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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6830)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

- Revenue was approximately RMB1.98 billion, representing an increase of approximately 12.3% when compared to that of the year ended 31 December 2017.

- Profit attributable to owners of the parent amounted to approximately RMB138.7 million, representing an increase of approximately 0.4% when compared to that of the year ended 31 December 2017.

- Gross profit margin was 25.4%, representing a decrease of about 3.8% when compared to that of the year ended 31 December 2017.

- Basic earnings per share attributable to owners of the parent was approximately RMB7.84 cents (2017: approximately RMB7.81 cents).

- The Board recommends the payment of a final dividend of RMB0.4030 cent (equivalent to approximately HK0.4714 cent at exchange rate 1:0.8548) per ordinary share for the Year (2017: RMB0.4810 cent per share (equivalent to approximately HK0.5700 cent per share). During the Year, an interim dividend of RMB0.3810 cent (equivalent to approximately HK0.4367 cent at exchange rate 1:0.8725) per ordinary share was declared.

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Huazhong In-Vehicle Holdings Company Limited (the "**Company**") is pleased to announce the consolidated financial results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2018 (the "**Year**"), together with the comparative figures for the year ended 31 December 2017.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2018

	Notes	**2018**	2017
		RMB'000	*RMB'000*
REVENUE	*4*	**1,979,147**	1,761,736
Cost of sales		**(1,477,390)**	(1,247,313)
Gross profit		**501,757**	514,423
Other income and gains	*4*	**29,350**	28,805
Selling and distribution expenses		**(133,123)**	(120,242)
Administrative expenses		**(214,468)**	(192,341)
Impairment losses on financial assets, net		**11,336**	(12,735)
Other expenses		**(5,262)**	(3,647)
Share of profits and losses of:			
An associate		**—**	1,733
Joint ventures		**21,388**	13,348
Finance income	*5*	**4,576**	6,050
Finance costs		**(38,227)**	(40,398)
PROFIT BEFORE TAX	*6*	**177,327**	194,996
Income tax expense	*7*	**(36,285)**	(51,724)
PROFIT FOR THE YEAR		**141,042**	143,272
Attributable to:			
Owners of the parent		**138,742**	138,151
Non-controlling interests		**2,300**	5,121
		141,042	143,272
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
Basic			
— For profit for the year		**RMB0.0784**	RMB0.0781
Diluted			
— For profit for the year		**RMB0.0784**	RMB0.0781

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

	2018	2017
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**141,042**	143,272
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**36**	1,285
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**36**	1,285
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	**2,650**	—
Income tax effect	**(662)**	—
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**1,988**	—
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**2,024**	1,285
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**143,066**	144,557
Attributable to:		
Owners of the parent	**140,766**	139,436
Non-controlling interests	**2,300**	5,121
	143,066	144,557

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	2018 *RMB'000*	2017 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**730,316**	623,692
Investment properties		**44,663**	31,369
Prepaid land lease payments		**215,217**	192,914
Intangible assets		**7,224**	6,650
Investment in an associate		**—**	18,533
Investments in joint ventures		**163,892**	142,605
Prepayments for acquiring property, plant and equipment		**56,063**	72,878
Available-for-sale investment		**—**	15,000
Equity investments designated at fair value through other comprehensive income		**39,325**	—
Deferred tax assets		**11,345**	16,490
Total non-current assets		**1,268,045**	1,120,131
CURRENT ASSETS			
Inventories		**409,974**	372,575
Trade and notes receivables	*10*	**712,983**	612,857
Prepayments and other receivables		**241,755**	133,885
Debt investment at fair value through profit or loss		**30,510**	—
Due from related parties		**85,017**	70,920
Pledged deposits		**215,004**	189,864
Cash and cash equivalents		**78,752**	96,799
Total current assets		**1,773,995**	1,476,900
CURRENT LIABILITIES			
Trade and notes payables	*11*	**848,432**	621,519
Other payables and accruals		**246,856**	213,261
Interest-bearing bank borrowings		**629,664**	604,321
Due to the ultimate controlling shareholder		**1,110**	2,150
Due to related parties		**67,819**	74,531
Income tax payable		**47,860**	57,005
Total current liabilities		**1,841,741**	1,572,787

