HUAZHONG HOLDINGS COMPANY LIMITED
華 衆 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 2013

FINANCIAL HIGHLIGHTS

- Revenue was approximately RMB678,120,000 for the six months ended 30 June 2013, representing an increase of approximately 30.1% when compared to the corresponding period in 2012.

- Profit attributable to owners of the parent amounted to approximately RMB11,090,000 for the six months ended 30 June 2013, representing an increase of approximately 10.2% when compared to the corresponding period in 2012.

- Gross profit margin was 22.5% for the six months ended 30 June 2013, representing a decrease of about 2.9 percentage points when compared to the corresponding period in 2012.

- Basic earnings per share attributable to the owners of the parent was approximately RMB1 cent for the six months ended 30 June 2013 (30 June 2012: RMB1 cent).

- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2013 (2012: nil).

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 2013, together with the comparative figures for the corresponding period in 2012.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

		For the six months ended 30 June	
		2013	2012
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	*5*	**678,120**	521,105
Cost of sales		**(525,529)**	(388,516)
Gross profit		**152,591**	132,589
Other income and gains	*5*	**9,767**	10,249
Selling and distribution costs		**(48,811)**	(39,457)
Administrative expenses		**(67,658)**	(45,397)
Other expenses		**(2,030)**	(1,513)
Operating profit		**43,859**	56,471
Share of profits/(losses) of			
An associate		**123**	194
Joint ventures		**4,722**	(6,879)
Finance income	*6*	**2,788**	4,083
Finance costs		**(23,288)**	(25,860)
PROFIT BEFORE INCOME TAX EXPENSE	*7*	**28,204**	28,009
Income tax expense	*8*	**(15,173)**	(16,207)
PROFIT FOR THE PERIOD		**13,031**	11,802
Attributable to:			
Owners of the parent		**11,090**	10,065
Non-controlling interests		**1,941**	1,737
		13,031	11,802
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*10*		
Basic and diluted		**RMB0.0139**	RMB0.0127

	For the six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**13,031**	11,802
OTHER COMPREHENSIVE LOSS		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(139)**	(2,215)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	**(139)**	(2,215)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**12,892**	9,587
Attributable to:		
Owners of the parent	**10,951**	7,850
Non-controlling interests	**1,941**	1,737
	12,892	9,587

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	Notes	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*11*	**434,560**	430,715
Investment properties		**41,644**	42,754
Prepaid land lease payments	*11*	**166,074**	142,248
Share of investment in an associate		**2,609**	2,880
Share of investments in joint ventures		**62,359**	65,333
Prepayments for purchase of property, plant and equipment		**54,553**	4,465
Prepayments for purchase of intangible assets		**2,715**	—
Deferred tax assets		**19,165**	21,654
Total non-current assets		**783,679**	710,049
CURRENT ASSETS			
Inventories		**174,992**	170,107
Trade and notes receivables	*12*	**327,876**	320,307
Prepayments and other receivables		**107,644**	235,892
Due from the ultimate controlling shareholder		**29,429**	30,163
Due from related parties		**71,067**	55,804
Pledged deposits		**251,279**	197,951
Cash and cash equivalents		**91,481**	133,260
Total current assets		**1,053,768**	1,143,484
CURRENT LIABILITIES			
Interest-bearing bank borrowings		**660,348**	621,186
Trade and notes payables	*13*	**496,879**	573,893
Other payables, advances from customers and accruals		**122,567**	107,471
Due to the ultimate controlling shareholder		**350**	687
Due to related parties		**70,966**	76,138
Income tax payable		**34,856**	30,459
Total current liabilities		**1,385,966**	1,409,834
NET CURRENT LIABILITIES		**(322,198)**	(266,350)
TOTAL ASSETS LESS CURRENT LIABILITIES		**451,481**	443,699

	Notes	**30 June 2013** *RMB'000* **(Unaudited)**	31 December 2012 *RMB'000* (Audited)
NON-CURRENT LIABILITIES			
Government grants		**2,136**	2,300
Deferred tax liabilities		**23,853**	21,732
Total non-current liabilities		**25,989**	24,032
Net assets		**425,492**	419,667
EQUITY			
Equity attributable to owners of the parent			
Share capital		**65,120**	65,120
Reserves		**336,186**	323,856
Proposed final dividend	*9*	**—**	6,486
		401,306	395,462
Non-controlling interests		**24,186**	24,205
Total equity		**425,492**	419,667

1. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2013 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 2012.

