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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

FINANCIAL HIGHLIGHTS

- Revenue was approximately RMB521,105,000, representing a decrease of approximately 9.1% when compared to the same period in 2011.
- Profit attributable to owners of the parent amounted to approximately RMB10,065,000, representing a decrease of approximately 80.3% when compared to the same period in 2011.
- Gross profit margin was 25.4%, representing a decrease of about 0.9 percentage points when compared to the same period in 2011.
- Basic earnings per share attributable to the owners of the parent was approximately RMB1 cent.
- The Board do not recommend the payment of an interim dividend for the six months ended 30 June 2012.

UNAUDITED INTERIM RESULTS

The board (the "**Board**") of directors ("**Directors**") of Huazhong Holdings Company Limited (the "**Company**") announces the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2012 (the "**Period**"), together with the comparative figures for the corresponding period in 2011.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

		For the six months ended 30 June	
		2012	2011
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Audited)
Revenue	*5*	**521,105**	573,538
Cost of sales		**(388,516)**	(422,473)
Gross profit		**132,589**	151,065
Other income and gains	*5*	**10,249**	3,072
Gain on bargain purchase		**—**	9,766
Selling and distribution costs		**(39,457)**	(41,239)
Administrative expenses		**(45,397)**	(34,255)
Other expenses		**(1,513)**	(3,135)
Operating profit		**56,471**	85,274
Share of profits/(losses) of			
Associates		**194**	100
Jointly controlled entities		**(6,879)**	4,686
Finance income	*6*	**4,083**	4,633
Finance costs		**(25,860)**	(23,964)
Profit before income tax expenses	*7*	**28,009**	70,729
Income tax expense	*8*	**(16,207)**	(18,208)
Profit for the period		**11,802**	52,521
Attributable to:			
Owners of the parent		**10,065**	51,012
Non-controlling interests		**1,737**	1,509
Earnings per share attributable to ordinary equity holders of the parent	*10*		
Basic and diluted		**RMB0.01**	RMB0.08

	For the six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Profit for the period	**11,802**	52,521
Other comprehensive income		
Exchange differences on translation of foreign operations	**(2,215)**	—
Other comprehensive loss for the period, net of tax	**(2,215)**	—
Total comprehensive income for the period	**9,587**	52,521
Attributable to:		
Owners of the parent	**7,850**	51,012
Non-controlling interests	**1,737**	1,509
	9,587	52,521

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2012

	Notes	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*11*	**294,035**	256,319
Investment properties		**43,893**	45,197
Prepaid land lease payments	*11*	**107,237**	92,618
Investment in an associate		**2,632**	2,774
Investments in jointly-controlled entities		**42,411**	56,505
Prepayments for acquiring property, plant and equipment		**5,120**	75,236
Intangible assets		**958**	—
Deferred tax assets		**8,754**	9,939
Total non-current assets		**505,040**	538,588
CURRENT ASSETS			
Inventories		**149,219**	107,825
Trade and notes receivables	*12*	**326,442**	281,679
Prepayments and other receivables		**278,676**	154,394
Due from the ultimate shareholder		**5,142**	6,284
Due from related parties		**86,855**	112,587
Pledged deposits		**105,516**	155,126
Cash and cash equivalents		**98,006**	145,909
Total current assets		**1,049,856**	963,804
CURRENT LIABILITIES			
Interest-bearing bank borrowings		**459,064**	440,147
Trade and notes payables	*13*	**435,076**	515,245
Other payables, advances from customers and accruals		**136,672**	106,358
Due to the ultimate shareholder		**1,084**	—
Due to related parties		**64,778**	134,742
Income tax payable		**29,409**	43,993
Total current liabilities		**1,126,083**	1,240,485
NET CURRENT LIABILITIES		**76,227**	276,681
TOTAL ASSETS LESS CURRENT LIABILITIES		**428,813**	261,907

	Notes	**30 June 2012** *RMB'000* **(Unaudited)**	31 December 2011 *RMB'000* (Audited)
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**8,586**	5,711
Total non-current liabilities		**8,586**	5,711
Net assets		**420,227**	256,196
EQUITY			
Equity attributable to owners of the parent			
Share capital		**65,120**	—
Reserves		**333,071**	216,008
Proposed final dividend	*9*	**—**	16,214
		398,191	232,222
Non-controlling interests		**22,036**	23,974
Total equity		**420,227**	256,196

1. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2012 have been prepared in accordance with International Accounting Standard ("**IAS**") 34 "Interim Financial Reporting".

