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 2013

FINANCIAL HIGHLIGHTS

- Revenue was approximately RMB1.471 billion, representing an encouraging increase of approximately 27.2% when compared to the same period in 2012.
- Profit attributable to owners of the parent amounted to approximately RMB47.6 million, representing a significant increase of approximately 2,280.0% when compared to the same period in 2012.
- Gross profit margin was 23.6%, representing an increase of about 2.7% when compared to the same period in 2012.
- Basic earnings per share attributable to the owners of the parent was approximately RMB5.95 cents (2012: RMB0.25 cent).
- The Board recommends the payment of a dividend of HK2.5 cents (equivalent to approximately RMB1.98 cents at exchange rate 1: 0.7921) 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 2013 (the "Year"), together with the comparative figures for the year ended 31 December 2012.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2013

	Notes	**2013** *RMB'000*	2012 *RMB'000*
REVENUE	*5*	**1,470,893**	1,155,893
Cost of sales		**(1,123,488)**	(914,320)
Gross profit		**347,405**	241,573
Other income and gains	*5*	**16,840**	18,844
Gain on bargain purchase		**—**	14,756
Selling and distribution expenses		**(99,087)**	(94,208)
Administrative expenses		**(142,562)**	(133,610)
Other expenses		**(6,218)**	(7,774)
Operating profit		**116,378**	39,581
Share of profits and losses of:			
An associate		**245**	441
Joint ventures		**7,434**	15,967
Finance income	*6*	**7,037**	6,535
Finance costs		**(48,238)**	(47,785)
PROFIT BEFORE TAX	*7*	**82,856**	14,739
Income tax expense	*8*	**(30,758)**	(8,864)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**52,098**	5,875
Attributable to:			
Owners of the parent		**47,620**	1,969
Non-controlling interests		**4,478**	3,906
		52,098	5,875
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*10*		
Basic			
— For profit for the year		**RMB0.0595**	RMB0.0025
Diluted			
— For profit for the year		**RMB0.0595**	RMB0.0025

	2013	2012
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**52,098**	5,875
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**477**	265
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**477**	265
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**477**	265
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**52,575**	6,140
Attributable to:		
Owners of the parent	**48,097**	2,234
Non-controlling interests	**4,478**	3,906
	52,575	6,140

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**481,750**	430,715
Investment properties		**41,389**	42,754
Prepaid land lease payments		**163,972**	142,248
Intangible assets		**4,204**	—
Investment in an associate		**2,730**	2,880
Investments in joint ventures		**65,327**	65,333
Prepayments for acquiring property, plant and equipment		**22,098**	4,465
Deferred tax assets		**16,593**	21,654
Total non-current assets		**798,063**	710,049
CURRENT ASSETS			
Inventories		**181,776**	170,107
Trade and notes receivables	*11*	**370,913**	320,307
Prepayments and other receivables		**81,992**	235,892
Due from the ultimate controlling shareholder		**430**	30,163
Due from related parties		**6,808**	55,804
Pledged deposits		**128,554**	197,951
Cash and cash equivalents		**240,659**	133,260
Total current assets		**1,011,132**	1,143,484
CURRENT LIABILITIES			
Trade and notes payables	*12*	**450,796**	573,893
Other payables, advances from customers and accruals		**125,555**	107,471
Interest-bearing bank borrowings		**560,759**	621,186
Due to the ultimate controlling shareholder		**289**	687
Due to related parties		**41,081**	76,138
Income tax payable		**55,902**	30,459
Total current liabilities		**1,234,382**	1,409,834
NET CURRENT LIABILITIES		**223,250**	266,350

	Note	2013 RMB'000	2012 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**574,813**	443,699
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings — long term		**76,000**	—
Government grants		**8,969**	2,300
Deferred tax liabilities		**23,496**	21,732
Total non-current liabilities		**108,465**	24,032
Net assets		**466,348**	419,667
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**65,120**	65,120
Reserves		**358,663**	323,856
Proposed final dividend	*9*	**15,842**	6,486
		439,625	395,462
Non-controlling interests		**26,723**	24,205
Total equity		**466,348**	419,667

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, except for certain buildings classified as property, plant and equipment which have been measured at fair value. The financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand, except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2013. 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.