	2018 *RMB'000*	2017 *RMB'000*
NET CURRENT LIABILITIES	**(67,746)**	(95,887)
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,200,299**	1,024,244
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**168,136**	118,470
Government grants	**8,681**	8,570
Deferred tax liabilities	**41,092**	42,630
Total non-current liabilities	**217,909**	169,670
Net assets	**982,390**	854,574
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**142,956**	142,956
Reserves	**800,220**	674,704
	943,176	817,660
Non-controlling interests	**39,214**	36,914
Total equity	**982,390**	854,574

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for equity investments which have been measured at fair value. The financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

The financial statements have been prepared under the going concern basis notwithstanding that the Group had net current liabilities of RMB67,746,000 as at 31 December 2018. The Directors of the Company are of the opinion that based on the available unutilised banking facilities as at 31 December 2018, the Group will have the necessary liquid funds to finance its working capital and to meet its capital expenditure requirements. Accordingly, the Directors are of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

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*
Annual Improvements 2014-2016 Cycle	Amendments to IFRS 1 and IAS 28

(a) IFRS 15 and its amendments replace IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a new 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 principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. As a result of the application of IFRS 15, the Group has changed the accounting policy with respect to revenue recognition.

The Group has adopted IFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018. The effect of adopting IFRS 15 is as follows:

- There is no significant cumulative effect of the initial application of IFRS 15 to be recognised as an adjustment to the opening balance of retained profits as at 1 January 2018. And the comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related interpretations;

- Before the adoption of IFRS 15, the Group recognised consideration received from customers in advance as advances from customers. Under IFRS 15, the amount is classified as contract liabilities which are included in other payables and accruals. Therefore, upon adoption of IFRS 15, the Group reclassified RMB72,603,000 from advances from customers to contract liabilities as at 1 January 2018 in relation to the consideration received from customers in advance as at 1 January 2018. As at 31 December 2018, under IFRS 15, RMB94,383,000 from advances from customers to contract liabilities in relation to the consideration received from customers in advance for the sale of plastic parts, automotive parts, moulds and tooling; and

- The Group has disclosed additional information regarding performance obligations, disaggregation of revenue and contract balances for the year ended 31 December 2018 without any comparative information. The comparative information still followed the requirements of IAS 11, IAS 18 and related Interpretations.

(b) 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 and recognised no transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under IAS 39.

Changes to classification and measurement

The following information sets out the impacts of adopting IFRS 9 on the statement of financial position, including the effect of replacing IAS 39's incurred credit loss calculations with IFRS 9's expected credit losses ("ECLs").

A reconciliation between the carrying amounts under IAS 39 and the balances reported under IFRS 9 as at 1 January 2018 is as follows:

		IAS 39 measurement			**IFRS 9 measurement**	
	Note	**Category**	**Amount**	**Re-classification**	**Amount**	**Category**
			RMB'000	*RMB'000*	*RMB'000*	
Equity investments designated at fair value through other comprehensive income			—	15,000	15,000	FVOCI (equity)[1]
From: Available-for-sale investments	(i)	AFS[2]	15,000	(15,000)	—	
Notes receivable			—	104,430	104,430	FVOCI (debt)[1]
From: Notes receivable	(ii)	L&R[3]	104,430	(104,430)	—	

1. FVOCI: Financial assets at fair value through other comprehensive income
2. AFS: Available-for-sale investments
3. L&R: Loans and receivables

Notes:

(i) The Group has elected the option to irrevocably designate its previous available-for-sale equity investment as an equity investment at fair value through other comprehensive income.

(ii) The Group's notes receivable are managed with a business model under which notes receivable are both held to collect contractual cash flows and endorsed to suppliers prior to their expiry date. Accordingly, these notes receivable are reclassified as FVOCI included in trade and notes receivables upon adoption of IFRS 9.

Other than the reclassification mentioned above, as of 1 January 2018, other financial assets previously classified as loans and receivables under IAS 39 were reclassified to financial assets at amortized cost under IFRS 9 at their original carrying values, and there have been no changes to the classification or measurement of financial liabilities as a result of the adoption of IFRS 9.

Changes to the impairment calculation

IFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The impact of adopting expected credit loss model under IFRS 9 was not significant and, therefore, the Group made no adjustment to the opening balance of retained profits as at 1 January 2018 for the changes in impairment.

