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 2012

FINANCIAL HIGHLIGHTS

- Revenue was approximately RMB1,156 million, representing a decrease of approximately 1.1% when compared to the same period in 2011.
- Profit attributable to owners of the parent amounted to approximately RMB1.97 million, representing a decrease of approximately 98.2% when compared to the same period in 2011.
- Gross profit margin was 20.9%, representing a decrease of about 4.2% when compared to the same period in 2011.
- Basic earnings per share attributable to the owners of the parent was approximately RMB0.25 cents (2011: RMB17 cents).
- The Board recommends the payment of a dividend of HK1 cent (equivalent to approximately RMB0.8108 cent at exchange rate 1: 0.8108) 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 2012 (the "Year"), together with the comparative figures for the year ended 31 December 2011.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
Revenue	5	**1,155,893**	1,168,886
Cost of sales		**(914,320)**	(875,784)
Gross profit		**241,573**	293,102
Other income and gains	5	**18,844**	70,692
Gain on bargain purchase		**14,756**	9,766
Selling and distribution expenses		**(94,208)**	(83,529)
Administrative expenses		**(133,610)**	(105,721)
Other expenses		**(7,774)**	(3,456)
Operating profit		**39,581**	180,854
Share of profits and losses of:			
Associates		**441**	425
Jointly-controlled entities		**15,967**	(1,529)
Finance income	6	**6,535**	16,398
Finance costs		**(47,785)**	(44,971)
Profit before tax	7	**14,739**	151,177
Income tax expense	8	**(8,864)**	(38,252)
Profit and total comprehensive income for the year		**5,875**	112,925
Attributable to:			
Owners of the parent		**1,969**	110,168
Non-controlling interests		**3,906**	2,757
		5,875	112,925
Earnings per share attributable to ordinary equity holders of the parent	10		
Basic and diluted		**RMB0.0025**	RMB0.1721

	Notes	**2012**	2011
		RMB'000	*RMB'000*
PROFIT FOR THE YEAR		**5,875**	112,925
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations		**265**	—
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**265**	—
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**6,140**	112,925
Attributable to:			
Owners of the parent		**2,234**	110,168
Non-controlling interests		**3,906**	2,757
		6,140	112,925

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**430,715**	256,319
Investment properties		**42,754**	45,197
Prepaid land lease payments		**142,248**	92,618
Investment in an associate		**2,880**	2,774
Investments in jointly-controlled entities		**65,333**	56,505
Prepayments for acquiring property, plant and equipment		**4,465**	75,236
Deferred tax assets		**21,654**	9,939
Total non-current assets		**710,049**	538,588
CURRENT ASSETS			
Inventories		**170,107**	107,825
Trade and notes receivables	*11*	**320,307**	281,679
Prepayments and other receivables		**235,892**	154,394
Due from the ultimate controlling shareholder		**30,163**	6,284
Due from related parties		**55,804**	112,587
Pledged deposits		**197,951**	155,126
Cash and cash equivalents		**133,260**	145,909
Total current assets		**1,143,484**	963,804
CURRENT LIABILITIES			
Trade and notes payables	*12*	**573,893**	515,245
Other payables, advances from customers and accruals		**107,471**	106,358
Interest-bearing bank borrowings		**621,186**	440,147
Due to the ultimate controlling shareholder		**687**	—
Due to related parties		**76,138**	134,742
Income tax payable		**30,459**	43,993
Total current liabilities		**1,409,834**	1,240,485
NET CURRENT LIABILITIES		**266,350**	276,681

	Notes	**2012** *RMB'000*	2011 *RMB'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		**443,699**	261,907
NON-CURRENT LIABILITIES			
Government grants		**2,300**	—
Deferred tax liabilities		**21,732**	5,711
Total non-current liabilities		**24,032**	5,711
Net assets		**419,667**	256,196
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**65,120**	—
Reserves		**323,856**	216,008
Proposed final dividend	*9*	**6,486**	16,214
		395,462	232,222
Non-controlling interests		**24,205**	23,974
Total equity		**419,667**	256,196

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 (the "IASB"), and the disclosure requirements of the Hong Kong Companies Ordnance. 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 thousand, except when otherwise indicated.