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

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

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

Going concern basis

Notwithstanding that the Group had consolidated net current liabilities of approximately RMB223,250,000 at 31 December 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 adopted the following measures:

(i) as at 31 December 2013, the Group had unutilised credit facilities from banks of approximately RMB249,464,000; and

(ii) 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 falling 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 2013.

2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of Hong Kong 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 Arrangements*
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	Amendments to IAS 19 *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 May 2012

The adoption of these new and 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 9	*Financial Instruments*[3]
IFRS 9, IFRS 7 and IAS 39 Amendments	*Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39*[3]
IFRS 10, IFRS 12 and IAS 27 (Revised) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (Revised) — *Investment Entities*[1]
IAS 19 Amendments	Amendments to IAS 19 *Employee Benefits — Defined Benefit Plans: Employee Contributions*[2]
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*[1]
IAS 36 Amendments	Amendments to IAS 36 *Impairment of Assets — Recoverable Amount Disclosures for Non-Financial Assets*
IAS 39 Amendments	Amendments to IAS 39 *Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting*[1]
IFRIC 21	*Levies*[1]
IFRS 14	*Regulatory Deferral Accounts*[4]
Annual Improvements 2010-2012 Cycle	*Amendments to a number of HKFRSs issued in January 2014*[2]
Annual Improvements 2011-2013 Cycle	*Amendments to a number of HKFRSs issued in January 2014*[2]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 No mandatory effective date yet determined but is available for adoption
4 Effective for annual periods beginning on or after 1 January 2016

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:

	2013	2012
	RMB'000	*RMB'000*
Mainland China	**1,383,956**	1,085,295
Overseas	**86,937**	70,598
Total	**1,470,893**	1,155,893

(b) Non-current assets

	2013	2012
	RMB'000	*RMB'000*
Mainland China	**731,172**	634,199
Overseas	**50,298**	54,196
Total	**781,470**	688,395

The non-current asset information above is based on the locations of the assets and excludes 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	**2013**	2012
	RMB'000	*RMB'000*
Customer A	**563,710**	417,724
Customer B	**178,940**	163,924
Customer C	**126,760**	119,456

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:

	2013	2012
	RMB'000	*RMB'000*
Revenue:		
Sales of goods	**1,376,652**	1,074,098
Sales of materials	**94,241**	81,795
	1,470,893	1,155,893
Other income and gains:		
Government grants	**1,403**	4,220
Rental income	**4,590**	5,311
Gain on sales of scrap materials	**1,141**	1,177
Gain on disposal of items of property, plant and equipment	**57**	74
Management fee income (Note (a))	**3,500**	6,000
Others	**6,149**	2,062
Total	**16,840**	18,844

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

6. FINANCE INCOME

	2013	2012
	RMB'000	*RMB'000*
Interest income on bank deposits	**7,037**	6,535

7. PROFIT BEFORE TAX

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

	2013	2012
	RMB'000	*RMB'000*
Cost of inventories recognised as expenses	**1,123,488**	914,320
Depreciation of property, plant and equipment	**55,747**	36,913
Depreciation of investment properties	**2,789**	2,443
Amortisation of land lease payments	**3,244**	2,174
Amortisation of intangible assets	**650**	—
Research and development costs	**40,120**	38,933
Lease payments under operating leases in respect of properties	**7,840**	7,899
Auditors' remuneration	**2,937**	2,759
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	**148,128**	120,310
Pension scheme costs	**8,011**	6,482
Equity-settled share option expense	**1,564**	3,710
	157,703	130,502
Gross rental income	**(9,694)**	(8,365)
Less: Direct expenses that generated rental income	**5,104**	3,054
Rental income, net	**(4,590)**	(5,311)
Net foreign exchange (gains)/losses	**(173)**	2,422
(Reversal of)/provision for impairment of receivables	**(2,239)**	98
Write-down of inventories to net realizable value	**2,008**	13,833
Provision for impairment of property, plant and equipment	**1,212**	1,598
Gain on bargain purchase	**—**	(14,756)
Gain on disposal of items of property, plant and equipment	**(57)**	(74)
Government grants	**(1,403)**	(4,220)
Management fee income	**(3,500)**	(6,000)
Interest income	**(7,037)**	(6,535)

8. INCOME TAX

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

No Hong Kong profits tax has been provided as there was no assessable profit earned in or derived from Hong Kong during the year.