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2011.

Net Current Liabilities

Notwithstanding that the Group had consolidated net current liabilities of RMB76,227,000 at 30 June 2012 and net cash outflow used in operating activities of RMB142,568,000, 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 30 June 2012, the Group had unutilised credit facilities from banks of approximately RMB203,000,000; and

(ii) the directors continue to take action to tighten cost controls over various operating expenses, and are actively seeking new investment and business opportunities with an aim to attaining profitable and positive cash flow operations;

In the opinion of the directors, in light of the measures taken to date, together with the expected results of other measures in progress, it is appropriate to prepare the financial statements on a going concern basis, notwithstanding the Group's financial and liquidity positions at 30 June 2012.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and basis of preparation adopted in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2011, except in relation to the new and revised International Financial Reporting Standards ("**IFRSs**", which also include IASs and interpretations) as set out below that are adopted for the first time for the current period's unaudited interim condensed consolidated financial statements, the adoption of these new and revised IFRSs has had no significant impact on the results and the financial position of the Group.

3. ADOPTION OF NEW AND REVISED IFRSs

During the six months ended 30 June 2012, the following new standards and interpretations are adopted by the Group:

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*
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures — Transfers of Financial Assets*
IAS 12 Amendments	Amendments to IAS 12 *Income Taxes — Deferred Tax: Recovery of Underlying Assets*

The adoption of these new and revised IFRSs has had no significant financial effect on these interim condensed financial information and there have been no significant changes to the accounting policies applied in these interim condensed financial information.

The Group has not early adopted any other standard, interpretation or amendment that was issued but is not yet effective.

4. OPERATING SEGMENT

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

Geographical information

(a) Revenue from external customers

An analysis of the Group's geographical information on revenue on the basis of the customers' locations for the six months ended 30 June 2012 is set out in the following table:

	For the six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Mainland China	**488,142**	548,325
Overseas	**32,963**	25,213
Total	**521,105**	573,538

(b) Non-current assets

Substantially all non-current assets, employed by the Group are located in Mainland China, no geographical information for non-current assets is presented.

Information about major customers

Revenues from sales to customers that individually amounted to 10 percent or more of the Group's revenue for the six months ended 30 June 2012 are set out in the following table:

	For the six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Customer A	**189,483**	270,912
Customer B	**51,355**	57,704

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, OTHER INCOME AND GAINS

An analysis of revenue and other income is as follows:

	For the six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Revenue:		
Sales of goods	**499,950**	573,538
Sales of materials	**21,155**	—
	521,105	573,538
Other income and gains:		
Government grants	**2,423**	284
Rental income	**2,386**	307
Gain on sales of scrap materials	**528**	1,245
Gain on disposal of investment in associates	**—**	714
Management fee income *(Note (a))*	**3,000**	—
Others	**1,912**	522
	10,249	3,072

Note (a) Management fee income represents income for administrative services rendered to Changchun Huaxiang Faurecia Automotive Plastic Components Company Limited ("**Changchun Huaxiang Faurecia**"), a jointly-controlled entity of the Group.