Pursuant to the Reorganisation as described in the section headed "History and Corporate Structure" to the Prospectus of the Company dated 30 December 2011 (the "Reorganisation"), 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 comprising the Group as at 31 December 2011 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 year ended 31 December 2011 have been prepared as if the Company had always been the holding company of the subsidiaries comprising the Group as at 31 December 2011 by applying the pooling of interest accounting as if the Reorganisation had been completed at 1 January 2011 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 2012. 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 it 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.

Going Concern Basis

Notwithstanding that the Group had consolidated net current liabilities of RMB266,350,000 at 31 December 2012, the financial statements have been prepared by the directors of the Company on a going concern basis.

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

(i) as at 31 December 2012, the Group had unutilised credit facilities from banks of approximately RMB163,000,000;

(ii) certain banks of the Group subsequently extended the maturity of credit facilities of RMB330,000,000 to 16 January 2014 and RMB275,000,000 to 31 December 2014, respectively; and

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

In the opinion of the directors of the Company, in light of the measures taken to date together with the expected results of other measures in progress, the Group is able to fulfil its financial obligations upon fall due. Accordingly, it is appropriate to prepare the financial statements on a going concern basis, notwithstanding the Group's financial and liquidity positions at 31 December 2012.

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's 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*
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 revised IFRSs has had no significant financial effect on these financial statements.

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 — Government Loans*[2]
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities*[2]
IFRS 9	*Financial Instruments*[4]
IFRS 10	*Consolidated Financial Statements*[2]
IFRS 11	*Joint Arrangements*[2]
IFRS 12	*Disclosure of Interests in Other Entities*[2]
IFRS 10, IFRS 11 and IFRS 12 Amendments	Amendments to IFRS 10, IFRS 11 and IFRS 12 — *Transition Guidance*[2]
IFRS 10, IFRS 12 and IAS 27 (Revised) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (2011) — *Investment Entities*[3]
IFRS 13	*Fair Value Measurement*[2]
IAS 1 Amendments	Amendments to IAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income*[1]
IAS 19 (Amendments)	Amendments to IAS19 *Employee Benefits*[2]
IAS 27 (Revised)	*Separate Financial Statements*[2]
IAS 28 (Revised)	*Investments in Associates and Joint Ventures*[2]
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*[3]
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*[2]
Annual Improvements 2009-2011 Cycle	Amendments to a number of IFRSs issued in June 2012[2]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 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 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 is set out in the following table:

	2012	2011
	RMB'000	*RMB'000*
Mainland China	**1,085,295**	1,100,145
Overseas	**70,598**	68,741
Total	**1,155,893**	1,168,886

(b) Non-current assets

	2012	2011
	RMB'000	*RMB'000*
Mainland China	**634,199**	528,649
Overseas	**54,196**	—
Total	**688,395**	528,649

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

Revenues 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	**2012**	2011
	RMB'000	*RMB'000*
Customer A	417,724	501,973
Customer B	163,924	117,368
Customer C	119,456	95,006

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:

	2012	2011
	RMB'000	*RMB'000*
Revenue:		
Sales of goods	**1,074,098**	1,151,753
Sales of materials	**81,795**	17,133
	1,155,893	1,168,886
Other income and gains:		
Government grants	**4,220**	1,164
Rental income	**5,311**	2,484
Gain on sales of scrap materials	**1,177**	2,556
Gain on disposal of items of property, plant and equipment	**74**	11,308
Gain on disposal of an internally generated intangible asset	**—**	9,500
Gain on disposal of items of prepaid land lease payments	**—**	39,202
Gain on disposal of investments in associates	**—**	714
Management fee income (Note (a))	**6,000**	2,500
Others	**2,062**	1,264
Total	**18,844**	70,692

