HUAZHONG HOLDINGS COMPANY LIMITED
華眾控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 6830)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

FINANCIAL HIGHLIGHTS

- Revenue was approximately RMB1,168,886,000, representing an increase of approximately 16.1% when compared to the same period in 2010.
- Profit attributable to owners of the parent amounted to approximately RMB110,168,000, representing an increase of approximately 4.1% when compared to the same period in 2010.
- Gross profit margin was 25.1%, representing a decrease of about 0.5 percentage points when compared to the same period in 2010.
- Basic earnings per share attributable to the owners of the parent was approximately RMB17 cents (2010: RMB17 cents).
- The Board recommends the payment of a dividend of 2.5 HK cents (equivalent to approximately 2.0 RMB cents at exchange rate 1: 0.8107) per share, which will be subject to shareholders' approval at the forthcoming annual general meeting of the Company.

ANNUAL RESULTS

The board (the "**Board**") of directors ("**Directors**") of Huazhong Holdings Company Limited (the "**Company**") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2011, together with the comparative figures for the year ended 31 December 2010.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2011

	Notes	**2011** ***RMB'000***	2010 *RMB'000*
Revenue	*5*	**1,168,886**	1,006,908
Cost of sales		**(875,784)**	(748,663)
Gross profit		**293,102**	258,245
Other income and gains	*5*	**70,692**	9,993
Gain on bargain purchase	*6*	**9,766**	21,560
Selling and distribution costs		**(83,529)**	(75,622)
Administrative expenses		**(105,721)**	(51,133)
Other expenses		**(3,456)**	(5,346)
Operating profit		**180,854**	157,697
Share of profits/(losses) of:			
Associates		**425**	(422)
Jointly-controlled entities		**(1,529)**	9,054
Finance income	*7*	**16,398**	9,585
Finance costs		**(44,971)**	(34,266)
Profit before tax	*8*	**151,177**	141,648
Income tax expense	*9*	**(38,252)**	(35,275)
Profit and total comprehensive income for the year		**112,925**	106,373
Profit and total comprehensive income for the year attributable to:			
Owners of the parent		**110,168**	105,839
Non-controlling interests		**2,757**	534
		112,925	106,373
Earnings per share attributable to ordinary equity holders of the parent	*11*		
Basic and diluted		**RMB0.17**	RMB0.17

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**256,319**	259,171
Investment properties		**45,197**	4,234
Prepaid land lease payments		**92,618**	93,055
Investments in associates		**2,774**	7,044
Investments in jointly-controlled entities		**56,505**	21,923
Prepayments for acquiring property, plant and equipment		**75,236**	7,315
Deferred tax assets		**9,939**	10,840
Total non-current assets		**538,588**	403,582
CURRENT ASSETS			
Inventories		**107,825**	89,469
Trade and notes receivables	*12*	**281,679**	305,386
Prepayments and other receivables		**154,394**	76,729
Due from the ultimate shareholder		**6,284**	—
Due from related parties		**112,587**	471,692
Loans and receivables		**—**	10,000
Pledged deposits		**155,126**	157,602
Cash and cash equivalents		**145,909**	30,080
Total current assets		**963,804**	1,140,958
CURRENT LIABILITIES			
Trade and notes payables	*13*	**515,245**	409,822
Other payables, advances from customers and accruals		**106,358**	55,458
Interest-bearing bank borrowings		**440,147**	547,000
Due to the ultimate shareholder		**—**	21,851
Due to related parties		**134,742**	124,805
Income tax payable		**43,993**	27,214
Total current liabilities		**1,240,485**	1,186,150
NET CURRENT LIABILITIES		**276,681**	45,192

	Notes	**2011**	2010
		RMB'000	*RMB'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		261,907	358,390
NON-CURRENT LIABILITIES			
Deferred revenue		**—**	67,000
Deferred tax liabilities		**5,711**	11,553
Total non-current liabilities		**5,711**	78,553
Net assets		**256,196**	279,837
EQUITY			
Equity attributable to owners of the parent			
Share capital		**—**	44,179
Reserves		**216,008**	231,629
Proposed final dividend	*10*	**16,214**	—
		232,222	275,808
Non-controlling interests		**23,974**	4,029
Total equity		**256,196**	279,837

1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board, and the disclosure requirements of the Hong Kong Companies Ordnance. All IFRSs effective for the accounting periods commencing from 1 January 2011, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the financial statements throughout the years presented.