Changes to hedging accounting

The changes to hedging accounting would not have financial impact on the Group's financial statements as the Group does not have hedging transactions.

All of other new and revised IFRSs above have no significant financial effect on the Group's financial statements.

3. OPERATING SEGMENT INFORMATION

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

Geographical information

(a) Revenue from external customers

	2018	2017
	RMB'000	*RMB'000*
Mainland China	**1,745,354**	1,594,420
Overseas	**233,793**	167,316
Total	**1,979,147**	1,761,736

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2018	2017
	RMB'000	*RMB'000*
Mainland China	**1,182,626**	1,054,327
Overseas	**34,749**	34,314
Total	**1,217,375**	1,088,641

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

Information about major customers

Revenue from operations of approximately RMB565,956,000 (2017: RMB499,136,000) was derived from sales to a single customer, including sales to a group of entities which are known to be under common control with that customer.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2018	2017
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Sales of plastic parts and automotive parts	**1,761,159**	1,621,540
Sales of moulds and tooling	**217,988**	140,196
	1,979,147	1,761,736

Revenue from contracts with customers

(i) Disaggregated revenue information

All the revenue from contracts with customers is derived from the one single segment as defined in note 3. And the category of revenue from contracts with customers according to geographical region is the same with the geographical information in note 3(a).

The recognition timing of all the revenue from contracts with customers is goods transferred at a point in time.

The revenue recognised during the year ended 31 December 2018 that was included in contract liabilities at the beginning of the year was RMB72,603,000. There is no revenue recognised from performance obligations satisfied in previous years.

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of products and materials: The performance obligation is satisfied upon delivery of the products and materials and payment is generally due within 30 to 90 days from delivery, except for new customers, where payment in advance is normally required. Some contracts provide customers with a right of return and volume rebates which give rise to variable consideration subject to constraint.

All the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2018 are expected to be recognised within one year as the performance obligations are part of contracts that have an original expected duration of one year or less.

	2018	2017
	RMB'000	*RMB'000*
Other income and gains		
Government grants	**4,213**	2,857
Rental income	**13,441**	8,220
Gain on sales of scrap materials	**721**	775
Gain on disposal of items of property, plant and equipment	**2,222**	1,041
Gain on deregistration of an associate	**—**	3,181
Gain on disposal of an associate	**547**	—
Foreign exchange differences, net	**—**	7,880
Other interest income from debt investments at fair value through profit or loss	**510**	—
Management fee	**3,479**	—
Others	**4,217**	4,851
	29,350	28,805

5. FINANCE INCOME

	2018	2017
	RMB'000	*RMB'000*
Interest income on bank deposits	**4,576**	6,050

6. PROFIT BEFORE TAX

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

	2018	2017
	RMB'000	*RMB'000*
Cost of inventories sold	**1,477,390**	1,247,313
Depreciation of property, plant and equipment	**78,577**	71,486
Depreciation of investment properties	**2,509**	2,507
Amortisation of land lease payments	**4,971**	4,227
Amortisation of intangible assets	**1,209**	829
Research and development costs	**64,930**	59,987
Lease payments under operating leases in respect of properties	**16,964**	13,974
Auditors' remuneration	**2,600**	2,550
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	**225,646**	177,892
Pension scheme costs	**14,216**	12,836
	239,862	190,728
Gross rental income	**(17,581)**	(11,886)
Less: Direct expenses for generating rental income	**4,140**	3,666
Rental income, net	**(13,441)**	(8,220)
Foreign exchange differences, net	**2,008**	(7,880)
Impairment loss on financial assets, net	**(11,336)**	12,735
Write-down/(reversal of write-down) of inventories to net realisable value	**140**	(5,121)
Gain on deregistration of an associate	**—**	(3,181)
Gain on disposal of an investment in an associate	**(547)**	—
Gain on disposal of items of property, plant and equipment	**(2,222)**	(1,041)
Government grants	**(4,213)**	(2,857)
Interest income on bank deposits	**(4,576)**	(6,050)

7. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "**BVI**"), the Group is not subject to any income tax in the Cayman Islands and the BVI.

No Hong Kong profits tax has been provided as there was no assessable profit earned in or derived from Hong Kong during the year ended 31 December 2018 (2017: Nil).