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

6. FINANCE INCOME

	2012	2011
	RMB'000	*RMB'000*
Interest income from a related party through entrusted loans	**—**	10,770
Interest income on loans and receivables	**—**	2,043
Interest income on bank deposits	**6,535**	3,585
	6,535	16,398

7. PROFIT BEFORE TAX

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

	2012	2011
	RMB'000	*RMB'000*
Cost of inventories recognised as expenses	**914,320**	875,784
Depreciation of property, plant and equipment	**36,913**	34,419
Depreciation of investment properties	**2,443**	1,214
Amortisation of land lease payments	**2,174**	2,211
Research and development costs	**38,933**	22,590
Lease payments under operating leases in respect of properties	**7,899**	9,977
Auditors' remuneration	**2,759**	4,394
Employee benefit expense (excluding directors' and chief executive's remuneration)		
Wages and salaries	**120,310**	85,173
Pension scheme costs	**6,482**	5,961
Equity-settled share option expense	**3,710**	127
	130,502	91,261
Gross rental income	**(8,365)**	(4,286)
Less: Direct expenses that generated rental income	**3,054**	1,802
Rental income, net	**(5,311)**	(2,484)
Net foreign exchange losses	**2,422**	367
Provision for impairment of receivables	**98**	1,068
Provision for/(reversal of) inventories written down	**13,833**	(29)
Gain on bargain purchase	**(14,756)**	(9,766)
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	**(74)**	(11,308)
Government grants	**(4,220)**	(1,164)
Management fee income	**(6,000)**	(2,500)
Interest income	**(6,535)**	(16,398)

8. 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 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. ("Chongqing Huazhong") was qualified as a Western China development enterprise and was entitled to a preferential rate of 15% during the year ended 31 December 2012 (2011: 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 unified rate of 25% from 1 January 2012. For the year ended 31 December 2012, Shanghai Huaxin enjoyed a preferential rate of 25% (2011: 24%). All other subsidiaries operating in Mainland China were subject to tax rate of 25% during the year.

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 2012.

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:

	2012	2011
	RMB'000	*RMB'000*
Current income tax		
Income tax for the year	**10,318**	46,094
Under provision in prior years	**—**	13
Deferred income tax	**(1,454)**	(7,855)
Total tax charge for the year	**8,864**	38,252

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:

	2012	2011
	RMB'000	*RMB'000*
Profit before tax	**14,739**	151,177
Tax at the statutory tax rate	**3,685**	37,794
Lower tax rate for specific province or local tax authority	**3,816**	(1,105)
Tax losses not recognised	**5,066**	391
Profits and losses attributable to jointly-controlled entities and associates	**(3,485)**	276
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	**3,284**	(6,264)
Non-taxable income	**(4,423)**	(2,558)
Underprovision in prior years	**—**	13
Expenses not deductible for tax	**921**	3,648
Tax losses utilised	**—**	(4,049)
Sub-total	**8,864**	28,146
LAT provision released from deferred tax assets	**—**	13,474
Tax effect on LAT	—	(3,368)
Tax charge for the year	**8,864**	38,252

9. DIVIDENDS

	2012	2011
	RMB'000	*RMB'000*
Special dividend declared	**—**	206,000
Proposed final dividend — HK$0.01 (2011:HK$0.025) per ordinary share	**6,486**	16,214
	6,486	222,214

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

10. 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 795,191,257 in issue during the year ended 31 December 2012 (2011: 640,000,000, as though the capitalisation issue of shares of 640,000,000 shares prior to the Global Offering had been issued on 1 January 2011).

The share option scheme does not give rise to any dilutive effect on the Company's earnings per share and there were no other dilutive potential ordinary shares during the year ended 31 December 2012. No adjustment has been made to the basic earnings per share amounts presented for the year.