The financial statements have been prepared on a historical cost convention. The financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousands, except when otherwise indicated.

Pursuant to the Reorganisation (the "Reorganisation") as described in the section headed "History and Corporate Structure" of the prospectus of the Company dated 30 December 2011 (the "Prospectus"), the Company became the holding company of the companies now comprising the Group on 29 July 2011. Except for Ningbo Huafeng Plastic and Latex Products Co., Ltd. ("Ningbo Huafeng"), Ningbo Xinxing Automobile Plastic Parts Manufacturing Co., Ltd. ("Ningbo Xinxing") and Changchun Huateng Automobile Parts Co., Ltd. ("Changchun Huateng") acquired in 2008, Ningbo Huazhong Moulding Manufacturing Co., Ltd. ("Ningbo Huazhong Moulding") and Guangzhou Huazhong Automobile Decorative Parts Co., Ltd. ("Guangzhou Huazhong") acquired in 2010 and Shanghai Huaxin Automobile Latex and Plastic Co., Ltd. ("Shanghai Huaxin") acquired in 2011, the companies now comprising the Group were under the common control of Mr. Zhou Minfeng ("Mr. Zhou"), the ultimate controlling shareholder, before and after the Reorganisation. Accordingly, the consolidated financial statements for the years ended 31 December 2010 and 2011 have been prepared as if the Company had always been the holding company of the subsidiaries now comprising the Group by applying the pooling of interest accounting as if the Reorganisation had been completed at the beginning of the 1 January 2010 or since their respective dates of incorporation, whichever is shorter, except for the acquisitions of Ningbo Huafeng, Ningbo Xinxing and Changchun Huateng in 2008, the acquisitions of Ningbo Huazhong Moulding and Guangzhou Huazhong in 2010 and the acquisition of Shanghai Huaxin in 2011, for which the acquisition method of accounting is applied.

Basis of consolidation

The consolidated financial statements include the financial statement of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2011. The financial statements of the subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance. 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.

2. NET CURRENT LIABILITIES

Notwithstanding that the Group had consolidated net current liabilities of RMB276,681,000 at 31 December 2011, the financial statements have been prepared by the Directors on a going concern basis.

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

(i) as at 31 December 2011, the Group had unutilised credit facilities from banks of approximately RMB225,000,000;

(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; and

(iii) subsequent to 31 December 2011, the Company was listed on the Stock Exchange of Hong Kong Limited and raised funds from initial offering amounting to approximately 224,000,000 Hong Kong dollars ("HK$") (equivalent to RMB182,336,000) (before issue expenses).

In the opinion of the directors, in light of the measures taken to date, together with the expected results of other measures in progress, it is appropriate to prepare the financial statements on a going concern basis, notwithstanding the Group's financial and liquidity positions at 31 December 2011.

3. ISSUED BUT NOT YET EFFECTIVE IFRSS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements:

IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[1]
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures — Transfers of Financial Assets*[1]
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities*[4]
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Initial Application of IFRS 9*[6]
IAS 1 Amendments	Amendments to IAS 1 *Presentation of Financial Statements Presentation of Items of Other Comprehensive Income*[3]
IAS 12 Amendments	Amendments to IAS 12 *Income Taxes — Deferred Tax: Recovery of Underlying Assets*[2]
IAS 19 Amendments	*Employee Benefits*[4]
IAS 27 (2011)	*Separate Financial Statement*[4]
IAS 28 (2011)	*Investments in Associates and Joint Ventures*[4]
IAS 32 Amendments	Amendment to IAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*[5]
IFRS 9	*Financial Instruments*[6]
IFRS 10	*Consolidated Financial Statements*[4]
IFRS 11	*Joint Arrangements*[4]
IFRS 12	*Disclosure of Interests in Other Entities*[4]
IFRS 13	*Fair Value Measurement*[4]
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*[4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2014
6 Effective for annual periods beginning on or after 1 January 2015

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group considers that these new and revised IFRSs may result in changes in accounting policies and are unlikely to have a significant impact on the Group's results of operations and financial position.

4. SEGMENT INFORMATION

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

Geographical information

(a) Revenue from external customers

An analysis of the Group's geographical information on revenue on the basis of the customers' locations is set out in the following table:

	2011	2010
	RMB'000	*RMB'000*
Mainland China	**1,100,145**	952,046
Overseas	**68,741**	54,862
Total	**1,168,886**	1,006,908

(b) Non-current assets

Since all the non-current assets, other than deferred tax assets, employed by the Group are located in Mainland China, no geographical information for non-current assets is presented.