Going concern basis

Notwithstanding that the Group had consolidated net current liabilities of RMB332,198,000 as at 30 June 2013, 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 the following measures:

(i) as at 30 June 2013, the Group had unutilised credit facilities from banks of approximately RMB210,000,000; and

(ii) Citic Bank subsequently granted to the Group a credit facility of RMB150,000,000 to 21 August 2014; and

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

In the opinion of the directors of the Company, in light of the measures taken to date, together with the expected results of other measures in progress, it is appropriate to prepare the financial statements on a going concern basis, notwithstanding the Group's financial and liquidity positions at 30 June 2013.

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 2012, except in relation to the new and revised International Financial Reporting Standards ("**IFRSs**", which also include IASs and interpretations) as set out in note 2.3 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

The following new and revised HKFRSs, amendments and interpretations ("**New HKFRSs**") are adopted for the first time for the current period's condensed interim financial statements:

IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards — Government Loans*
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities*
IFRS 10	*Consolidated Financial Statements*
IFRS 11	*Joint Arrangement*
IFRS 12	*Disclosure of Interests in Other Entities*
IFRS 10, IFRS 11 and IFRS 12 Amendments	Amendments to IFRS 10, IFRS 11 and IFRS 12 — *Transition Guidance*
IFRS 13	*Fair Value Measurement*
IAS 1 Amendments	Amendments to IAS 1 *Presentation of financial Statements — Presentation of Items of Other Comprehensive Income*
IAS 19 Amendments	*Employee Benefits*
IAS 27 (Revised)	*Separate Financial Statements*
IAS 28 (Revised)	*Investments in Associates and Joint Ventures*
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009-2011 Cycle	Amendments to a number of IFRSs issued in June 2012
IAS 1	Amendments to IAS 7 *Clarification of the requirement for comparative information*
IAS 32	Amendments to IAS 32 *Tax effects of distributions to holders of equity instruments*
IAS 34	Amendments to IAS 34 *Interim financial reporting and segment information for total assets and liabilities*

The adoption of these new and revised HKFRSs has had no significant financial effect on these interim condensed financial statements.

The Group has not early adopted any other standard, interpretation or amendment that has been 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 2013 is set out in the following table:

	For the six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Mainland China	**630,943**	488,142
Overseas	**47,177**	32,963
Total	**678,120**	521,105

(b) Non-current assets

	30 June	31 December
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Mainland China	**714,472**	634,199
Overseas	**50,042**	54,196
Total	**764,514**	688,395

The non-current asset information above is based on the locations of 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 six months ended 30 June 2013 are set out in the following table:

	For the six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Customer A	**268,166**	189,483
Customer B	**79,707**	51,355

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	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue:		
Sales of goods	**633,962**	499,950
Sales of materials	**44,158**	21,155
	678,120	521,105
Other income and gains:		
Government grants	**596**	2,423
Rental income	**2,815**	2,386
Gain on sales of scrap materials	**508**	528
Management fee income *(Note (a))*	**3,000**	3,000
Others	**2,848**	1,912
	9,767	10,249

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

6. FINANCE INCOME

	For the six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest income on bank deposits	**2,788**	4,083

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	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories recognised as expenses	**525,529**	388,516
Depreciation of property, plant and equipment	**26,291**	18,523
Depreciation of investment properties	**1,110**	1,304
Amortisation of prepaid land lease payments	**1,131**	1,286
Research and development costs	**19,620**	2,126
Lease payments under operating leases in respect of properties	**2,676**	4,128
Employee benefit expense (including directors' remuneration):		
Wages, salaries and other benefits	**65,994**	45,716
Pension scheme contributions	**8,322**	6,624
Equity-settled share option expense	**1,379**	2,861
	75,695	55,201
Gross rental income	**(4,326)**	(4,051)
Less: Direct expenses that generated rental income	**1,511**	1,665
Rental income, net	**(2,815)**	(2,386)
Foreign exchange difference, net	**1,160**	822
Reversal of impairment of receivables	**(2,382)**	(671)
Write-down of inventories to net realizable value	**583**	398
Loss on disposal of items of property, plant and equipment	**—**	7
Interest income	**(2,788)**	(4,083)