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

	2012	2011
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic and diluted earnings per share calculations	**1,969**	110,168

	Number of shares	
	2012	2011
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**795,191,257**	640,000,000
Effect of dilution — weighted average number of ordinary shares:		
Share options	**—**	—
	795,191,257	640,000,000

11. TRADE AND NOTES RECEIVABLES

	2012	2011
	RMB'000	*RMB'000*
Trade receivables	**325,343**	262,807
Notes receivable	**10,120**	33,930
	335,463	296,737
Impairment of trade receivables	**(15,156)**	(15,058)
	320,307	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.

Certain of the Group's trade receivables with a carrying value of RMB24,526,000 as at 31 December 2012 (2011: RMB10,327,000) were pledged to secure bank loans granted to the Group.

The Group's notes receivable are all aged 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:

	2012	2011
	RMB'000	*RMB'000*
Within 3 months	**276,484**	222,783
3 to 6 months	**22,779**	19,222
6 months to 1 year	**5,522**	5,744
Over 1 year	**5,402**	—
	310,187	247,749

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

	2012	2011
	RMB'000	*RMB'000*
At beginning of year	**15,058**	13,990
Impairment for the year	**98**	1,068
At end of year	**15,156**	15,058

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

	2012	2011
	RMB'000	*RMB'000*
Neither past due nor impaired	**278,854**	222,990
Less than 1 month past due	**5,209**	14,652
1 to 2 months past due	**9,305**	2,686
2 to 3 months past due	**6,175**	1,808
Over 3 months and within 1 year past due	**10,011**	5,613
Over 1 year past due	**633**	—
	310,187	247,749

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 of the Company 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.

12. TRADE AND NOTES PAYABLES

An aged analysis of the trade and notes payables of the Group as at 31 December 2012, based on the invoice date, is as follows:

	2012	2011
	RMB'000	*RMB'000*
Within 3 months	**414,608**	470,137
3 to 12 months	**157,671**	44,082
1 to 2 years	**705**	91
2 to 3 years	**68**	746
Over 3 years	**841**	189
	573,893	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.

Certain issuance of notes payable was secured by pledged deposits of the Group with a carrying value of RMB105,251,000 as at 31 December 2012 (2011: RMB151,876,000).

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 predicted by China Association of Automobile Manufacturers, it was likely that the sales volume would exceed 19 million cars in 2012 to continue to rank No. 1 in the world. The automobile product diversification, miniaturization and energy-saving will provide consumers with more choices. The national incentive policy for expanding domestic demand, the rigid demand for automobiles in China and so on have provided the good environment and conditions for the development of the automobile industry.

Plastics, being the most important automotive lightweight materials, can not only reduce the weight of automobile parts and lower the purchasing costs but, in response to people's ever increasing requirements for the quality and aesthetics of automobiles accompanying the rise in people's living standards and quality, 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 exterior accessories, the Group has also ushered in unprecedented opportunities.

BUSINESS REVIEW

2012 was an extremely challenging year for the Group, as production costs, including the costs of raw materials and employee salary, continued to increase. In addition, China's economic slowdown along with traffic congestion relief and vehicle purchase quota in mega-size metropolitans weakened the market demand, thus intensifying the competition amongst the auto part manufacturers in China. Despite many obstacles troubling the market and the business environment, the Group together with its entire employees vigorously strove hard to implement stringent cost control and cement the long-term cooperation with our clients. In addition to these measures, work in other areas also yielded significant results. The Group not merely maintained the competitive advantages of its business, but also laid solid foundation for the continuance of its rapid development in future.

For the Year, the Group's revenue was approximately RMB1.156 billion, representing a slight decrease of approximately 1.1% as compared to approximately RMB1.169 billion in 2011. Profit attributable to the owners of the parent for the Year was approximately RMB2.0 million, representing a decrease of approximately 98.2% as compared to approximately RMB110.2 million in 2011.

During the Year, 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 RMB31.9 million (equivalent to approximately Euro 3.8 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 the new manufacturing facilities in Wuhu and Yantai were completed during the Year. The new manufacturing facilities in Foshan were under construction during the Year and were expected to be completed in 2013.

During the Year, the Group also made partial payments for acquiring the land use right of some pieces of land in Chongqing and Hangzhou Bay for further development of the Group.