Information about major customers

Revenue from sales to customers that individually amounted to 10 percent or more of the Group's revenue for the year are set out in the following table:

Company	**2011**	2010
	RMB'000	*RMB'000*
Customer A	**501,973**	492,304
Customer B	**117,368**	119,633

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

5. REVENUE AND OTHER INCOME

An analysis of revenue and other income is as follows:

	2011	2010
	RMB'000	*RMB'000*
Revenue:		
Sales of goods	**1,151,753**	1,006,908
Sales of materials	**17,133**	—
	1,168,886	1,006,908
Other income and gains:		
Government grants	**1,164**	1,553
Rental income	**2,484**	1,594
Gain on sales of scrap materials	**2,556**	5,908
Gain on disposal of property, plant and equipment	**11,308**	362
Gain on disposal of an internally generated intangible asset	**9,500**	—
Gain on disposal of prepaid land lease payments	**39,202**	—
Gain on disposal of investment in associates	**714**	—
Management fee *(Note (a))*	**2,500**	—
Others	**1,264**	576
Total	**70,692**	9,993

Note (a) The amount represents a management fee receivable from Changchun Huaxiang Faurecia Automotive Plastic Components Company Limited ("Changchun Huaxiang Faurecia"), a jointly-controlled entity of the Group, for administrative services rendered.

6. GAIN ON BARGAIN PURCHASE

	2011	2010
	RMB'000	*RMB'000*
Gain on bargain purchase	**9,766**	21,560

7. FINANCE INCOME

	2011	2010
	RMB'000	*RMB'000*
Interest income from a related party through entrusted loans	**10,770**	276
Interest income on loans and receivables	**2,043**	5,308
Interest income on bank deposits	**3,585**	4,001
	16,398	9,585

8. PROFIT BEFORE TAX

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

	2011	2010
	RMB'000	*RMB'000*
Cost of inventories recognised as expenses	**875,784**	786,387
Depreciation of property, plant and equipment	**34,419**	36,372
Depreciation of investment properties	**1,214**	249
Amortisation of land lease payments	**2,211**	1,358
Research and development costs	**22,590**	5,774
Lease payments under operating leases in respect of properties	**9,977**	8,047
Auditors' remuneration	**4,394**	1,008
Employee benefit expense		
Wages and salaries	**85,173**	62,928
Pension scheme costs	**5,961**	4,892
Equity-settled share option expense	**127**	—
	91,261	67,820
Gross rental income	**(4,286)**	(4,420)
Less: Direct expenses that generated rental income	**1,802**	2,826
Rental income, net	**(2,484)**	(1,594)
Net foreign exchange losses	**367**	666
Provision for impairment of receivables	**1,068**	383
(Reversal of)/provision for inventories written down	**(29)**	569
Gain on bargain purchase	**(9,766)**	(21,560)
Gain on disposal of items of investments in associates	**(714)**	—
Gain on disposal of items of prepaid land lease payments	**(39,202)**	—
Gain on disposal of an internally generated intangible asset	**(9,500)**	—
Gain on disposal of items of property, plant and equipment	**(11,308)**	(362)
Interest income	**(16,398)**	(9,585)

9. INCOME TAX

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

All of the Group's subsidiaries registered in the People's Republic of China ("PRC") that have operations only in Mainland China are subject to PRC enterprise income tax ("EIT") on the taxable income as reported in their PRC statutory accounts adjusted in accordance with relevant PRC income tax laws. On 16 March 2007, the PRC government promulgated the Enterprise Income Tax Law of the PRC (the "EIT Law"), which was effective from 1 January 2008. On 6 December 2007, the State Council issued the Implementation Regulation of the EIT Law. The EIT Law and Implementation Regulation changed the tax rate for the PRC enterprises from 33% to 25% from 1 January 2008 onwards.

Pursuant to the relevant tax rules in the PRC, Chongqing Huazhong Automobile Decorative Parts Co., Ltd. was qualified as a Western China development enterprise and was entitled to a preferential rate of 15% during the year ended 31 December 2011 (2010: 15%).

Shanghai Huaxin was subject to a preferential tax rate of 15% prior to 2008 since it is located in Pudong New Area. Following the implementation of the EIT Law in 2008, Shanghai Huaxin's tax rate gradually increases to 25% within five years and Shanghai Huaxin will be subject to a uniformed rate of 25% from 1 January 2012. For the year ended 31 December 2011, Shanghai Huaxin enjoyed a preferential rate of 24% (2010: 22%). All other subsidiaries operating in Mainland China were subject to tax rate of 25% during the year.