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	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax		
— Charge for the period	**10,396**	12,147
Deferred income tax	**4,777**	4,060
Total tax charge for the period	**15,173**	16,207

9. DIVIDENDS PAID AND PROPOSED

	For the six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Dividends on ordinary shares declared and paid during the six-month period:		
Final dividend for 2012: HK$0.01 per share (2011: HK$0.025)	**6,486**	16,214

The board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2013 (30 June 2012: 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 800,000,000 in issue during the six months ended 30 June 2013 (30 June 2012: 790,329,670).

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 2013.

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

	For the six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to owners of the parent used in the basic and diluted earnings per share calculation	**11,090**	10,065

	For the six months ended 30 June	
	Number of shares	
	2013	2012
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**800,000,000**	790,329,670
Effect of dilution — weighted average number of ordinary shares:		
Share options	**—**	—
	800,000,000	790,329,670

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

During the six months ended 30 June 2013, the Group acquired property, plant and equipment with a total cost of RMB31,693,000 (30 June 2012: RMB57,543,000).

Included in the property, plant and equipment as at 30 June 2013 were certain buildings with a net carrying value of RMB128,696,000 (31 December 2012: RMB88,339,000), 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 2013.

Certain of the Group's buildings with a net carrying value of RMB16,041,000 as at 30 June 2013 (31 December 2012: RMB16,517,000) were pledged to secure bank loans granted to the Group.

Certain of the Group's buildings with a net carrying value of RMB24,804,000 as at 30 June 2013 (31 December 2012: RMB25,991,000) were pledged to secure aval commitments, a form of bank guarantees obtained by the Group in favour of certain customers for their advance payments, in the total amount of RMB3,925,000 (31 December 2012: RMB3,795,000).

During the six months ended 30 June 2013, the Group acquired prepaid land lease payments with a cost of RMB25,698,000 (30 June 2012: RMB16,000,000).

Included in the prepaid land lease payments as at 30 June 2013 were certain lands with a net book value of RMB17,426,000 (31 December 2012: RMB55,022,000) of which the land use right certificates have not been obtained. The directors are of the view that the Group is entitled to lawfully and validly occupy and use the above mentioned land. The directors are also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at 30 June 2013.

Certain of the Group's prepaid land lease payments with a carrying value of RMB31,849,000 as at 30 June 2013 (31 December 2012: RMB32,256,000) were pledged to secure bank loans granted to the Group.

12. TRADE AND NOTES RECEIVABLES

	30 June 2013	31 December 2012
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**334,123**	325,343
Notes receivable	**6,527**	10,120
	340,650	335,463
Impairment of the trade receivables	**(12,774)**	(15,156)
	327,876	320,307

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 2013 *RMB'000* (Unaudited)	31 December 2012 *RMB'000* (Audited)
Within 3 months	**290,368**	276,484
3 to 6 months	**23,027**	22,779
6 months to 1 year	**3,241**	5,522
Over 1 year	**4,713**	5,402
	321,349	310,187

As at 30 June 2013, trade receivables of RMB45,028,000 (31 December 2012: RMB24,526,000) were pledged to secure bank loans of the Group.

13. TRADE AND NOTES PAYABLES

	30 June 2013 *RMB'000* (Unaudited)	31 December 2012 *RMB'000* (Audited)
Trade payables	**260,248**	299,771
Notes payable	**236,631**	274,122
	496,897	573,893

An aged analysis of the trade and notes payables of the Group as at 30 June 2013, based on the invoice date, is as follows:

	30 June 2013 *RMB'000* (Unaudited)	31 December 2012 *RMB'000* (Audited)
Within 3 months	**307,931**	414,608
3 to 12 months	**185,115**	157,671
1 to 2 years	**2,319**	705
2 to 3 years	**605**	68
Over 3 years	**909**	841
	496,879	573,893

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

Notes payable were secured by certain of the Group's pledged deposits of RMB155,179,000 as at 30 June 2013 (31 December 2012:RMB105,251,000).