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

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 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 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; and

(iv) non-automobile products; and

(v) sales of raw materials.

Except for the casings and liquid tanks of air conditioners and heaters, revenue derived from products of the rest recorded a solid growth during the Year.

	2012		2011	
		Gross profit		Gross profit
	Revenue	**Margin**	Revenue	Margin
	RMB'000	***%***	*RMB'000*	*%*
Automotive interior and exterior structural and decorative parts	**766,597**	**23.6**	841,420	25.5
Moulds and tooling	**42,654**	**6.4**	50,906	26.7
Casings and liquid tanks of air conditioners and heaters	**200,662**	**19.0**	193,740	23.0
Non-automobile products	**64,185**	**25.9**	65,687	30.5
Sales of raw materials	**81,795**	**4.0**	17,133	4.0
Total	**1,155,893**	**20.9**	1,168,886	25.1

For the Year, the total revenue generated from automotive interior and exterior accessories was RMB766,597,000 (2011: RMB841,420,000), accounting for 66.3% of the Group's total revenue for the Year (2011: 72.0%). The decrease was primarily because, after the establishment of the jointly-controlled entity, Changchun Huaxiang Faurecia by the Group and Faurecia (China) Holding 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. 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. Gross profit margin decreased from 25.5% for the year 2011 to 23.6% for the year 2012 and the decline was caused by annually discounted price offer to clients on the routine basis as well as investment on the development of new products of the Group, which did not bring immediate return to the Group.

For the Year, revenue from moulds and tooling was RMB42,654,000 (2011: RMB50,906,000), accounting for 3.7% of the Group's total revenue for the Year (2011: 4.4%). Gross profit margin decreased from 26.7% in 2011 to 6.4% in 2012, mainly because product mix experienced changes and the German mould plant had yet to contribute its profits.

For the Year, revenue from casings and liquid tanks of air conditioners and heaters was RMB200,662,000 (2011: RMB193,740,000), accounting for 17.4% of the Group's total revenue for the Year (2011: 16.6%). Gross profit margin decreased slightly from 23.0% in 2011 to 19.0% in 2012, mainly due to annual price markdown offer to the clients on a routine basis.

For the Year, revenue from non-automobile products was RMB64,185,000 (2011: RMB65,687,000), accounting for 5.6% of the Group's total revenue for the Year (2011: 5.6%). Gross profit margin decreased from 30.5% in 2011 to 25.9% in 2012, mainly attributable to annually discounted price offer to clients on the routine basis as well as changes of the product mix.

For the Year, revenue from the sale of raw materials was RMB81,795,000 (2011: RMB17,133,000), accounting for 7.0% of the Group's total revenue for the Year (2011: 1.4%). The sale of raw materials was resale business. The gross profit margin remained the same as that of 4% in 2011.

Other Income and Gains

Other income and gains of the Group for the Year amounted to RMB18,844,000, representing a decrease of approximately 73.3% as compared to 2011. Such decrease was mainly attributable to gains from one-off disposal of assets of the Group in 2011, including (1) disposal of production equipment and intangible assets, which generated disposal gain of RMB20,808,000; and (2) disposal of land use rights, which generated RMB39,202,000 of disposal gain.

Gain on Bargain Purchase

During the Year, the Group acquired the assets and businesses of a bankrupt German company, which recorded RMB14,756,000 of gain on bargain purchase. In 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 listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (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 Expenses

The Group's selling and distribution expenses for the Year amounted to approximately RMB94,208,000, representing an increase of approximately 12.8% as compared to 2011. The proportion of selling and distribution expenses in sales revenue increased by approximately 1.1% from approximately 7.1% in the previous year to approximately 8.2%. The increase in proportion was caused by substantial increase in the basic labor costs and the increase of logistics expenses.