6. FINANCE INCOME

	For the six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Interest income from a related party through entrusted loans	**—**	2,819
Interest income on loans and receivables	**—**	709
Interest income on bank deposits	**4,083**	1,105
	4,083	4,633

7. PROFIT BEFORE INCOME TAX EXPENSE

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

	For the six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Cost of inventories recognised as expenses	**388,516**	436,456
Depreciation of property, plant and equipment	**18,523**	24,164
Depreciation of investment properties	**1,304**	124
Amortisation of prepaid land lease payments	**1,286**	976
Research and development costs	**2,126**	2,096
Lease payments under operating leases in respect of properties	**4,128**	4,864
Employee benefit expense (including directors' remuneration):		
Wages, salaries and other benefits	**45,716**	39,437
Pension scheme contributions	**6,624**	5,052
Equity-settled share option expense	**2,861**	—
	55,201	44,489
Gross rental income	**(4,051)**	(504)
Less: Direct expenses that generated rental income	**1,665**	197
Rental income, net	**(2,386)**	(307)
Foreign exchange difference, net	**822**	330
(Reversal of)/provision for impairment of receivables	**(671)**	1,516
Write-down of inventories to net realizable value	**398**	2,358
Loss on disposal of items of property, plant and equipment	**7**	59
Interest income	**(4,083)**	(4,633)

8. INCOME TAX EXPENSE

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

	For the six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current income tax		
— Charge for the period	**12,147**	14,513
— Under-provision in prior periods	**—**	13
Deferred income tax	**4,060**	3,682
Total tax charge for the period	**16,207**	18,208

9. DIVIDENDS PAID AND PROPOSED

	For the six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Dividends on ordinary shares declared and paid during the six-month period:		
Final dividend for 2011: HK$0.025 (2010: Nil)	**16,214**	—

The board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

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

The calculation of basic earnings per share for the period is based on the consolidated net profit attributable to owners of the parent and the weighted average number of ordinary shares of 790,329,670 in issue during the six months ended 30 June 2012 (30 June 2011: 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 2011.

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 six months ended 30 June 2012.

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

	For the six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Earnings		
Profit attributable to owners of the parent used in the basic and diluted earnings per share calculation	**10,065**	51,012

	For the six months ended 30 June	
	2012	2011
	Number of shares	
	(Unaudited)	(Audited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**790,329,670**	639,999,999
Effect of dilution — weighted average number of ordinary shares:		
Share options	**—**	—
	790,329,670	639,999,999

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

During the six months ended 30 June 2012, the Group acquired property, plant and equipment with a total cost of RMB57,543,000 (30 June 2011: RMB60,472,000).

During the six months ended 30 June 2012, property, plant and equipment with a net book value of RMB1,304,000 (30 June 2011: RMB164,000) were disposed of by the Group resulting in a net loss on disposal of RMB7,000 (30 June 2011: RMB59,000).

Included in the property, plant and equipment as at 30 June 2012 were certain buildings with a net carrying value of RMB54,001,000 (31 December 2011: RMB39,643,000), of which the property ownership certificates have not been obtained. The directors are of the view that the Group is entitled to lawfully and validly occupy and use the above mentioned buildings. The directors are also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at 30 June 2012.

Certain of the Group's buildings with a net carrying value of RMB20,161,000 as at 30 June 2012 (31 December 2011: RMB20,889,000) were pledged to secure bank loans granted to the Group.

During the six months ended 30 June 2012, the Group acquired prepaid land lease payments with a cost of RMB16,000,000 (30 June 2011: RMB3,085,000).

Included in the prepaid land lease payments as at 30 June 2012 were certain lands with a net book value of RMB31,563,000 (31 December 2011: RMB16,269,600), which the Group is yet to sign the land transfer agreement with local land authorities. The directors are of the view that the Group is entitled to lawfully and validly occupy and use the above mentioned land. The directors are also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at 30 June 2012.

Certain of the Group's prepaid land lease payments with a carrying value of RMB12,923,000 as at 30 June 2012 (31 December 2011: RMB13,118,000) were pledged to secure bank loans granted to the Group.

12. TRADE AND NOTES RECEIVABLES

	30 June 2012	31 December 2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**320,781**	262,807
Notes receivable	**20,048**	33,930
	340,829	296,737
Impairment of the trade receivables	**(14,387)**	(15,058)
	326,442	281,679

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

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

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

	30 June 2012	31 December 2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**286,689**	222,783
3 to 6 months	**9,107**	19,222
6 months to 1 year	**10,598**	5,744
	306,394	247,749

As of 30 June 2012, trade receivables of RMB9,668,000 (31 December 2011: RMB10,327,000) of the Group were pledged to secure bank loans granted to the Group.