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 six months ended 30 June 2013, constant growth in production costs including raw material costs and labor wages, 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 2013, the Group's revenue was approximately RMB678,120,000, representing an increase of approximately 30.1% as compared to approximately RMB521,105,000 for the six months ended 30 June 2012. Profit attributable to the owners of the parent for the six months ended 30 June 2013 was approximately RMB11,090,000, representing an increase of approximately 10.2% as compared to RMB10,065,000 for the six months ended 30 June 2012.

The new manufacturing facilities in Foshan, Guangdong Province of China were also under construction and were expected to be completed and commence production in the second half of this year.

On 2 April 2013, an office purchase agreement was entered at a consideration of RMB41,000,000. The office will be used as the Group's operational headquarters and R&D center with an aim to integrate the Group's resources and to enhance the overall competitiveness of the Group. The date of completion is on or before 30 June 2014.

FINANCIAL REVIEW

Revenue

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

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

(ii) moulds and tooling;

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

(iv) non-automobile products; and

(v) raw materials.

	For the six months ended 30 June			
	2013		2012	
	Revenue (Unaudited)	**Gross profit margin**	Revenue (Unaudited)	Gross profit margin
	RMB'000	***%***	*RMB'000*	*%*
Automotive interior and exterior structural and decorative parts	**479,196**	**24.2**	367,939	27.4
Moulds and tooling	**26,582**	**27.2**	6,436	0.0
Casings and liquid tanks of air conditioners and heaters	**94,773**	**18.3**	101,524	23.3
Non-automobile products	**33,411**	**30.9**	24,051	30.5
Raw materials	**44,158**	**4.0**	21,155	4.0
Total	**678,120**	**22.5**	521,105	25.4

For the six months ended 30 June 2013, the total revenue generated from automotive interior and exterior structural and decorative parts was RMB479,196,000 (30 June 2012: RMB367,939,000), accounting for 70.7% of the Group's total revenue for the six months ended 30 June 2013 (30 June 2012: 70.6%). Gross profit margin decreased from 27.4% for the six months ended 30 June 2012 to 24.2% for the six months ended 30 June 2013, primarily due to a markdown in the annual price to customers on a routine basis.

For the six months ended 30 June 2013, revenue from moulds and tooling was RMB26,582,000 (30 June 2012: RMB6,436,000), accounting for 3.9% of the Group's total revenue for the six months ended 30 June 2013 (30 June 2012: 1.2%). Gross profit margin increased from nil for the six months ended 30 June 2012 to 27.2% for the six months ended 30 June 2013. The increase in sales and gross profits is mainly due to a favorable product mix and normalized steady operation of the mould plant in Germany.

For the six months ended 30 June 2013, revenue from casings and liquid tanks of air conditioners and heaters was RMB94,773,000 (30 June 2012: RMB101,524,000), accounting for 14.0% of the Group's total revenue for the six months ended 30 June 2013 (30 June 2012: 19.5%). The decrease of approximately 6.6% in revenue was primarily due to a decrease in the sales volume of some products used in outdated car models. Gross profit margin decreased from 23.3% for the six months ended 30 June 2012 to 18.3% for the six months ended 30 June 2013.

For the six months ended 30 June 2013, revenue from non-automobile products was RMB33,411,000 (30 June 2012: RMB24,051,000), accounting for 4.9% of the Group's total revenue for the six months ended 30 June 2013 (30 June 2012: 4.6%). The increase in revenue from non-automobile products was primarily due to an increase in demand by the Group's overseas customers. Gross profit margin slightly increased from 30.5% for the six months ended 30 June 2012 to 30.9% for the six months ended 30 June 2013.

For the six months ended 30 June 2013, revenue from sale of raw materials was RMB44,158,000 (30 June 2012: RMB21,155,000), accounting for 6.5% of the Group's total revenue for the six months ended 30 June 2013 (30 June 2012: 4.1%). The gross profit margin was 4% for the six months ended 30 June 2013 which was the same as compared to the corresponding period in 2012.

Other income and gains

Other income and gains of the Group for the six months ended 30 June 2013 amounted to RMB9,767,000 (30 June 2012: RMB10,249,000), representing a decrease of approximately 4.7% as compared to the corresponding period in 2012. Such other income and gains were mainly generated from: (i) rental and management fee income received from the joint venture, Changchun Huaxiang Faurecia Automotive Plastic Components Company Limited ("Changchun Huaxiang Faurecia"); and (ii) government grants.