Administrative Expenses

The Group's administrative expenses for the Year amounted to approximately RMB133,610,000, representing an increase of approximately 26.4% as compared to RMB105,721,000 in the previous year. The increase was mainly attributable to (i) increase in basic labor costs of approximately RMB6,154,000 caused by a rise in basic salary in 2012; (ii) the equity-settled share option expenses of approximately RMB5,450,000 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) an increase of RMB16,343,000 in the expenses for the Group's active research and development on new products compared against that last year as a result from increasing need for new products in the market .

Share of Profits and Losses of Jointly-Controlled Entities

During the Year, the Group recorded RMB15,967,000 of the share of profits of jointly-controlled entities as compared to the share of losses of RMB1,529,000 for 2011. This was primarily attributable to Changchun Huaxiang Faurecia's started to contribute profits in 2012.

Finance Income

The Group's finance income decreased by approximately 60% from approximately RMB16,398,000 in 2011 to approximately RMB6,535,000 in 2012. The decrease in finance income was mainly attributable to the decrease in interest from the loans lent by the Group as a result of proactive recovery of bank entrusted loans during the Year.

Finance Costs

The Group's finance costs increased from approximately RMB44,971,000 in 2011 to approximately RMB47,785,000 in 2012, representing an increase of approximately 6.3%. 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 decrease by approximately 76.8% from approximately RMB38,252,000 in 2011 to approximately RMB8,864,000 in 2012. The decrease was attributable to the decrease in the Group's profit before tax as compared to the previous year.

Liquidity and Financial Resources

For the Year, the net cash used in operating activities was approximately RMB30,599,000 (2011: Net cash generated from operating activities RMB174,898,000). The cash used in operating activities was mainly due to the decrease of profits during the Year. The increase of trade and notes receivables was of temporary nature as the majority of receivables aged within three months and remained within the credit term.

The net cash used in investing activities was approximately RMB202,776,000 (2011: net cash generated from investing activities RMB8,132,000). The net cash generated from financing activities was approximately RMB240,726,000 (2011: net cash used in financing activities RMB92,201,000). The net cash used in investing activities was mainly to pay the capital expenditure including the land-use right, the plant and production equipment. The net cash generated from financing activities mainly came from the net proceeds from the listing of the Group in January 2012 and the new interest-bearing bank borrowings.

As affected by the above-mentioned comprehensive factors, the net cash inflow of the Group was RMB7,351,000 (2011: net cash inflow RMB90,829,000).

As at 31 December 2012, the cash and cash equivalents of the Group (including cash and bank deposits) was approximately RMB133,260,000 (31 December 2011: RMB145,909,000).

As at 31 December 2012, the interest-bearing bank borrowings of the Group was approximately RMB621,186,000 (31 December 2011: approximately RMB440,147,000) and were all due within one year.

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

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 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.

Contingent Liabilities

The Group issued a guarantee of RMB4,530,000 for bank facilities of a jointly-controlled entity of the Group as at 31 December 2012. As at 31 December 2011, the total amount of guarantees issued by the Group for the bank loans of a jointly-controlled entity was RMB7,020,000.

Pledge of Assets

As at 31 December 2012, the Group's assets of approximately RMB169,629,000 (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:

	2012	2011
	RMB'000	*RMB'000*
Property, plant and equipment	**16,517**	20,889
Investment properties	**3,630**	3,879
Prepaid land lease payments	**32,256**	13,118
Trade receivables	**24,526**	10,327
Pledged deposits	**92,700**	3,250
Total	**169,629**	51,463

As at 31 December 2012, pledged deposits with book value of approximately RMB105,251,000 (2011: approximately RMB151,876,000) were used as security to provide guarantee for the issuance of notes payable.

Certain of the Group's buildings with a net carrying value of RMB25,991,000 as at 31 December 2012 were pledged to secure aval commitments of RMB3,795,000, a form of Bank guarantees obtained by the Group in favour of certain customers for their advance payments.

Restructuring and Significant Investments

During the Year, the Group acquired the assets and businesses of a bankrupt German company that is principally engaged in the production and sales of molds and tools. The consideration was approximately RMB31,899,000, representing approximately Euro 3,800,000. Such acquisition consolidated and improved the Group's production technology for its molds, upgraded the production facilities, and helped the Group expand towards the overseas market. The acquisition was completed in April 2012.