All of the Group's subsidiaries registered in the People's Republic of China (the "**PRC**") that have operations only in Mainland China are subject to PRC enterprise income tax ("**EIT**") at a rate of 25% on the taxable income as reported in their PRC statutory accounts adjusted in accordance with relevant PRC income tax laws except the entities stated as follows.

Pursuant to the relevant tax rules in the PRC, Chongqing Huazhong and Chengdu Huazhong were qualified as Western China development enterprises, and were entitled to a preferential rate of 15% during the year ended 31 December 2018 (2017: 15%).

In November 2016, Ningbo Huazhong Plastic Products Co., Ltd. ("**Ningbo Huazhong Plastic**") was accredited as a "High and New Technology Enterprise" to enjoy a preferential rate of 15% for the three years ended 31 December 2016, 2017, and 2018.

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

Pursuant to the local tax rules in Germany, HZ FBZ Formenbau Zuttlingen GmbH ("**HZ FBZ**") was subject to a tax rate of 28.075% during the year ended 31 December 2018 (2017: 28.075%).

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

	2018	2017
	RMB'000	*RMB'000*
Current income tax		
Charge for the year	**33,358**	38,353
Deferred income tax	**2,927**	13,371
Total tax charge for the year	**36,285**	51,724

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

	2018	2017
	RMB'000	*RMB'000*
Profit before tax	**177,327**	194,996
Tax at the statutory tax rate	**44,332**	48,749
Tax rate differences for specific provincial or local tax authority	**(7,750)**	(7,607)
Tax losses not recognised	**12,159**	2,845
Profits and losses attributable to joint ventures and associates	**(5,347)**	(3,770)
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	**(600)**	12,704
Non-taxable income	**(514)**	—
(Over)/under provision in prior years	**(185)**	1,116
Expenses not deductible for tax	**1,607**	1,906
Utilisation of tax losses in previous years	**(1,036)**	(544)
Tax incentives on eligible expenditures	**(6,381)**	(3,967)
Realisation of profits attributable to an associate from its deregistration	—	246
Effect on opening deferred tax of increase in rates	—	46
Tax charge for the year	**36,285**	51,724

8. DIVIDENDS

	2018	2017
	RMB'000	*RMB'000*
Interim — HK0.4367 cent (2017: HK0.3536 cent) per ordinary share	**6,741**	5,306

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of the basic earnings per share amount is based on the profit attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,769,193,800 (2017: 1,769,092,600) in issue during the year.

During the year ended 31 December 2017, the calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the share option scheme, where applicable. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the basic earnings per share amounts presented for the year ended 31 December 2018 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the year.

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

	2018 *RMB'000*	2017 *RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**138,742**	138,151
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,769,193,800**	1,769,092,600
Effect of dilution — weighted average number of ordinary shares:		
Share options	**—**	141,300
	1,769,193,800	1,769,233,900

10. TRADE AND NOTES RECEIVABLES

	2018 *RMB'000*	2017 *RMB'000*
Trade receivables	**613,478**	519,970
Notes receivable at fair value through other comprehensive income	**104,430**	—
Notes receivable at amortised cost	**—**	98,978
	717,908	618,948
Impairment of trade receivables	**(4,925)**	(6,091)
	712,983	612,857

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to three months for major customers. 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. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2018	2017
	RMB'000	*RMB'000*
Within 3 months	**550,087**	475,893
3 to 6 months	**50,765**	30,003
6 months to 1 year	**4,294**	4,267
Over 1 year	**3,407**	3,716
	608,553	513,879

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

	2018	2017
	RMB'000	*RMB'000*
At beginning of year	**6,091**	3,526
Impairment losses, net	**(1,166)**	2,565
At end of year	**4,925**	6,091

Impairment under IFRS 9 for the year ended 31 December 2018

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type and customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than two year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2018

	Expected loss rate	**Gross carrying amount** *RMB'000*	**Impairment** *RMB'000*
General item:			
Current and within 1 year	**0.47%**	**607,977**	**2,831**
More than one year but within 2 years	**38.07%**	**5,501**	**2,094**
		613,478	**4,925**

Impairment under IAS 39 for the year ended 31 December 2017

An ageing analysis of the trade receivables of the Group as at 31 December 2017 that were neither individually nor collectively considered to be impaired under IAS 39 is as follows:

