 30 June 2017: net cash used in investing activities of approximately RMB98,396,000) and the net cash flow generated from financing activities amounted to approximately RMB47,400,000 (the six months ended 30 June 2017: net cash flow generated from financing activities of approximately RMB13,191,000). 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 bank loans.

As a result of the cumulative effect described above, the Group recorded a net cash inflow of RMB25,897,000 for the six months ended 30 June 2018 (the six months ended 30 June 2017: net cash inflow of RMB35,023,000).

As at 30 June 2018, the Group's cash and cash equivalents (including cash and bank deposits) amounted to approximately RMB138,300,000 (31 December 2017: approximately RMB96,799,000).

As at 30 June 2018, the Group's interest-bearing bank borrowings of the Group were approximately RMB791,062,000 (31 December 2017: approximately RMB722,791,000), among of which, RMB718,442,000 would be due within one year (31 December 2017: RMB604,321,000). The borrowings of the Group were subject to interests payable at rates ranging from 2.85% to 6.72% 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 2018, the Group had capital commitments amounting to approximately RMB176,711,000 (31 December 2017: RMB183,330,000) 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, United States dollars 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 2018 was 1,769,193,800.

Contingent Liabilities

As at 30 June 2018, the Group had no significant contingent liabilities (31 December 2017: Nil).

Pledge of Assets

As at 30 June 2018, the Group's assets of approximately RMB193,943,000 (31 December 2017: approximately RMB193,859,000) 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 2018	31 December 2017
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Property, plant and equipment	**9,456**	10,225
Investment Properties	**2,258**	2,383
Prepaid land lease payments	**43,512**	44,021
Pledged deposits	**138,717**	137,230
Total	**193,943**	193,859

As at 30 June 2018, pledged deposits with a total book value of approximately RMB58,440,000 (31 December 2017: approximately RMB52,634,000) were used as security to proved guarantee for the issue of notes payable.

Gearing Ratio

As at 30 June 2018, the Group's gearing ratio was approximately 65.1% (31 December 2017: 65.3%). The gearing ratio is derived by dividing net liabilities (including interest-bearing bank borrowings, trade and notes payables, other payables and accruals, and payables to related parties and the ultimate controlling shareholder less cash and cash equivalents) by total capital (including equity attributable to owners of the parent company) plus net liabilities at the end of the period under review.

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

During the six months ended 30 June 2018, the Group did not have any significant investments or material acquisition or disposal of subsidiaries, associates and joint ventures. There was no plan authorised by the Board for any material investments or additions of capital assets as at the date of this interim announcement.

Employees and Remuneration Policies

As at 30 June 2018, the Group had 3,286 employees (30 June 2017: 2,611). Total staff costs of the Group (excluding Directors' and chief executive's remuneration) for six months ended 30 June 2018 was approximately RMB113,540,000 (the six months ended 30 June 2017: approximately RMB97,818,000). The Group's remuneration policies were in line with relevant legislation, market conditions and the performance of our employees.

Events After the Reporting Period

There were no significant events after 30 June 2018 and up to the date of this announcement.

PROSPECT

During the first half of year 2018, the development of China's economy continued to be improved with a slight slowdown in certain segments. Meanwhile, the automotive industry has experienced uncertain times as the specter of changing geopolitical circumstances and faltering trade regimes with the latest escalation in a trade war between China and the United States.

Furthermore, automotive industry in China is expected to be transit to a maturity phase of development, where growth tends to be steady and qualitative, from its high-growth phase in the past years. Yet, despite a slower pace of growth in the coming years, China, in the long run, will still hold its leading position in the automotive industry in terms of its production scale and Chinese consumers will still be the biggest buyers of global automotive market.

The growth of vehicle fleet has placed enormous pressure on China's energy consumption level and environment, and hence caused burden on China's economic development. 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.

Along with the supportive regulations and promotion of automobile lightweight development in China, 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 (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") 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 2018, except for the following deviations:

Code Provisions A.6.7 and E.1.2

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

Mr. Zhou Minfeng (the chairman of the Board), four non-executive Directors and four independent non-executive Directors were unable to attend the Company's annual general meeting held on 7 June 2018 due to their other business engagement.

A full description of the Company's corporate governance will be set out in the 2018 interim report of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "**Model Code**") as the code of conduct governing dealings by all the Directors in the securities of the Company. Specific enquiries have been made with all Directors, who have confirmed that, during the six months ended 30 June 2018, they were in compliance with the required provisions set out in the Model Code.

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 2018.

INTERIM DIVIDENDS

The Board has resolved to declare an interim dividend of HK0.4367 cent (equivalent to approximately RMB0.3810 cent at exchange rate 1: 0.8725) per ordinary share of the Company for the six months ended 30 June 2018 (the six months ended 30 June 2017: HK0.3536 cent (approximately RMB0.2999 cent)). The interim dividend will be payable to the shareholders of the Company whose names appear on the register of members of the Company on 20 September 2018 and such payment is expected to be made on or around 26 October 2018.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining shareholders' entitlement to the interim dividend, the register of members of the Company will be closed from 17 September 2018 to 20 September 2018 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the entitlement to the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar and transfer office, Tricor Investor Services Limited at level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 14 September 2018.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") consists of three members, namely Mr. Yu Shuli (chairman), Mr. Tian Yushi and Mr. Xu Jiali, all of them 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.

Disclosure of financial information in this announcement complies with Appendix 16 of the Listing Rules. The Audit Committee has provided supervision over the Group's financial reporting process. The Audit Committee has reviewed the accounting standards and practices adopted by the Group and discussed the auditing and financial reporting matters, including the review of the interim results of the Group for the six months ended 30 June 2018. The Audit Committee has reviewed the interim results of the Group for the six months ended 30 June 2018 and is of the view that the announcement of interim results for the six months ended 30 June 2018 is prepared in accordance with applicable accounting standards, rules and regulations and appropriate disclosures have been duly made.

APPRECIATION

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

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (http://www.cn-huazhong.com). The interim report of the Company for the six months ended 30 June 2018 containing all the information required by the Listing Rules will be dispatched to shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

By order of the Board
Huazhong In-Vehicle Holdings Company Limited
Zhou Minfeng
Chairman

Hong Kong, 29 August 2018

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