Selling and Distribution Costs

The Group's selling and distribution costs for the six months ended 30 June 2013 amounted to approximately RMB48,811,000, representing an increase of approximately 23.7% as compared to RMB39,457,000 in the corresponding period in 2012. In line with an increase in sales, this was mainly due to an increase in transportation costs, packing costs and salaries.

Administrative Expenses

The Group's administrative expenses for the six months ended 30 June 2013 amounted to approximately RMB67,658,000, representing an increase of approximately 49.0% as compared to RMB45,397,000 in the corresponding period in 2012. This was mainly attributable to an annual increase of employee salaries and an increase in R&D expenses for new designs and technology.

Share of Profits and Losses of Joint Ventures

During the six months ended 30 June 2013, the Group recorded RMB4,722,000 of the share of profits of joint ventures, while a share of losses of joint ventures of RMB6,879,000 was recorded for the six months ended 30 June 2012. The increase was primarily due to a substantial drop of the loss incurred by Changchun Huaxiang Faurecia which was established in June 2011 and began to operate normally during the period under review.

Finance Income

The Group's finance income decreased by approximately 31.7% from approximately RMB4,083,000 for the six months ended 30 June 2012 to approximately RMB2,788,000 for the six months ended 30 June 2013. The decrease in finance income was mainly attributable to a decrease in interest rates for deposits.

Finance Costs

The Group's finance costs decreased from approximately RMB25,860,000 for the six months ended 30 June 2012 to approximately RMB23,288,000 for the six months ended 30 June 2013, representing a decrease of approximately 9.9%. The decrease in finance costs was mainly due to fewer bank acceptance notes due during the period under review.

Taxes

The Group's tax expenses decreased by approximately 6.4% from approximately RMB16,207,000 for the six months ended 30 June 2012 to approximately RMB15,173,000 for the six months ended 30 June 2013. The decrease was mainly attributable to a decrease in the Group's profit before tax as compared to the corresponding period in 2012. The Group's effective income tax rate for the six months ended 30 June 2013 was 53.8% (30 June 2012: 57.9%).

Liquidity and Financial Resources

For the six months ended 30 June 2013, the net cash generated from operating activities amounted to approximately RMB124,074,000 (30 June 2012: net cash used in operating activities RMB142,568,000). The cash generated from operating activities mainly resulted from a decrease in prepayments and other receivables.

The net cash used in investing activities amounted to approximately RMB161,985,000 (30 June 2012: net cash generated from investing activities RMB30,984,000) and the net cash flow generated from financing activities amounted to approximately RMB6,132,000 (30 June 2012: cash generated from financing activities RMB63,681,000). The cash used in investing activities was mainly attributable to acquisitions of fixed assets and land use rights and an increase in pledged deposits. The net cash generated from financing activities was mainly attributable to the new bank loans raised.

As a result of the cumulative effect described above, the Group recorded a net cash outflow of RMB31,779,000 for the six months ended 30 June 2013 (30 June 2012: net cash outflow of RMB47,903,000).

As at 30 June 2013, the Group's cash and cash equivalents (comprise cash on hand and at banks, including time deposits) amounted to approximately RMB91,481,000 (31 December 2012: RMB133,260,000).

As at 30 June 2013, the Group's interest-bearing bank borrowings were approximately RMB660,348,000 (31 December 2012: approximately RMB621,186,000), all of which would be due within one year. As at 30 June 2013, approximately RMB623,348,000 of the bank borrowings were subject to fixed interest rate (31 December 2012: approximately RMB542,186,000). 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.

Prepayment and Other Receivables

As at 30 June 2013, prepayments and other receivables were approximately RMB107,644,000 (31 December 2012: RMB235,892,000). The decrease was mainly resulted from successful collections of other receivables.

Capital Commitments

As at 30 June 2013, the Group had capital commitments amounting to RMB610,833,000 (31 December 2012: RMB641,812,000) for the acquisition of property, plant and equipment.