All of the Group's subsidiaries registered in the People's Republic of China ("PRC") that have operations only in Mainland China are subject to PRC enterprise income tax ("EIT") on the taxable income as reported in their PRC statutory accounts adjusted in accordance with relevant PRC income tax laws. On 16 March 2007, the PRC government promulgated the Enterprise Income Tax Law of the PRC (the "EIT Law"), which became 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 2013 (2012: 15%).

In April 2013, Ningbo Huazhong Plastic Products Co., Ltd. ("Ningbo Huazhong Plastic") was accredited as a "High and New Technology Enterprise" for three years starting from December 2012 and such qualification expired on September 2015 to enjoy a preferential CIT rate of 15% (2012: 15%). All other subsidiaries operating in Mainland China were subject to a tax rate of 25% during the year (2012: 25%).

Pursuant to the local tax rules in Germany, HZ FBZ Formenbau Zuttlingen GmbH ("HZ FBZ") was subject to a tax rate of 28.075% (2012: 28.075%) during the year ended 31 December 2013.

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 the 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:

	2013 *RMB'000*	2012 *RMB'000*
Current income tax		
Income tax for the year	**23,933**	10,318
Deferred income tax	**6,825**	(1,454)
Total tax charge for the year	**30,758**	8,864

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:

	2013 *RMB'000*	2012 *RMB'000*
Profit before tax	**82,856**	14,739
Tax at the statutory tax rate	**20,714**	3,685
Lower tax rate for specific provincial or local tax authority	**(2,547)**	3,816
Tax losses not recognised	**2,757**	5,066
Profits and losses attributable to joint ventures and an associate	**(1,175)**	(3,485)
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	**2,000**	3,284
Non-taxable income	**(176)**	(4,423)
Under-provision in prior years	**994**	—
Expenses not deductible for tax	**2,439**	921
Tax losses utilised	**(24)**	—
Effect on opening deferred tax as a result of preferential tax rate	**5,776**	—
Tax charge for the year	**30,758**	8,864

9. DIVIDENDS

	2013 *RMB'000*	2012 *RMB'000*
Proposed final dividend-HK$0.025 (2012: HK$0.01) per ordinary share	**15,842**	6,486
	15,842	6,486

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

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

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 800,000,000 in issue during the year ended 31 December 2013 (2012: 795,191,257, as though the capitalisation issue of shares of 640,000,000 shares prior to the Global Offering had been issued on 1 January 2012).

The calculation of diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the share option scheme, where applicable (see below). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

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

	2013	2012
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic and diluted earnings per share calculations	**47,620**	1,969

	Number of shares	
	2013	2012
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**800,000,000**	795,191,257
Effect of dilution — weighted average number of ordinary shares:		
Share options	**461,000**	—
	800,461,000	795,191,257

11. TRADE AND NOTES RECEIVABLES

	2013	2012
	RMB'000	*RMB'000*
Trade receivables	**367,858**	325,343
Notes receivable	**15,569**	10,120
	383,427	335,463
Impairment of trade receivables	**(12,514)**	(15,156)
	370,913	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.

Certain of the Group's trade receivables with a carrying value of RMB20,000,000 as at 31 December 2013 (2012: RMB24,526,000) 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:

	2013 *RMB'000*	2012 *RMB'000*
Within 3 months	**332,568**	276,484
3 to 6 months	**21,084**	22,779
6 months to 1 year	**992**	5,522
Over 1 year	**700**	5,402
	355,344	310,187

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

	2013 *RMB'000*	2012 *RMB'000*
At beginning of year	**15,156**	15,058
(Reversal of)/ provision for impairment for the year	**(2,239)**	98
Amounts written off	**(403)**	—
At end of year	**12,514**	15,156

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

	2013 *RMB'000*	2012 *RMB'000*
Neither past due nor impaired	**333,611**	278,854
Less than 1 month past due	**8,967**	5,209
1 to 2 months past due	**3,045**	9,305
2 to 3 months past due	**9,053**	6,175
Over 3 months and within 1 year past due	**614**	10,011
Over 1 year past due	**54**	633
	355,344	310,187

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.