13. TRADE AND NOTES PAYABLES

An aged analysis of the trade and notes payables of the Group as at 30 June 2012, based on the invoice date, is as follows:

	30 June 2012	31 December 2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**272,719**	470,137
3 to 12 months	**160,728**	44,082
1 to 2 years	**646**	91
2 to 3 years	**51**	746
Over 3 years	**932**	189
	435,076	515,245

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

Notes payables were secured by certain of the Group's pledged deposits of RMB90,516,000 as at 30 June 2012 (31 December 2011: RMB151,876,000).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in manufacturing and sales of automobile internal and external structure and decorative parts, moulds and tooling, casings and liquid tanks of air conditioners or heaters and other non-automobile products.

During the Period, constant growth in production costs including raw material costs and labor wages, as well as the economic slowdown in China undermined the market demand and aggravated competition among China's automobile body part enterprises. Despite the challenges from the market and operating environment, the Group maintained its overall business competitiveness through strict cost control measures and consolidation of long-term cooperation with customers.

For the six months ended 30 June 2012, the Group's revenue was approximately RMB521,105,000, representing a decrease of approximately 9.1% as compared to approximately RMB573,538,000 for the six months ended 30 June 2011. Profit attributable to the owners of the parent for the Period was approximately RMB10,065,000, represent a decrease of approximately 80.3% as compared to RMB51,012,000 for the six months ended 30 June 2011.

During the Period, the Group acquired the assets and business of a bankrupt company in Germany which engaged in manufacturing and sales of moulding and tools at a consideration of approximately RMB29.7 million (equivalent to approximately EUR3.8 million). The acquisition is to strengthen and enhance the Group's moulding manufacturing technology, production equipment and development of overseas market. The acquisition was completed in April 2012.

The expansion and upgrade of the existing manufacturing facilities in Ningbo and Chengdu was still under construction during the Period. The new manufacturing facilities in Wuhu and Yantai were also under construction and were expected to be completed and commence production in the second half of this year.

Other than the aforementioned, there was no material acquisition/disposal and investments during the period under review.

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.

	For the six months ended 30 June			
	2012		2011	
	Revenue (Unaudited)	**Gross profit margin**	Revenue (Unaudited)	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*
Automotive interior and exterior structural and decorative parts	**389,094**	**26.1**	432,897	25.8
Moulds and tooling	**6,436**	**0**	18,735	39.3
Casings and liquid tanks of air conditioners and heaters	**101,524**	**23.3**	94,734	23.8
Non-automobile products	**24,051**	**30.5**	27,172	34.7
Total	**521,105**	**25.4**	573,538	26.3

For the six months ended 30 June 2012, the total revenue generated from automotive interior and exterior accessories was RMB389,094,000 (30 June 2011: RMB432,897,000), accounting for 74.7% of the Group's total revenue for the Period (30 June 2011: 75.5%). The decrease was due to the transfer of the manufacturing and assembling of bumpers and certain other exterior structural and decorative automobile body parts by the Group to Changchun Huaxiang Faurecia, a jointly-controlled entity established by the Group and Faurecia (China) Holdings Co., Ltd. in June 2011. As a result of such transfer, revenue generated from the sales of bumpers and certain exterior structural and decorative automobile body parts was no longer included in the consolidated revenue of the Group since September 2011, which led to the decrease in revenue of these products for the period ended 30 June 2012. Gross profit margin increased from 25.8% for the six months ended 30 June 2011 to 26.1% for the six months ended 30 June 2012, primarily due to strict cost control measures implemented by the Group.

For the six months ended 30 June 2012, revenue from moulds and tooling was RMB6,436,000 (30 June 2011: RMB18,735,000), accounting for 1.2% of the Group's total revenue for the Period (30 June 2011: 3.3%). The decrease in revenue was attributable to the decrease in sales of moulding. Gross profit margin decreased from 39.3% for the six months ended 30 June 2011 to nil for the six months ended 30 June 2012 due to the commencement of operation of the Company in Germany engaging in manufacturing of moulding and tools in April 2012 which dragged down the overall gross profit margin of the Group's moulds and tooling business.