Foreign Exchange Exposure

The sales and purchases of the Group are mainly denominated in Renminbi and Euro. The cash and cash equivalents of the Group are 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 immaterial, the Group has not implemented any foreign currency hedging policy at the moment. However, the management will closely monitor the foreign exchange exposure of the Group and will consider hedging against any foreign exchange risk if such becomes significant to the Group.

Contingent Liabilities

The Group provided guarantee of RMB56,375,000 in respect of the banking facilities granted to related entities of the Group as at 30 June 2013 (31 December 2012: RMB4,530,000). The increase was attributable to a pledge of deposit of RMB55.6 million in favour of a bank as a guarantee for full repayment of a loan of RMB50 million granted by the bank to Ningbo Huayue Autombile Trimming Co., Ltd. ("Ningbo Huayue").

Pledge of Assets

As at 30 June 2013, the Group's assets of approximately RMB136,923,000 (31 December 2012: approximately RMB169,629,000) were pledged to secure some of the Group's interest-bearing bank borrowings. The book values of the pledged assets are set out below:

	30 June 2013 (Unaudited) ***RMB'000***	31 December 2012 (Audited) *RMB'000*
Property, plant and equipment	**16,041**	16,517
Investment property	**3,505**	3,630
Prepaid land lease payments	**31,849**	32,256
Trade receivables	**45,028**	24,526
Pledged deposits	**40,500**	92,700
Total	**136,923**	169,629

As at 30 June 2013, deposits with a total book value of approximately RMB155,179,000 (31 December 2012: approximately RMB105,251,000) were pledged to secure the issue of notes payable.

As at 30 June 2013, a pledged deposit with book value of RMB55,600,000 (31 December 2012: nil) was used as a guarantee for full repayment of a loan granted by a bank to Ningbo Huayue for its banking facility of RMB50 million (31 December 2012: nil).

Certain of the Group's buildings with a net carrying value of RMB24,804,000 as at 30 June 2013 (31 December 2012: RMB25,991,000) were pledged to secure aval commitments, a form of bank guarantees obtained by the Group in favour of certain customers for their advance payments, in the total amount of RMB3,925,000 (31 December 2012: RMB3,795,000).

Gearing Ratio

As at 30 June 2013, the Group's gearing ratio was approximately 75.6% (31 December 2012: 75.7%). The gearing ratio is derived by dividing net liabilities (including interest-bearing bank borrowings, trade and notes payables, other payables and accruals, and payables to related parties and the ultimate controlling shareholder less cash and cash equivalents) by total capital (including equity attributable to owners of the parent company) plus net liabilities at the end of the period under review.

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

During the period under review, the Group did not have any significant investments or acquisition or sale of subsidiaries. There was no plan authorised by the Board for any material investments or additions of capital assets as at the date of this interim report.

Employees and Remuneration Policies

As at 30 June 2013, the Group had 2,383 employees (30 June 2012: 2,328). Total staff costs of the Group for six months ended 30 June 2013 was approximately RMB75,695,000 (30 June 2012: approximately RMB55,201,000). The Group's remuneration policies were in line with relevant legislation, market conditions and the performance of our employees.

PROSPECTS

We have analyzed the current conditions of the global automobile industry in 2013. The upward trend of vehicle consumption in the US continued with the double stimulation of the economic recovery and the consumption-boosting low interest rate policy by the relevant government authority. In the first quarter of the year of 2013, a total of 3,689,000 new cars were sold in the US market, representing a year-on-year increase of 6.4%. America's three home-grown auto giants, namely General Motors, Ford Motor and Chrysler Group, recorded the best new car sales since the 2008 financial crisis in March 2013. As a result, certain financial institutions adjusted the expected annual sales in the US market for 2013 from 15 million units up to 15.5 million units. In the UK, the consumption demand for private cars was stimulated by the vehicle scrappage scheme introduced by the British government. In the first quarter of 2013, 605,200 new cars were registered in the UK, representing a year-on-year increase of 7.4% and making this quarter the fastest growing quarter since 2010. Car sales have been increasing in the UK for thirteen straight months.