12. TRADE AND NOTES PAYABLES

An aged analysis of the trade and notes payables of the Group as at 31 December 2013, based on the invoice date, is as follows:

	2013	2012
	RMB'000	*RMB'000*
Within 3 months	**328,634**	414,608
3 to 12 months	**117,371**	157,671
1 to 2 years	**4,172**	705
2 to 3 years	**227**	68
Over 3 years	**392**	841
	450,796	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.

Certain notes payable was secured by pledged deposits of the Group with a carrying value of RMB119,975,000 as at 31 December 2013 (2012: RMB105,251,000).

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In 2013, the automobile industry in the PRC again recorded an encouraging performance. The sales volume reached an all-time high of over 20 million vehicle sales. Despite the rapid growth in the sales of passenger cars, the market share of domestic brands in the passenger cars market continued to decline. Exports of automobile fell while the production and sales of new energy vehicles maintained a growing trend. There was also an increase in the market concentration rate for domestic automobiles. (In 2013, the total vehicle sales - in terms of sales volume - of the top 10 enterprises amounted to 19,430,600, representing an increase of 15.8% over the previous year and accounted for 88.4% of the total number of vehicle sales, 1.4% above that of the previous year). As national policies continued to increase domestic demands and consumption for local automobiles, the corresponding business environment and conditions for the development of the automobile industry were effective in a positive light.

Plastics, being the most important automotive lightweight material, is not only able to 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

In 2013, the Group was faced with continuously increasing production costs. As such, the Group rigorously enforced the implementation of cost controls, improved staff quality and strengthened administrative efficiency internally. Externally, the Group strived to fortify the long-term cooperation with customers, develop new market opportunities, maintain sound business operation capability, consolidate the Group's resources and improve market competitiveness. These actions successfully helped the Group in achieving the annual targets, and laid the foundation for its sustainable operation in the future.

For the Year, the Group's revenue was approximately RMB1.471 billion, representing a healthy increase of approximately 27.2% as compared to approximately RMB1.156 billion in 2012. Profit attributable to the owners of the parent for the Year was approximately RMB47.6 million, representing a significant increase of approximately 2,280.0% as compared to approximately RMB2.0 million in 2012.

The new manufacturing facility in Foshan was completed and commenced production during the Year. The new manufacturing facility in Chongqing is under construction and is expected to be completed and commences production in the year 2014.

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

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

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

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

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

FINANCIAL REVIEW

Revenue

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

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

(ii) moulds and tooling;

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

(iv) non-automobile products; and

(v) Sale of raw materials.

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

	2013		2012	
		Gross profit		Gross profit
	Revenue	**Margin**	Revenue	Margin
	RMB'000	***%***	*RMB'000*	*%*
Automotive interior and exterior structural and decorative parts	**1,054,671**	**26.8**	766,597	23.6
Moulds and tooling	**75,133**	**12.3**	42,654	6.4
Casings and liquid tanks of air conditioners and heaters	**189,946**	**17.9**	200,662	19.0
Non-automobile products	**56,902**	**32.8**	64,185	25.9
Sale of raw materials	**94,241**	**3.5**	81,795	4.0
Total	**1,470,893**	**23.6**	1,155,893	20.9

For the Year, the total revenue generated from automotive interior and exterior accessories was RMB1,054,671,000 (2012: RMB766,597,000), accounting for 71.7% of the Group's total revenue for the Year (2012: 66.3%). The increase was primarily because of commenced production of new manufacturing facility, booming automotive sales market and new car models launched. Gross profit margin increased from 23.6% for the year 2012 to 26.8% for the Year. Such increase was caused by better capacity utilization and vigorous implementation of stringent cost control.

For the Year, revenue from moulds and tooling was RMB75,133,000 (2012: RMB42,654,000), accounting for 5.1% of the Group's total revenue for the Year (2012: 3.7%). Gross profit margin increased from 6.4% in 2012 to 12.3% in the Year, mainly because of favorable product mix shift.

For the Year, revenue from casings and liquid tanks of air conditioners and heaters was RMB189,946,000 (2012: RMB200,662,000), accounting for 12.9% of the Group's total revenue for the Year (2012: 17.4%). Gross profit margin decreased from 19.0% in 2012 to 17.9% in 2013 mainly due to annual price markdown offered to the clients on a routine basis.