For the six months ended 30 June 2012, revenue from casings and liquid tanks of air conditioners and heaters was RMB101,524,000 (30 June 2011: RMB94,734,000), accounting for 19.5% of the Group's total revenue for the Period (30 June 2011: 16.5%). The increase of approximately 7.2% in revenue represented a steady growth of these product. Gross profit margin decreased slightly from 23.8% as at 30 June 2011 to 23.3% as at 30 June 2012.

For the six months ended 30 June 2012, revenue from non-automobile products was RMB24,051,000 (30 June 2011: RMB27,172,000), accounting for 4.6% of the Group's total revenue for the Period (30 June 2011: 4.7%). The decrease in revenue from non-automobile products was primarily due to the decrease in demand by the Group's overseas customers under the downturn of global economy. Gross profit margin decreased from 34.7% as at 30 June 2011 to 30.5% as at 30 June 2012.

Other income and gains

Other income and gains of the Group for the Period amounted to RMB10,249,000, representing an increase of approximately 233.6% as compared to the corresponding period in 2011. The increase was mainly attributable to the following factors: (i) rental and management fee income received from the jointly-controlled entity, Changchun Huaxiang Faurecia; and (ii) government grants of RMB1,200,000 for the Company's successful listing (the "**Listing**") of its shares on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 12 January 2012 (the "**Listing Date**").

Gain on Bargain Purchase

During the six months ended 30 June 2011, the Group recorded a one-off gain of RMB9,766,000 upon its acquisition of the equity interests in Shanghai Huaxin Automobile Latex and Plastic Co., Ltd. ("**Shanghai Huaxin**") prior to the Listing. 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 Period amounted to approximately RMB39,457,000, representing a decrease of approximately 4.3% as compared to the corresponding period in 2011. The decrease was mainly due to the decrease in transportation, packing and warehousing costs resulting from the establishment of production bases located close to the key automakers in China.

Administrative Expenses

The Group's administrative expenses for the Period amounted to approximately RMB45,397,000, representing an increase of approximately 32.5% as compared to RMB34,255,000 in the corresponding period in 2011. The increase was mainly attributable to (i) increase in staff costs of approximately RMB2.3 million caused by the pay rise in May 2011 and January 2012; (ii) the equity-settled share option expenses of approximately RMB2.9 million recorded by the Group in connection with the grant of pre-IPO share option to certain directors and senior management of the Company prior to the Listing; and (iii) increase of approximately RMB3.7 million in office administrative expenses and others due to the relocation to the new plant in Xizhou and the acquisition of the operating assets in Germany.

Share of Losses of Jointly-Controlled Entities

During the six months ended 30 June 2012, the Group recorded RMB6,879,000 of the share of losses of jointly-controlled entities as compared to the share of profits of RMB4,686,000 for the six months ended 30 June 2011. This was primarily attributable to the loss incurred by Changchun Huaxiang Faurecia which was established in June 2011 and was still in start-up stage. The Group believes that it will contribute to the Group's profit when the production scale increases and reaches its optimization.

Finance Income

The Group's finance income decreased by approximately 11.9% from approximately RMB4,633,000 for the six months ended 30 June 2011 to approximately RMB4,083,000 for the six months ended 30 June 2012. The decrease in finance income was mainly attributable to the repayment of entrusted loan by a related party in January 2012.

Finance Costs

The Group's finance costs increased from approximately RMB23,964,000 for the six months ended 30 June 2011 to approximately RMB25,860,000 for the six months ended 30 June 2012, representing an increase of approximately 7.9%. The increase in finance costs was mainly due to the rise in interest rates during the Period.

Taxes

The Group's tax expenses decreased by approximately 11.0% from approximately RMB18,208,000 for the six months ended 30 June 2011 to approximately RMB16,207,000 for the six months ended 30 June 2012. The decrease was mainly attributable to the decrease in the Group's profit before tax as compared to the corresponding period in 2011. The Group's effective income tax rate increased from 25.7% for the six months ended 30 June 2011 to 57.9% for the six months ended 30 June 2012, as no deferred tax assets were recognised for several entities in the Group in loss.