According to the requirements of the Provisional Regulations of the PRC on Land Appreciation Tax ("LAT") effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective from 27 January 1995, all income from the sale or transfer of state-owned leasehold interests on land, buildings and their attached facilities in Mainland China is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for property sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

The Group has estimated, made and included in tax provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for LAT is calculated.

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

	2011	2010
	RMB'000	*RMB'000*
Current income tax		
Income tax for the year	**46,094**	27,379
Under provision in prior years	**13**	5
LAT	**—**	13,474
Deferred income tax	**(7,855)**	(5,583)
Total tax charge for the year	**38,252**	35,275

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

	2011	2010
	RMB'000	*RMB'000*
Profit before tax	**151,177**	141,648
Tax at the statutory tax rate	**37,794**	35,412
Lower tax rate for specific province or local tax authority	**(1,105)**	(1,144)
Tax losses not recognised	**391**	78
Profits and losses attributable to jointly-controlled entities and associates	**276**	(2,158)
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	**(6,264)**	9,188
Non-taxable income	**(2,558)**	(5,673)
Under provision in prior years	**13**	5
Expenses not deductible for tax	**3,648**	709
Tax losses utilized	**(4,049)**	(1,142)
Sub-total	**28,146**	35,275
LAT provision released from deferred tax assets	**13,474**	—
Tax effect on LAT	**(3,368)**	—
Tax charge for the year	**38,252**	35,275

10. DIVIDENDS

	2011	2010
	RMB'000	*RMB'000*
Special dividend declared	**206,000**	—
Proposed final dividend- HK$0.025 per ordinary share	**16,214**	—
	222,214	—

Special dividend of RMB206,000,000 was declared by a subsidiary in 2011 to its then equity holders before the completion of the Reorganisation.

On 24 March 2012, the board of directors of the Company proposed a final dividend of HK$0.025 per ordinary share totalling HK$20,000,000, approximately RMB16,214,000, for the year ended 31 December 2011, which is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

11. EARNINGS PER SHARE

The calculation of basic earnings per share for the year is based on the consolidated net profit attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 640,000,000 in issue during the year ended 31 December 2011 (2010: 639,999,999), as though the capitalisation issue of shares of 639,999,999 shares prior to the Global Offering had been issued on 1 January 2010.

The share option scheme does not give rise to any dilution effect on the Company's earnings per share and there were no other dilutive potential ordinary shares during the year ended 31 December 2011.

No options were exercised during the year ended 31 December 2011.

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

	2011 *RMB'000*	2010 *RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic and diluted earnings per share calculations	**110,168**	105,839

	Number of shares 2011	 2010
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**640,000,000**	639,999,999
Effect of dilution — weighted average number of ordinary shares:		
Share options	**—**	—
	640,000,000	639,999,999

12. TRADE AND NOTES RECEIVABLES

	2011 *RMB'000*	2010 *RMB'000*
Trade receivables	**262,807**	271,475
Notes receivable	**33,930**	47,901
	296,737	319,376
Impairment of the trade receivables	**(15,058)**	(13,990)
	281,679	305,386

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.

Certain of the Group's trade receivables with a carrying value of RMB10,327,000 as at 31 December 2011 (2010: RMB13,556,000) were pledged to secure bank loans granted to the Group.

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 provisions, is as follows:

	2011	2010
	RMB'000	*RMB'000*
Within 3 months	**222,783**	229,627
3 to 6 months	**19,222**	24,789
6 months to 1 year	**5,744**	3,069
	247,749	257,485

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

	2011	2010
	RMB'000	*RMB'000*
At beginning of year	**13,990**	13,607
Impairment for the year	**1,068**	383
At end of year	**15,058**	13,990

An aged analysis of the trade receivables of the Group that are neither individually nor collectively considered to be impaired is as follows:

	2011	2010
	RMB'000	*RMB'000*
Neither past due nor impaired	**222,990**	235,034
Less than 1 month past due	**14,652**	10,298
1 to 2 months past due	**2,686**	2,642
2 to 3 months past due	**1,808**	3,355
Over 3 months and within 1 year past due	**5,613**	6,156
	247,749	257,485

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

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors believe that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The carrying amounts of the trade and notes receivables approximate to their fair values due to their short term maturity.