	2017 *RMB'000*
Neither past due nor impaired	476,324
Less than 1 month past due	25,101
1 to 2 months past due	2,097
2 to 3 months past due	2,973
Over 3 months and within 1 year past due	3,668
Over 1 year past due	3,716
	513,879

Receivables that were neither past due nor impaired related to a large number of diversified customers for whom there was no history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, the Directors of the Company were of the opinion that no provision for impairment under IAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

11. TRADE AND NOTES PAYABLES

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

	2018	2017
	RMB'000	*RMB'000*
Within 3 months	**575,199**	450,177
3 to 12 months	**269,432**	167,645
1 to 2 years	**1,995**	1,996
2 to 3 years	**1,126**	1,047
Over 3 years	**680**	654
	848,432	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.

Certain notes payable were secured by pledged deposits of the Group with a carrying value of RMB68,087,000 as at 31 December 2018 (2017: RMB52,634,000).

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

During 2018, the automobile industry production and sales level had declined slightly as a result of a slowing global economy. According to the statistics from China Association of Automobile Manufacturers, over 27.8 million vehicles were manufactured and over 28.1 million vehicles were sold in 2018, representing a decrease of 4.2% and 2.8%, respectively, from the previous year. In terms of sales and manufacturing volumes, China has again ranked number one in the world for another year.

In 2018, the sales volume of the top 10 automobile manufacturers reached approximately 25.0 million units, accounting for 89.2% (2017: 88.5%) of the overall vehicle sales in China, representing an increase of 0.7 percentage points. As a tier-one supplier with scalable production capacity and strong research and development (the "**R&D**") capability, the Group has established long-term business relationships with these leading players in the market. The solid partnership with industry leaders has provided a strong foothold for the Group to capture the growth of the automobile industry.

BUSINESS REVIEW

The Group offers one-stop solutions to its customers, from the design and manufacture of moulds and tooling for mass production of specific products to the development and manufacture of new products which meet its customers' functional requirements and specifications.

The Group offers a wide range of automobile body parts, including internal and external structural and decorative parts (such as front/rear bumper, front-end carrier, dashboard, ABCD-pillars, air inlet grille and rocker panel), air conditioning unit casings and liquid tanks through our subsidiaries and jointly controlled entities. We also manufacture fabric used for ABCD-pillar and headliner for automobile through one of our jointly controlled entities.

The Group also produces moulds and tooling for our manufacturing arm, with the ability to produce moulds and tooling for complex or large-size automobile body parts such as bumper and front-end carrier. Apart from automobile-related products, the Group also manufactures other products such as top cowl cover for engine of motorboat and office chair parts.

During the year the Group faced with continuously increasing production costs. As such, the Group rigorously enforced the implementation of cost controls, improved staff quality and strengthened administrative efficiency internally. Externally, the Group strived to fortify the long-term cooperation with customers, develop new market opportunities, maintain sound business operation capability, consolidate the Group's resources and improve market competitiveness. These actions successfully helped the Group in achieving the annual targets, and laid the foundation for its sustainable operation in the future.

For the Year, the Group's revenue was approximately RMB1.98 billion, representing an increase of approximately 12.3% as compared to approximately RMB1.76 billion in 2017. Profit attributable to the owners of the parent for the Year was approximately RMB138.7 million, representing an increase of approximately 0.4% as compared to approximately RMB138.2 million in 2017.

OPERATIONS ANALYSIS

The Board believes that the Group's achievements are attributable to the following aspects:

- The Group provides one-stop product development and manufacturing solutions to customers. This vertically integrated service has enabled the Group to improve production efficiency, shorten the roll-out time for new products, stringently control production cost and quality throughout the whole production process and strengthen its business relationships with customers.

- The Group has strong R&D capacity to develop new products with customers simultaneously. This enables the Group to establish close relationships with its major customers and deepen its understanding of the customers' needs.

- The Group established production bases that are located close to the production bases of most of the key automakers in China. The geographic proximity advantage enables the Group to provide services to its customers in a timely manner, strengthen its relationships with these customers and reduce transportation costs, and thereby further enhancing its competitiveness.

- The Group maintains long-term business relationships with both domestic and multinational automakers, while rigorously engaging new customers.

- The Group is equipped with strong production capabilities and refined manufacturing technology. The Group has adopted the most advanced technologies and production equipment in this industry.

- The Group has an experienced management team with deep knowledge and understanding of the automobile body parts industry.