For the Year, revenue from non-automobile products was RMB56,902,000 (2012: RMB64,185,000), accounting for 3.9% of the Group's total revenue for the Year (2012: 5.6%). Gross profit margin increased from 25.9% in 2012 to 32.8% in the Year, mainly attributable to continuous improvement on technology and product.

For the Year, revenue from sale of raw materials was RMB94,241,000 (2012: RMB81,795,000), accounting for 6.4% of the Group's total revenue for the Year (2012: 7.0%). Gross profit margin decreased slightly from 4.0% in 2012 to 3.5% in the Year.

Other Income and Gains

Other income and gains of the Group for the Year amounted to RMB16,840,000, representing a decrease of approximately 10.6% as compared to 2012. Such decrease was mainly attributable to less government grants in the Year.

Gain on Bargain Purchase

In 2012, the Group acquired the assets and businesses of a bankrupt German company, which recorded RMB14,756,000 of gain on bargain purchase; while in the Year, the Group did not record any gain on bargain purchase.

Selling and Distribution Expenses

The Group's selling and distribution expenses for the Year amounted to approximately RMB99,087,000, representing an increase of approximately 5.2% as compared to 2012. The increase was caused by the increase of logistics expenses. The proportion of selling and distribution expenses in sales revenue decreased by approximately 1.5% from approximately 8.2% in 2012 to approximately 6.7% in the Year.

Administrative Expenses

The Group's administrative expenses for the Year amounted to approximately RMB142,562,000, representing an increase of approximately 6.7% as compared to RMB133,610,000 in 2012. The increase was mainly attributable to the depreciation and amortization on the newly acquired assets and land use right and salary.

Share of Profits and Losses of Joint Ventures

During the Year, the Group recorded RMB7,434,000 of the share of profits of joint ventures as compared to the share of profits of RMB15,967,000 for 2012. This was primarily because Changchun Huaxiang Faurecia Automotive Plastic Components Co., Ltd recorded net loss in the Year.

Finance Income

The Group's finance income increased by approximately 7.7% from approximately RMB6,535,000 in 2012 to approximately RMB7,037,000 in the Year. The increase in finance income was mainly attributable to the increase of time deposit balance.

Finance Costs

The Group's finance costs increased from approximately RMB47,785,000 in 2012 to approximately RMB48,238,000 in the Year, representing an increase of approximately 0.9%.

Taxes

The Group's tax expenses increased by approximately 247.0% from approximately RMB8,864,000 in 2012 to approximately RMB30,758,000 in the Year. The increase was attributable to the increase in the Group's profit before tax as compared to 2012.

Liquidity and Financial Resources

For the Year, the net cash generated from operating activities was approximately RMB210,565,000 (2012: net cash used in operating activities RMB30,599,000). The cash generated from operating activities was mainly due to the increase of profits during the Year. The increase of trade and notes receivables was of a 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 RMB83,305,000 (2012: net cash used in investing activities was approximately RMB202,776,000). The net cash used in financing activities was approximately RMB80,761,000 (2012: net cash generated from financing activities RMB240,726,000). The net cash generated from investing activities was mainly due to recovery of advances to related parties. The net cash used in financing activities mainly came from interest paid.

As a result of the above-mentioned comprehensive factors, the net cash inflow of the Group was RMB46,499,000 (2012: net cash inflow RMB7,351,000).

As at 31 December 2013, the cash and cash equivalents of the Group (including cash and bank deposits) was approximately RMB240,659,000 (31 December 2012: RMB133,260,000).

As at 31 December 2013, the interest-bearing bank borrowings of the Group was approximately RMB636,759,000 (31 December 2012: approximately RMB621,186,000) of which approximately RMB27,759,000 (equivalent to EUR 3,297,000) was borrowed in Euro and were all due within one year. Effective interest rate ranges from 5.04% to 6.89%. Amongst the bank borrowings, RMB37,000,000 were borrowed at floating interest rate, representing 5.8% of total borrowings (94.2% of total borrowings at fixed interest rate).

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

Capital Commitments

As at 31 December 2013, the Group had capital commitments amounting to RMB559,177,000 (31 December 2012: RMB641,812,000) mainly including commitment for purchasing property, plant, and equipment.