13. TRADE AND NOTES PAYABLES

An aged analysis of the trade and notes payables of the Group as at 31 December 2011, based on the invoice date, is as follows:

	2011	2010
	RMB'000	*RMB'000*
Within 3 months	**470,137**	360,616
3 to 12 months	**44,082**	46,000
1 to 2 years	**91**	1,327
2 to 3 years	**746**	275
Over 3 years	**189**	1,604
	515,245	409,822

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.

The carrying amounts of the trade and notes payables approximate to their fair values due to their short term maturity.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

Along with China's continuous macroeconomic growth, improved living standard and the Chinese government's stimulus policies, the number of automobiles manufactured and sold in China has grown dramatically in recent years, and China has become the world's largest car producer since 2009. As at 31 December 2011, approximately 18.5 million automobiles were sold in China in the year. According to a report issued by China Automotive Technology & Research Center, China's car penetration rate (calculated based on the average car ownership per 1,000 residents in China) rose from 1.3% in 2000 to 5.8% in 2010. However, compared to the average penetration rate of 14.4% in developed countries, China's automobile penetration rate is still at a low level.

Plastics, being the most important automotive lightweight materials, can not only reduce the weight of automobile parts and lower the purchasing costs, but also fulfil the comfort, safety, speed and energy-saving requirements of the automobile industry. With excellent overall performance and price advantage, plastic body parts are increasingly favoured by the automobile industry and the application of plastics in automobiles is currently expanding from interior and exterior accessories to body panels and functional structures. The automobile industry has applied the quantity of plastic materials used in an automobile as an important criterion for assessing the level of automobile design and production. Being one of China's leading independent manufacturers of automobile plastic body parts specializing in the production of mid- and high-end automotive interior and exteriors accessories, the Group has also ushered in unprecedented opportunities.

BUSINESS REVIEW

The year 2011 was an extraordinary year to the Group. Thanks to the hard work of all staff, we achieved remarkable success in many aspect which has laid down a solid foundation for the continuous and rapid development of the Group going forward. For the year ended 31 December 2011, the Group's revenue was approximately RMB1.169 billion, representing an increase of approximately 16.1% as compared to approximately RMB1.007 billion in 2010. Profit attributable to the owners of the parent for the year was approximately RMB110.2 million, representing an increase of approximately 4.1% as compared to approximately RMB105.8 million in 2010.

OPERATIONS ANALYSIS

The Board believes that the Group's achievements for the year 2011 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 research and development 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 has 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 developing new customers.

- The Group is equipped with strong production capabilities and exquisite 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 has implemented sophisticated quality monitoring procedures to select and examine raw materials and semi-finished and finished products to ensure the quality of its products.

FINANCIAL REVIEW

Revenue

The revenue of the Group was primarily derived from four 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; and

(iv) non-automobile products.

Solid revenue results and growth were recorded for all of these four categories during the year.

	2011		2010	
	Revenue	**Gross profit margin**	Revenue	Gross profit margin
	RMB'000	***%***	*RMB'000*	*%*
Automotive interior and exterior structural and decorative parts	**858,553**	**25.0**	839,739	25.3
Moulds and tooling	**50,906**	**26.7**	17,505	27.3
Casings and liquid tanks of air conditioners and heaters	**193,740**	**23.0**	96,056	25.7
Non-automobile products	**65,687**	**30.5**	53,608	31.0
Total	**1,168,886**	**25.1**	1,006,908	25.6

For the year ended 31 December 2011, the total revenue generated from automotive interior and exterior accessories was RMB858,553,000 (2010: RMB839,739,000), accounting for 73.4% of the Group's total revenue for the year (2010: 83.5%). The increase was primarily attributable to the production of new models and increase in orders for existing models. Meanwhile, after the establishment of the jointly-controlled entity, Changchun Huaxiang Faurecia by the Group and Faurecia (China) Investment Co., Ltd. in June 2011, the Group transferred its machinery and equipment in the manufacturing and assembling of bumpers and certain other exterior structural and decorative automobile body parts to Changchun Huaxiang Faurecia in August 2011. As a result, revenue generated from the sale of bumpers and certain other exterior structural and decorative automobile body parts was no longer included in the consolidated revenue of the Group since September 2011, which partially offset the Group's revenue growth. Gross profit margin decreased slightly from 25.3% for the year 2010 to 25.0% for the year 2011 and the decline was caused by the Group's increased investments in the research and development for new products in 2011, which did not bring immediate return to the Group.