- The Group monitors its product quality in a stringent manner. It implements sophisticated quality monitoring procedures to select and examine raw materials, semi-finished and finished products to ensure a high standard of quality.

FINANCIAL REVIEW

Revenue

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

(i) automotive interior and exterior structural and decorative parts;

(ii) moulds and tooling;

(iii) casings and liquid tanks of air conditioners and heaters;

(iv) non-automobile products; and

(v) sale of raw materials.

	2018		2017	
		Gross profit		Gross profit
	Revenue	**Margin**	Revenue	Margin
	RMB'000	***%***	*RMB'000*	*%*
Automotive interior and exterior structural and decorative parts	**1,468,895**	**30.2**	1,345,644	33.1
Moulds and tooling	**217,988**	**5.9**	140,196	14.9
Casings and liquid tanks of air conditioners and heaters	**131,381**	**13.2**	149,775	14.2
Non-automobile products	**60,511**	**40.0**	75,165	31.9
Sale of raw materials	**100,372**	**4.3**	50,956	4.7
Total	**1,979,147**	**25.4**	1,761,736	29.2

For the Year, the total revenue generated from automotive interior and exterior structural and decorative parts was approximately RMB1,468,895,000 (2017: RMB1,345,644,000), accounting for 74.2% of the Group's total revenue for the Year (2017: 76.4%). The increase was primarily because of the expansion of new markets and new customers during the Year. Gross profit margin decreased from approximately 33.1% in 2017 to approximately 30.2% in 2018, primarily due to implementation of new setup factories which had not fully utilised its production capacity.

For the Year, revenue from moulds and tooling was approximately RMB217,988,000 (2017: RMB140,196,000), accounting for approximately 11.0% of the Group's total revenue for the Year (2017: 8.0%). Gross profit margin decreased from 14.9% in 2017 to 5.9% in the Year. 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 last year.

For the Year, revenue from casings and liquid tanks of air conditioners and heaters was approximately RMB131,381,000 (2017: RMB149,775,000), accounting for approximately 6.6% of the Group's total revenue for the Year (2017: 8.5%). Gross profit margin decreased from approximately 14.2% in 2017 to approximately 13.2% in the Year. The decrease in gross profit margin was mainly due to the decrease in demand of certain products with higher gross margin.

For the Year, revenue from non-automobile products was approximately RMB60,511,000 (2017: RMB75,165,000), accounting for approximately 3.1% of the Group's total revenue for the Year (2017: 4.3%). Gross profit margin increased from approximately 31.9% in 2017 to approximately 40.0% in the Year, mainly because of the change in product mix with better gross margin.

For the Year, revenue from sale of raw materials was approximately RMB100,372,000 (2017: RMB50,956,000), accounting for approximately 5.1% of the Group's total revenue for the Year (2017: 2.9%). Gross profit margin remained stable at approximately 4.3% (2017: 4.7%) during the Year.

Other Income and Gains

Other income and gains of the Group for the Year amounted to approximately RMB29,350,000 (2017: RMB28,805,000), representing a slight increase of 1.9% from last year.

Selling and Distribution Expenses

The Group's selling and distribution expenses for the Year amounted to approximately RMB133,123,000 (2017: RMB120,242,000). The proportion of selling and distribution expenses in sales revenue for the Year was around 6.7% (2017: 6.8%).

Administrative Expenses

The Group's administrative expenses for the Year amounted to approximately RMB214,468,000, representing an increase of approximately 11.5% as compared to approximately RMB192,341,000 in 2017. The was mainly attributable to the increase of salary and welfare, R&D expense and office expense during the year.

Share of Profits and Losses of Joint Ventures

During the Year, the Group recorded approximately RMB21,388,000 of the share of profits of joint ventures as compared to the share of profits of approximately RMB13,348,000 for 2017.

Finance Income

The Group's finance income decreased by approximately 24.4% from approximately RMB6,050,000 in 2017 to approximately RMB4,576,000 in the Year. The decrease was mainly due to decrease in average cash and bank balance.

Finance Costs

The Group's finance costs decreased from approximately RMB40,398,000 in 2017 to approximately RMB38,227,000 in the Year, representing a decrease of approximately 5.4%, which was attributable to a decrease of average bank borrowing balance during the Year.