Foreign Exchange Exposure

The sales and purchases of the Group were mainly denominated in RMB and Euro. The cash and cash equivalents of the Group were mainly denominated in RMB, Hong Kong dollars and Euro. The borrowings are denominated in RMB 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 RMB8,154,000 for bank facilities of a joint venture of the Group as at 31 December 2013. As at 31 December 2012, the total amount of guarantees issued by the Group for the bank loans of a joint venture was RMB4,530,000.

Pledge of Assets

As at 31 December 2013, the Group's assets of approximately RMB78,516,000 (2012: approximately RMB169,629,000) were pledged to secure some of the Group's interest-bearing bank borrowings. The book value of the pledged assets is set out below:

	2013	2012
	RMB'000	*RMB'000*
Property, plant and equipment	**14,908**	16,517
Investment properties	**3,380**	3,630
Prepaid land lease payments	**31,649**	32,256
Trade receivables	**20,000**	24,526
Pledged deposits	**8,579**	92,700
Total	**78,516**	169,629

As at 31 December 2013, pledged deposits with book value of approximately RMB119,975,000 (2012: approximately RMB105,251,000) were used as security to provide guarantee for the issue of notes payable.

Gearing Ratio

As at 31 December 2013, the Group's gearing ratio was approximately 69.5%, which was close to the gearing ratio of approximately 75.7% as at 31 December 2012. 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 2,544 employees as at 31 December 2013. Total staff costs (excluding directors' and Chief executive's remuneration) of the Group for the Year was approximately RMB157,703,000 (2012: approximately RMB130,502,000). The increase was attributable to the increase in the number of employees of the Group in the Year as a result of commenced production of manufacturing facilities. The Group's remuneration policies were in line with relevant legislation, market conditions and the performance of our employees.

OUTLOOK

The overall business environment and market conditions indicate that the global market is recovering in 2014, which will accelerate the buying sentiments in the PRC and the United States ("U.S."), the two major automobile markets in the world. Additional to the economies of Europe and the U.S. being back on growth track, the PRC recorded vehicle sales of 21.98 million in the Year and maintained its position as the largest automobile market in the world for the fifth consecutive year. The general expectation for the industry in 2014 is that automobile sales in the PRC will continue to grow with the sales of passenger cars maintaining a double-digit growth of over 10%, benefiting the automobile related industries.

As the global economy continues to recover, more people are willing to travel. With the heavy snowstorms in Europe and the U.S. in early 2014, the number of automobiles in need of repair, maintenance and replacement increased. On the other hand, the PRC automobile market is facing a shift in consumers' demands for products that are energy saving, compact and of diverse features. The increase in automobile consumption costs, the pressure of RMB appreciation, the intensification of international trade conflicts, the decline of auto parts exports and growth of auto parts imports are having negative impacts on the industry. Meanwhile, some cities in the PRC have tightened the policy on the issue of licenses for new vehicles. To address the problems of traffic congestion and pollution, Tianjin has just decided to reduce the issue of licenses for new vehicles. The implication is that other major cities will soon follow. In December 2013, the Ministry of Industry and Information Technology summarized the latest information of 2013 and made the following forecast: although there will be significant growth of compact vehicle sales early in the year, the total number of vehicles in the PRC will decrease as a result of the above policy. With a combination of positives and negatives, the Group will be facing challenges in operation and development in 2014.

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 the PRC 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 the PRC, there are immense growth potentials for the automobile market in the PRC, 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.

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 provisions set out in the CG Code throughout the Year, except for deviation from 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 on next page.

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 the 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 authority is ensured by the operation of the Board and the senior management, which comprises of 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

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

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

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

DIVIDENDS

The Board has recommended the payment of a final dividend of HK2.5 cents (equivalent to approximately RMB1.98 cents at exchange rate 1: 0.7921) per share in cash to shareholders of the Company for the Year, representing a total payout of approximately RMB15.8 million, subject to the approval by the shareholders of the Company at the Company's forthcoming annual general meeting.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") consists of three members, namely Mr. Yu Shuli (Chairman), Mr. Tian Yushi and Mr. Xu Jiali, all of them are the independent non-executive Directors. The primary duties of the Audit Committee are to review and supervise the financial reporting process 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 annual results of the Group for the Year have been audited by the independent auditors of the Company, Ernst & Young. 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, 30 March 2014

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.