For the year ended 31 December 2011, revenue from moulds and tooling was RMB50,906,000 (2010: RMB17,505,000), accounting for 4.4% of the Group's total revenue for the year (2010: 1.7%). The increase in revenue was attributable to the production of more new models. Gross profit margin decreased slightly from 27.3% in 2010 to 26.7% in 2011.

For the year ended 31 December 2011, revenue from casings and liquid tanks of air conditioners and heaters was RMB193,740,000 (2010: RMB96,056,000), accounting for 16.6% of the Group's total revenue for the year (2010: 9.5%). The substantial increase was attributable to the Group's acquisition of Shanghai Huaxin in February 2011, which is primarily engaged in the production of casings for automotive air conditioners and heaters and for batteries. Gross profit margin decreased from 25.7% in 2010 to 23.0% in 2011, which was caused by the change in product mix as a result of the Group's acquisition of Shanghai Huaxin.

For the year ended 31 December 2011, revenue from non-automobile products was RMB65,687,000 (2010: RMB53,608,000), accounting for 5.6% of the Group's total revenue for the year (2010: 5.3%). The increase was primarily due to greater demand for the relevant products by the Group's overseas customers. Gross profit margin decreased slightly from 31.0% in 2010 to 30.5% in 2011.

Other income and gains

Other income and gains of the Group for the year amounted to RMB70,692,000, representing an increase of approximately 607.4% as compared to 2010. The increase was mainly attributable to the following factors: (i) as disclosed in the Prospectus, the Group disposed of production equipment and an internally generated intangible asset of Changchun Huaxiang Automobile Plastic Parts Manufacturing Co., Ltd. ("Changchun Huaxiang") to Changchun Huaxiang Faurecia during the year, which generated a profit of approximately RMB20,808,000; and (ii) as disclosed in the Prospectus, the land use rights for a piece of land located in the Changchun Jingyue Development Zone which were previously owned by the Group, were changed from industrial use to commercial use by the government, and the Group sold its use rights on that piece of land in 2011, which generated a profit before tax of approximately RMB39,202,000 for the Group.

Gain on Bargain Purchase

During the year, the Group recorded an one-off gain of RMB9,766,000 upon its acquisition of the equity interests in Shanghai Huaxin prior to the listing (the "Listing") of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The gain represented the difference between the fair value of the net identifiable assets acquired and liabilities assumed, and the consideration paid.

Selling and Distribution Costs

The Group's selling and distribution costs for the year amounted to approximately RMB83,529,000, representing an increase of approximately 10.5% as compared to 2010. The proportion of selling and distribution costs in sales revenue dropped by approximately 0.4% from approximately 7.5% in the previous year to approximately 7.1%. The decline in proportion was caused by the Group's economies of scale and stronger cost control measures.

Administrative Expenses

The Group's administrative expenses for the year amounted to approximately RMB105,721,000, representing an increase of approximately 106.8% as compared to RMB51,133,000 in the previous year. The increase was mainly attributable to the following reasons: (i) due to the Group's acquisition of equity interests in Shanghai Huaxin in early 2011, in Ningbo Huazhong Moulding and Guangzhou Huazhong both at the end of 2010, the number of employees of the Group increased in 2011, which led to the increase in wages and welfare expenses, (ii) an increase in Listing-related professional service fees of approximately RMB13,700,000 as compared to 2010, and (iii) in response to the market demand for new products, the Group increased investments in research and development for new products, which led to an increase of approximately RMB16,816,000 in research and development expenditures as compared to the previous year.

Finance Income

The Group's finance income increased by approximately 71.1% from approximately RMB9,585,000 in 2010 to approximately RMB16,398,000 in 2011. The increase in finance income was mainly attributable to the increase in interest from the loans lent by the Group through bank entrusted loans during the year.

Finance Costs

The Group's finance costs increased from approximately RMB34,266,000 in 2010 to approximately RMB44,971,000 in 2011, representing an increase of approximately 31.2%. The increase in finance costs was mainly due to the increased use of discounted bank acceptance notes and the rise in interest rates during the year.

Taxes

The Group's tax expenses increased by approximately 8.4% from approximately RMB35,275,000 in 2010 to approximately RMB38,252,000 in 2011. The increase was attributable to the increase in the Group's profit before tax as compared to the previous year.