Taxes

The Group's tax expenses decreased by approximately 29.8% from approximately RMB51,724,000 in 2017 to approximately RMB36,285,000 in the Year. The decrease was mainly attributable to the decrease in taxable profits during the Year.

Liquidity and Financial Resources

For the Year, the net cash generated from operating activities was approximately RMB204,417,000 (2017: RMB320,900,000). The cash generated from operating activities was mainly from the profits during the Year.

The net cash used in investing activities was approximately RMB165,104,000 (2017: RMB150,575,000). The net cash generated from financing activities was approximately RMB11,675,000 (2017: used in RMB208,033,000). The net cash used in investing activities was mainly for the purchase of property, plant and equipment. The net cash generated from financing activities was mainly due to the net increase in bank loans.

As a result of the above-mentioned comprehensive factors, the net cash inflow of the Group was approximately RMB50,988,000 (2017: net cash outflow RMB37,708,000).

As at 31 December 2018, the cash and cash equivalents of the Group (including cash and bank deposits) was approximately RMB78,752,000 (31 December 2017: RMB96,799,000).

As at 31 December 2018, the interest-bearing bank borrowings of the Group were approximately RMB797,800,000 (31 December 2017: RMB722,791,000) of which approximately RMB45,836,000 (equivalent to EUR5,841,000) and RMB116,389,000 (equivalent to HKD133,063,000) were borrowed in Euro and HKD, respectively, and approximately RMB629,664,000 were due within one year. Effective interest rate ranges from 2.85% to 6.31%. Amongst the bank borrowings, RMB336,389,000 were borrowed at floating interest rate, representing 42.2% of total borrowings (57.8% of total borrowings at fixed interest rate).

The Board expects that the bank loans would either be settled by fund from internal resources or rolled over as it was due. All principal banks will continue to provide fund to the Group for its business operation.

Capital Commitments

As at 31 December 2018, the Group had capital commitments amounting to approximately RMB156,941,000 (31 December 2017: RMB183,330,000) mainly including commitment for purchasing property, plant, and equipment.

Foreign Exchange Exposure

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

Capital Structure

The total number of issued and fully paid ordinary shares of the Company as at 31 December 2018 was 1,769,193,800.

Contingent Liabilities

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

Pledge of Assets

As at 31 December 2018, the Group's assets of approximately RMB213,489,000 (2017: RMB193,859,000) were pledged to secure some of the Group's interest-bearing bank borrowings. The book value of the pledged assets is set out below:

	2018	2017
	RMB'000	*RMB'000*
Property, plant and equipment	**16,643**	10,225
Investment properties	**2,133**	2,383
Prepaid land lease payments	**47,796**	44,021
Pledged deposits	**146,917**	137,230
Total	**213,489**	193,859

As at 31 December 2018, pledged deposits with book value of approximately RMB68,087,000 (2017: RMB52,634,000) were used as security to provide guarantee for the issue of notes payable.

Gearing Ratio

As at 31 December 2018, the Group's gearing ratio was approximately 66.6%, which was increased slightly as compared with the gearing ratio of approximately 65.3% as at 31 December 2017. The gearing ratio is derived by dividing net liabilities (including interest-bearing bank borrowings, trade and notes payables, other payables and accruals, and payables to related parties and the ultimate controlling shareholder less cash and cash equivalents) by total capital (including equity attributable to owners of the parent company) plus net liabilities at the end of the respective years.

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

During the Year, the Group did not have any significant investments or 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 annual announcement.

Employees and Remuneration Policies

The Group had a total of 3,316 (2017: 2,978) employees as at 31 December 2018. Total staff costs of the Group (excluding the Directors' and chief executive's remuneration) for the Year was approximately RMB239,862,000 (2017: approximately RMB190,728,000). The increase was mainly attributable to the increase of number of employees. The Group's remuneration policies were in line with relevant legislation, market conditions and the performance of our employees.

Events after the Year

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

PROSPECT

China recorded an annual slump in auto sales in 2018, representing its first contraction in more than two decades. The deceleration came amid a wider economic slowdown and partly due to the phasing out of purchase-tax cut and decline in consumer confidence. Coupled with uncertainties over China's trade relations with the U.S., the sluggish market has been adding more pressure on auto manufacturers.