Liquidity and Financial Resources

For the six months ended 30 June 2012, the net cash used in operating activities amounted to approximately RMB142,568,000 (30 June 2011: net cash generated from operating activities RMB191,450,000). The cash used in operating activities mainly resulted from decrease in profit for the period. The increase in trade and notes receivables was temporary as most of the receivables were aged within three months which was within the credit term. The increase in prepayments and other receivables was mainly attributable to the increase in prepayment to suppliers to ensure raw materials for the production of the Group's product. Besides, the decrease in trade and notes payables in line with purchase decline also resulted in the cash outflow from operating activities during the Period.

The net cash generated from investing activities amounted to approximately RMB30,984,000 (30 June 2011: net cash used in investing activities RMB117,068,000) and the net cash flow generated from financing activities amounted to approximately RMB63,681,000 (30 June 2011: cash used in financing activities RMB11,711,000). The cash generated from investing activities was mainly attributable from the repayment of outstanding amount from the related parties. The net cash generated from financing activities was mainly attributable to the net proceeds received from the Listing in January 2012.

As a result of the cumulative effect described above, the Group recorded a net cash outflow of RMB47,903,000 for the period ended 30 June 2012 (30 June 2011: net cash inflow of RMB62,671,000).

As at 30 June 2012, the Group's cash and cash equivalents (comprise cash on hand and at banks, including time deposits) amounted to approximately RMB98,006,000 (31 December 2011: RMB145,909,000).

As at 30 June 2012, the Group's interest-bearing bank borrowings were approximately RMB459,064,000 (31 December 2011: approximately RMB440,147,000), all of which were due within one year. As at 30 June 2012, approximately RMB23,864,000 of the bank borrowings were subject to fixed interest rate. The Board expects that the bank borrowings will either be repaid by internally generated funds or rolled over upon maturity and will continue to provide funding to the Group's operations.

Foreign Exchange Exposure

The sales and purchases of the Group were mainly denominated in Renminbi and Euro. The cash and cash equivalents of the Group were mainly denominated in Renminbi, Hong Kong dollars and Euro. The borrowings are denominated in Renminbi. 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.

Contingent Liabilities

The Group provided guarantee of RMB6,553,000 in respect of the banking facilities granted to a jointly controlled entity of the Group as at 30 June 2012 (31 December 2011: RMB7,020,000).

Pledge of Assets

As at 30 June 2012, the Group's assets of approximately RMB61,506,000 (31 December 2011: approximately RMB51,463,000) were pledged to secure some of the Group's interest-bearing bank borrowings. The book value of the pledged assets is set out below:

	30 June 2012	31 December 2011
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Property, plant and equipment	**20,161**	20,889
Investment property	**3,754**	3,879
Prepaid land lease payments	**12,923**	13,118
Trade receivables	**9,668**	10,327
Pledged deposits	**15,000**	3,250
Total	**61,506**	51,463

As at 30 June 2012, deposits with book value of approximately RMB90,516,000 (31 December 2011: approximately RMB151,876,000) were pledged to secure the issue of notes payable.

Gearing Ratio

As at 30 June 2012, the Group's gearing ratio was approximately 71.5% (31 December 2011: 81.9%). 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 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 periods. The decrease in gearing ratio was mainly due to the proceeds received from the Listing during the Period.

Employees and Remuneration Policies

As at 30 June 2012, the Group had 2,328 employees (30 June 2011: 2,393). Total staff costs of the Group for six months ended 30 June 2012 was approximately RMB55.2 million (30 June 2011: approximately RMB44.5 million). The Group's remuneration policies were in line with relevant legislation, market conditions and the performance of our employees.

PROSPECTS

In 2012, the uncertainties in the global economy and the decrease in domestic market demand resulting from the slowdown of China's economy will add pressure to the automobile enterprises.