Liquidity and Financial Resources

During the year, the Group maintained a healthy liquidity position, with working capital financed by both internal resources and bank borrowings. As at 31 December 2011, the Group's cash and cash equivalents (comprise cash on hand and at banks, including term deposits) amounted to approximately RMB145.9 million, representing an increase of approximately RMB115.8 million as compared to RMB30.1 million as at 31 December 2010. The increase in cash and cash equivalents mainly due to the Group's net cash inflow from operating activities of approximately RMB174.9 million. The net cash inflow from operating activities was primarily derived from the profit for the year, which was driven by the production of new models and the increase in orders for existing models and the Group's cost control. The decrease in trade receivables was due to the more stringent implementation of the Group's account receivables management and credit period policies. The increase in other receivables was mainly attributable to the increase in prepayments to suppliers to ensure raw materials supply for production processes in the first quarter of 2012; and the growth in other payables was mainly attributable to the withholding taxes payable on dividends distributed during the year. As at 31 December 2011, the Group's interest-bearing bank borrowings were approximately RMB440,147,000 (2010: approximately RMB547,000,000), all of which were due within one year. As at 31 December 2011, RMB30,147,000 of the bank borrowings were subject to fixed interest rate. The Group's earnings, costs, expenses, borrowings and cash and cash equivalents were primarily denominated in Renminbi, therefore, the foreign currency exchange risk borne by the Group was insignificant.

Contingent Liabilities

The Group issued a guarantee of RMB7,020,000 for bank facilities of a jointly controlled entity of the Group as at 31 December 2011. As at 31 December 2010, the total amount of guarantees issued by the Group for the bank loans of related parties and a third party was RMB437,170,000.

Pledge of Assets

As at 31 December 2011, the Group's assets of approximately RMB51,463,000 (2010: approximately RMB30,218,000) were pledged to secure some of the Group's interest-bearing bank borrowings. The book value of the pledged assets is set out below:

	2011	2010
	RMB'000	*RMB'000*
Property, plant and equipment	**20,889**	9,571
Investment property	**3,879**	4,234
Prepaid land lease payments	**13,118**	2,857
Trade receivables	**10,327**	13,556
Pledged deposits	**3,250**	—
Total	**51,463**	30,218

As at 31 December 2011, pledged deposits with book value of approximately RMB151,876,000 (2010: approximately RMB152,602,000) were used as security to provide guarantee for the issuance of notes payable.

Restructuring and Significant Investments

During the year, the Group underwent corporate restructuring, acquired Shanghai Huaxin and set up Changchun Huaxiang Faurecia prior to the Listing. Please refer to the section headed "History and Corporate Structure" in the Prospectus for further details on the restructuring and relevant significant investments.

Gearing Ratio

As at 31 December 2011, the Group's gearing ratio was approximately 81.9%, which was close to the gearing ratio of approximately 80.4% as at 31 December 2010. The gearing ratio is derived by dividing net liabilities (including interest-bearing bank borrowings, trade and notes payables, other payables, advances from customers and accruals, and payables to related parties and ultimate shareholders 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.

Employees and Remuneration Policies

Total staff costs of the Group for 2011 was approximately RMB91,261,000 (2010: approximately RMB67,820,000). The increase was attributable to the increase in the number of employees of the Group in 2011 as a result of the acquisition of Shanghai Huaxin, Ningbo Huazhong Moulding and Guangzhou Huazhong. The Group's remuneration policies were in line with relevant legislation, market conditions and the performance of our employees.

OUTLOOK

According to the forecasts on the Chinese automobile industry in 2012 released by China Association of Automobile Manufacturers (CAAM), the number of automobiles to be sold in 2012 will increase by approximately 8% to about 20 million, of which, approximately 15.87 million will be passenger automobiles, representing a growth of approximately 9.5%. Sedans, which account for the largest percentage of passenger automobiles will increase by 10.5% to approximately 11.18 million. In terms of exports, it is estimated that about 1.05 million to 1.10 million automobiles will be exported in 2012, representing a year-on-year increase of 25% to 30%. In 2012, the macro economy will continue to develop steadily and the market structure will be adjusted gradually. The increase in automobile product diversification, miniaturization and energy-saving will provide consumers with more options to choose from. The national incentive policy for expanding domestic demand, the rigid demand for automobiles in China and many other factors will provide a favourable environment and conditions for the development of the automobile industry. Nevertheless, various adverse factors, including the deceleration in global economic growth, the increase in the cost of automobile consumption, the pressures on Renminbi appreciation and the impact of increasing trade frictions on exports, will also bring challenges to the future development of the Group.