Car manufacturing had been a growth engine for china in the past three decades. Whilst the sales stalled in the world's largest car market during the year, the Government took initiative to shore up the automotive industry as to simulate the economy. Recently, the National Development and Reform Commission unveiled a range of stimulus measures to spur car demand including allowing local governments to provide subsidies for rural truck and news energy vehicle purchase, in a hope to avoid another slump and provide relief to the economic pressures.

On the other hand, the Government has been promoting the sale and production of greener cars with an aim to lower energy consumption and achieve emission reduction along with environmental policies, in a way to accelerate innovation and transformation of automotive industry in China in a long run.

Although the planned government incentives offer a ray of optimism, we believe that auto manufacturers in China will still face a multitude of uncertainties and fierce competition this year.

As a leading automobile body parts manufacturer in China, we strive to tackle challenges and seize opportunities along the automotive industry chain. We will try our best to maintain our business performance with focuses on our core light-weighting manufacturing business to cope with market demands in green development. We will continue to invest in the R&D together with business partners to provide diversified and customized lightweight solutions to our customers. Furthermore, we will also put more effort in the development of new energy vehicles to enhance our competitiveness in general.

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.

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

The Group proactively formulates a prospective development strategy, taking the lead to expand into the field of automotive lightweight products. With years of experience in the automotive parts industry, we believe that the approach of "replacing steel with plastics" will continue to be developed in the industry.

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

In addition, the Group was able to improve operating efficiency and resulted in improved margin. In order to stay competitive, the Group will continue to control costs and improve efficiency.

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

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

CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions prescribed in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Rules Governing the Listing of Securities (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 complied with all applicable code provisions set out in the CG Code throughout the Year, except for the following deviation:

Code Provision E.1.2

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) was unable to attend the Company's annual general meeting held on 7 June 2018 due to his other business engagement. An executive Director chaired the meetings whereas other attended Board members were already of sufficient calibre and number for answering questions raised by the shareholders of the Company (the "**Shareholders**").

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Year.

DIVIDENDS

The Board recommends the payment of a final dividend of RMB0.4030 cent (equivalent to approximately HK0.4714 cent at exchange rate of HK$1 equals to approximately RMB0.8548) per ordinary share for the Year (2017: RMB0.4810 cent per share (equivalent to approximately HK0.5700 cent per share at an exchange rate of HK$1 equals to approximately RMB0.8439) to be payable to the Shareholders whose names appear on the register of members of the Company as at 5 June 2019. The payment of dividends shall be subject to the approval of the Shareholders of the Company at the forthcoming annual general meeting of the Company (the "**AGM**") which will be held on 27 May 2019. The proposed final dividend is expected to be paid on or before 30 July 2019. During the Year, an interim dividend of RMB0.3810 cent (equivalent to approximately HK0.4367 cent at exchange rate of HK$1 equals to approximately RMB0.8725) per ordinary share was declared.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining the Shareholders' right to attend and vote at the forthcoming AGM, the register of members of the Company will be closed from Tuesday, 21 May 2019 to Monday, 27 May 2019 (both days inclusive), during which period no transfer of shares in the Company will be registered. The holders of shares whose names appear on the register of members of the Company on Monday, 27 May 2019 will be entitled to attend and vote at the AGM. In order to qualify for attending and voting at the AGM, all transfer of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's Hong Kong share registrar and transfer office, Tricor Investor Services Limited (the "**Branch Share Registrar**"), at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Monday, 20 May 2019.

In addition, for the purpose of ascertaining the Shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed from Monday, 3 June 2019 to Wednesday, 5 June 2019 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the entitlement to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Branch Share Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 31 May 2019.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") consists of three members, namely Mr. Yu Shuli (chairman), Mr. Tian Yushi and Mr. Xu Jiali, all of them are the independent non-executive Directors. The primary duties of the Audit Committee are to review and supervise the financial reporting process, risk management and internal control systems of the Group.

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

SCOPE OF WORK OF MESSRS. ERNST & YOUNG

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

APPRECIATION

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

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (http://www.cn-huazhong.com). The annual report of the Company for the Year containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 27 March 2019

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 and Mr. Guan Xin; and the independent non-executive Directors are Mr. Wong Luen Cheung Andrew, Mr. Yu Shuli, Mr. Tian Yushi, Mr. Xu Jiali and Mr. Wu Bichao.