Dragged by the European debt crisis, car consumption in the European Union ("EU") market lacked momentum for recovery. The German automobile market continued to shrink in the first half of 2013. According to the statistics from the German Association of the Automotive Industry, car sales in Germany dropped by 12% in the first quarter compared to the same period last year. The sales of Opel suffered the biggest blow and dropped by 15.5%. The sales of Audi, Mercedes-Benz, and BMW also dropped by 6%, 3.6%, and 2.7%, respectively. Meanwhile, the French automobile market was also hit by a 14.56% year-on-year decrease in sales in the first quarter with only 433,900 cars sold.

As compared to the explosive growth in the previous years, the Chinese automobile market has slowed down and recorded a less than 5% increase for the a consecutive year. However, as the per capita car ownership of China is still lower than other developed countries, most automobile enterprises were optimistic about the market potential and have made more investments in the market. According to the statistics provided by the China Association of Automobile Manufacturers, the production and sales of vehicles in China enjoyed a fast growth in the first seven months of 2013. From January to July 2013, the production and sales of vehicles in China amounted to 12,335,000 units and 12,298,600 units respectively, representing a year-on-year increase of 12.5% and 12.0% respectively, while the production and sales of passenger vehicles both increased by 13.4% to 9,963,300 units and 9,902,800 units respectively. The sales of sedan, multi-purpose vehicles ("MPV"), and sport utility vehicles ("SUV") amounted to 6,681,700 units, 639,300 units, and 1,564,800 units respectively, representing a year-on-year increase of 11.1%,123.7% and 42.1%, respectively. However, the sales of crossover passenger vehicles ("CROSSOVER") dropped to 1,017,000 units, representing a year-on-year decrease of 23.6%. It is expected that an optimistic 10% increase can be achieved in the coming few years, in light of the development potential in the two-tier, three-tire and four-tier cities in China.

In summary, despite the weak recovery of automobile consumption in the EU, the automobile industry still has a promising outlook in the coming few years as the demand in the world's largest two automobile markets, namely the Chinese market and the US market, remain robust, thus the business of the Group is also expected to achieve impressive growth.

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 by increasing its market share and profitability through (i) continuing to implement its strict cost control measures in order to maintain the Group's overall business competitiveness and thereby enhancing its long-term stable development; (ii) strengthening the research and development capacity of the Group to keep up with the latest technological trends in relation to product specification; (iii) expanding the Group's existing production facilities and capacity to capture more market share and expand the market coverage in China; and (iv) proactively searching for potentially 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 our shareholders.

Looking forward, the Group will continue to actively yet cautiously drive the development of its business and assess new investment opportunities, with the primary goal of maintaining a healthy financial 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$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 30 June 2013 is set out as follows:

	Planned at the Global Offering *RMB in million*	**Used from 12 January 2012 to 30 June 2013** *RMB in million*	**Balance as at 30 June 2013** *RMB in million*
Constructing new manufacturing facilities, expanding and upgrading existing production facilities to increase production capacity	97.8	97.8	0.0
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	162.8	0.0

CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions prescribed in the Corporate Governance Code ("CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") as the code of the Company.

The Board is of the view that the Company has complied with all applicable code provisions set out in the CG Code throught out the six months ended 30 June 2013, 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 are comprised of experienced and high caliber individuals. The Board is currently comprised of 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 as 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 2013, 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 six months ended 30 June 2013.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2013.

DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2013 (30 June 2012: Nil).

AUDIT COMMITTEE

During the six months ended 30 June 2013, the audit committee of the Company (the "Audit Committee") consisted of three members, namely Mr. Su Xijia (chairman), Mr. Yu Shuli and Mr. Tian Yushi, all of them were the independent non-executive Directors. On 31 July 2013, Mr. Su Xijia resigned as an independent non-executive Director and the chairman of Audit Committee. On the same day, Mr. Yu Shuli was re-designated as the chairman of the Audit Committee and Mr. Xu Jiali was appointed as an independent non-executive Director and a member of the Audit Committee. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group.

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2013 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 2013 is prepared in accordance with applicable accounting standards, rules and regulations and appropriate disclosures have been duly made.

Disclosure of financial information in this announcement complies with Appendix 16 of the Listing Rules. The Audit Committee supervised over the Group's financial reporting process.

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 2013 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

Zhejiang, the PRC, 30 August 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. Yu Shuli, Mr. Tian Yushi and Mr. Xu Jiali.