According to the forecast on the growth momentum of China's automobile market by China Automotive Technology & Research Center, the growth in automobile sales will shift from the first-tier cities to the second- and third-tier cities and, along with the constant improvements in the living standard in the rural areas, the rural automobile market will experience a rapid growth. In addition, it is expected that, in 2012, automobile production and sales will undergo structural differentiations. Mid- and high-end passenger automobile models and commercial passenger automobile models will maintain relatively fast growth, and the Sino-foreign joint brand automobiles will continue its rapid growth in 2012.

In light of the above, the Company will continue to implement its development strategy of "expanding existing production facilities and capacity, 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.

We believe that, along with the continuous rapid development of the national economy and the improvement in the living standards and life quality of people in both urban and rural areas in China, there are immense growth potentials for the automobile market in China, which will inevitally drive the growth of the automobile body parts market and the demand for mid- and high-end automobile body parts by automobile manufacturers.

USE OF PROCEEDS FROM GLOBAL OFFERING

The Group offered a total of 160 million shares for subscription on the Stock Exchange on 12 January 2012 and the total amount of proceeds was approximately HK$200 million, after deducting underwriting commissions and other estimated expenses payable for the offering. Currently, we plan to use the net proceeds from the offering primarily for the following purposes:

- Approximately 60% of the net proceeds will be used for constructing new manufacturing facilities in Yantai, Changchun, Wuhu and Foshan and expanding and upgrading existing production facilities in Ningbo and Chengdu to increase production capacity.

- Approximately 20% of the net proceeds will be used for supporting our research and development of potential new products and production technologies and improving rubber performance and quality.

- Approximately 10% of the net proceeds will be used for acquiring companies to increase our product offerings, improve our product development capacity and expand our market share and revenue base.

- Approximately 10% of the net proceeds will be used for replenishing our working capital and other general purposes.

CODE ON CORPORATE GOVERNANCE PRACTICES ("CORPORATE GOVERNANCE CODE")

The Company has adopted the code provisions contained in the Corporate Governance Code set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The Company was listed on the Main Board of the Stock Exchange on 12 January 2012 (the "**Listing Date**").

In accordance with the requirement of the Listing Rules, the Company has established an audit committee, a nomination committee and a remuneration committee with defined terms of reference. From the Listing Date up to the date of this announcement, all code provisions set out in the Code were fulfilled by the Company except for the deviation from code provision A.2.1, which stipulates that the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS ("MODEL CODE")

The Company has also adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct governing dealings by all the Directors in the securities of the Company. Having made specific enquiry with all Directors, all Directors confirmed that they had complied with the required standard of dealings as set out in the Model Code throughout the period from the Listing Date to the date of this announcement.

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

Since the Listing Date and up to the date of this announcement, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DIVIDENDS

The Board has proposed distribution of a final dividend of 2.5 HK cents (equivalent to approximately 2.0 RMB cents at exchange rate 1: 0.8107) per share in cash to shareholders of the Company for the year ended 31 December 2011, representing a total payout of approximately RMB16.2 million, subject to the approval by the shareholders of the Company at the Company's forthcoming annual general meeting (the "**AGM**") to be held on 18 May 2012. Further announcement will be made in respect of the date of closure of register of members of the Company and the date of payment of dividend in due course.

AGM

The AGM of the Company will be held in Hong Kong on Friday, 18 May 2012. Notice of the annual general meeting will be issued and disseminated to shareholders of the Company in due course.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") consists of three members, namely Mr. Su Xijia (Chairman), Mr. Yu Shuli and Mr. Tian Yushi, all of them are the independent non-executive Directors (including one independent non-executive Director with suitable professional qualifications or expertise in accounting or financial management). 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 ended 31 December 2011.

APPRECIATION

The Chairman of the Group would like to take this opportunity to thank his fellow Directors for their invaluable advice and guidance, and to 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 ended 31 December 2011 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 Holdings Company Limited
Zhou Minfeng
Chairman

Hong Kong, 24 March 2012

As at the date of this announcement, the executive Directors are Mr. Zhou Minfeng and Mr. Chang Jingzhou, the non-executive Directors are Ms. Lai Cairong and Mr. Wang Yuming, and the independent non-executive Directors are Mr. Su Xijia, Mr. Yu Shuli and Mr. Tian Yushi.