The passenger vehicle market in China recorded a moderate growth for the first half of the year. According to the statistics released by China Association of Automobile Manufacturers, the volumes for the production and sales of passenger vehicles were approximately 7,599,300 units and 7,613,500 units respectively for the six months ended 30 June 2012, representing an increase of approximately 7.9% and 7.1%.

As the Group's products are ultimately used in passenger vehicles, the prospect of the Group is still promising. To keep a steady pace of development, the Group will continue to maintain and strengthen its competitive strengths to increase its market share and profitability through the following efforts (i) continue to implement its strict cost control measures in order to maintain the Group's overall business competitiveness, thereby enhancing its long-term stable development; (ii) strengthen the research and development capacity of the Group to keep up with the latest technological trends in relation to product specification; (iii) expand the Group's existing production facilities and capacity to capture more market share and expand the market coverage in China; and (iv) proactively search for potential favorable expansion, merger and acquisition opportunities, so as to realize the long-term business diversification strategy and further enhance its revenue sources and profitability, thereby bringing maximized returns to the shareholders.

Looking forward, the Group will continue to actively but yet cautiously drive the development of its business, while assessing new investment opportunities, with the primary goal of maintaining a healthy position of the Group at all times.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Company was successfully listed on the Main Board of the Stock Exchange on 12 January 2012. Net proceeds received from the Listing was approximately HK$210.7 million (approximately RMB171.5 million) after deducting underwriting commission and related expenses. The balance of the unused proceeds have been placed with licenced financial institutions.

The utilization of net proceeds as at 30 June 2012 is set out as follows:

	Planned at the Global Offering	**Used in the Interim Period**	**Balance as at 30 June 2012**
	RMB in million	*RMB in million*	*RMB in million*
Constructing new manufacturing facilities, expanding and upgrading existing production facilities to increase production capacity	102.9	55.2	47.7
Research and development	34.2	16.0	18.2
Acquiring companies to increase product offerings capacity and expand our market share and revenue base	17.2	17.2	—
Working capital and general purposes	17.2	17.2	—
Total	171.5	105.6	65.9

CORPORATE GOVERNANCE CODE

On 1 April 2012, the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules (the "Former CG Code") was amended and renamed as Corporate Governance Code and Corporate Governance Report (the "New CG Code"). The Company has adopted the code provisions as set out in the New CG Code as the code of the Company in substitution for and to the exclusion of the Former CG Code with effect from 1 April 2012. The Company was listed on the Stock Exchange on 12 January 2012.

The Board is of the view that the Company has complied with all applicable code provisions set out in the Former CG Code and the New CG Code from the Listing Date to 31 March 2012 and from 1 April 2012 to 30 June 2012 respectively, except for the deviation from Code Provision A.2.1, which stipulates that the roles of the chairman and chief executive should be separate and should not be performed by the same individual. Please refer to the paragraph below.

The Group does not at present separate the roles of the chairman and chief executive. Mr. Zhou Minfeng is the chairman and chief executive 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 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, three 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 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. Specific enquiries have been made with all Directors, who have confirmed that, during the six months ended 30 June 2012, they were in compliance with the required provisions set out in the Model Code. All of the Directors declared that they have complied with the required standard of dealings as set out in the Model Code throughout the period from the Listing Date to 30 June 2012 and up to the date of this announcement.

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 period from the Listing Date to the six months ended 30 June 2012 and up to the date of this announcement.

DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2012 (30 June 2011: Nil).

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. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system 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 unaudited interim condensed consolidated financial statements for the six months ended 30 June 2012 have been reviewed by the Audit Committee and the Audit Committee is of the view that the announcement of interim results for the six months ended 30 June 2012 is prepared in accordance with applicable accounting standards, rules and regulations and appropriate disclosures have been duly made.

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 INTERIM RESULTS AND INTERIM REPORT

This interim results announcement will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (http://www.cn-huazhong.com). The interim report of the Company for the six months ended 30 June 2012 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, 31 August 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, Mr. Wang Yuming and Ms. Kuang Min, and the independent non-executive Directors are Mr. Su Xijia, Mr. Yu Shuli and Mr. Tian Yushi.