Gearing Ratio

As at 31 December 2012, the Group's gearing ratio was approximately 75.7%, which was close to the gearing ratio of approximately 81.9% as at 31 December 2011. 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.

Employees and Remuneration Policies

The Group had a total of 2,277 employees as at 31 December 2012. Total staff costs of the Group for 2012 was approximately RMB130,502,000 (2011: approximately RMB91,261,000). The increase was attributable to the increase in the number of employees of the Group in 2012 as a result of the acquisition of assets and businesses (including manpower) of a bankrupt German company in April 2012 and construction of a mould plant by the Group. The Group's remuneration policies were in line with relevant legislation, market conditions and the performance of our employees.

OUTLOOK

We believe, according to the forecasts delivered by various reports prepared by many research institutions over China automobile industry in 2013, that the domestic automobile industry, following the rebounding national economy, is expected to be better than the two previous years, with the stable increase of automobile sales volume in 2013. It is expected that more than 20 million cars will be sold. In terms of exports, China exported more than 1 million cars in 2012 for the first time. As the sale of domestic automobile remains high and continues to grow at a stable pace, the export of automobiles in 2013 will become the market highlight.

Transformation remains to be the main rhythm of the macro-economy in 2013. We expect that the Chinese government will continue to stabilize the GDP growth rate. Hence, it creates more favourable conditions for the steady growth of 2013 automobile market. On the other hand, the bottleneck restriction imposed on the automobile market will be more stringent. In 2013, the macro-economy will continue to develop steadily while the market structure will be adjusted gradually. The automobile product diversification, miniaturization and energy-saving will provide consumers with more choices. The national incentive policy for increasing domestic demand, the rigid demand for automobiles in China and so on will provide good environment and conditions for the development of the automobile industry. However, various adverse factors, including the slowing 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.

Nonetheless, according to the forecast on the growth momentum of China’s automobile market previously delivered 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 2013, automobile production and sale will undergo structural differentiations.

In light of the above, the Group 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 inevitably 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 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$200.0 million (approximately RMB162.8 million) after deducting underwriting commission and related expenses. The unused proceeds have been placed with licenced financial institutions.

The utilization of net proceeds as at 31 December 2012 is set out as follows:

	Planned at the Global Offering	**Used in the Year 2012**	**Balance as at 31 December 2012**
	RMB in million	*RMB in million*	*RMB in million*
Constructing new manufacturing facilities, expanding and upgrading existing production facilities to increase production capacity	97.8	93.0	4.8
Research and development	32.6	32.6	0.0
Acquiring companies to increase product offerings capacity and expand our market share and revenue base	16.2	16.2	0.0
Working capital and general purposes	16.2	16.2	0.0
Total	162.8	158.0	4.8

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 31 December 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 Year, 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 31 December 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 31 December 2012 and up to the date of this announcement.

DIVIDENDS

The Board has proposed distribution of a final dividend of HK1 cent (equivalent to approximately RMB0.8108 cent at exchange rate 1: 0.8108) per share in cash to shareholders of the Company for the Year, representing a total payout of approximately RMB6.5 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 16 May 2013. Subject to the Shareholders' approval at the forthcoming annual general meeting, the said final dividends will be paid to the shareholders of the Company, whose names appeared on the registers of members of the Company on 27 May 2013 and payable on or about 11 June 2013.

AGM

The AGM will be held in Hong Kong on Thursday, 16 May 2013. Notice of the annual general meeting will be issued and disseminated to shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining shareholders' right to attend and vote at the AGM, the register of members of the Company will be closed from 14 May 2013 to 16 May 2013 (both days inclusive), during which period no transfer of shares in the Company will be registered. 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 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on 13 May 2013.

In addition, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed from 23 May 2013 to 27 May 2013 (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 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 22 May 2013.

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 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.

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 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, 27 March 2013

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.