HUAZHONG HOLDINGS COMPANY LIMITED
華眾控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 6830)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

FINANCIAL HIGHLIGHTS

- Revenue was approximately RMB813,762,000 for the six months ended 30 June 2014, representing an increase of approximately 20.0% when compared to the corresponding period in 2013.
- Profit attributable to owners of the parent amounted to approximately RMB26,476,000 for the six months ended 30 June 2014, representing an increase of approximately 138.7% when compared to the corresponding period in 2013.
- Gross profit margin was 22.2% for the six months ended 30 June 2014, which slightly decreased by 0.3% percentage point from 22.5% for the corresponding period in 2013.
- Basic earnings per share attributable to the owners of the parent was approximately RMB3 cent for the six months ended 30 June 2014 (30 June 2013: RMB1 cent).
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2014 (30 June 2013: 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 2014, together with the comparative figures for the corresponding period in 2013.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2014

		For the six months ended 30 June	
		2014	2013
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	*5*	**813,762**	678,120
Cost of sales		**(633,496)**	(525,529)
Gross profit		**180,266**	152,591
Other income and gains	*5*	**6,274**	9,767
Selling and distribution costs		**(46,515)**	(48,811)
Administrative expenses		**(72,201)**	(67,658)
Other expenses		**(1,305)**	(2,030)
Operating profit		**66,519**	43,859
Share of (losses)/profits of			
An associate		**(304)**	123
Joint ventures		**(5,081)**	4,722
Finance income	*6*	**4,782**	2,788
Finance costs		**(21,391)**	(23,288)
PROFIT BEFORE INCOME TAX EXPENSE	*7*	**44,525**	28,204
Income tax expense	*8*	**(15,756)**	(15,173)
PROFIT FOR THE PERIOD		**28,769**	13,031
Attributable to:			
Owners of the parent		**26,476**	11,090
Non-controlling interests		**2,293**	1,941
		28,769	13,031
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*10*		
Basic and diluted		**RMB0.0331**	RMB0.0139

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	For the six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**28,769**	13,031
OTHER COMPREHENSIVE LOSS		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(96)**	(139)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	**(96)**	(139)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**28,673**	12,892
Attributable to:		
Owners of the parent	**26,380**	10,951
Non-controlling interests	**2,293**	1,941
	28,673	12,892

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Notes	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*11*	**504,115**	481,750
Investment properties		**40,135**	41,389
Prepaid land lease payments	*11*	**161,296**	163,972
Intangible assets		**4,017**	4,204
Investment in an associate		**2,206**	2,730
Investments in joint ventures		**59,617**	65,327
Prepayments for purchase of property, plant and equipment		**12,975**	22,098
Deferred tax assets		**18,679**	16,593
Total non-current assets		**803,040**	798,063
CURRENT ASSETS			
Inventories		**201,374**	181,776
Trade and notes receivables	*12*	**412,636**	370,913
Prepayments and other receivables		**140,172**	81,992
Due from the ultimate controlling shareholder		**—**	430
Due from related parties		**21,471**	6,808
Pledged deposits		**89,806**	128,554
Cash and cash equivalents		**242,870**	240,659
Total current assets		**1,108,329**	1,011,132
CURRENT LIABILITIES			
Interest-bearing bank borrowings		**595,509**	560,759
Trade and notes payables	*13*	**468,301**	450,796
Other payables, advances from customers and accruals		**133,447**	125,555
Due to the ultimate controlling shareholder		**236**	289
Due to related parties		**58,262**	41,081
Income tax payable		**52,818**	55,902
Total current liabilities		**1,308,573**	1,234,382
NET CURRENT LIABILITIES		**200,244**	223,250
TOTAL ASSETS LESS CURRENT LIABILITIES		**602,796**	574,813

	Notes	**30 June 2014** *RMB'000* **(Unaudited)**	31 December 2013 *RMB'000* (Audited)
NON-CURRENT LIABILITIES			
Interest – bearing bank borrowings-non-current portion		**89,000**	76,000
Government grants		**8,733**	8,969
Deferred tax liabilities		**25,340**	23,496
Total non-current liabilities		**123,073**	108,465
Net assets		**479,723**	466,348
EQUITY			
Equity attributable to owners of the parent			
Share capital		**65,120**	65,120
Reserves		**385,587**	358,663
Proposed final dividend	*9*	**—**	15,842
		450,707	439,625
Non-controlling interests		**29,016**	26,723
Total equity		**479,723**	466,348

1. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2014 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 2013.

Going concern basis

Notwithstanding that the Group had consolidated net current liabilities of RMB200,244,000 as at 30 June 2014, 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 2014, the Group had unutilised credit facilities from banks of approximately RMB701,039,000; and

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

In the opinion of the directors 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 2014.

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 2013, except in relation to the new and revised International Financial Reporting Standards ("**IFRSs**", which also include IASs and interpretations) as set out in note 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 IFRSs, amendments and interpretations ("**New IFRSs**") are adopted for the first time for the current period's condensed interim financial statements:

IFRIC 21	*Levies*
IFRS 10, IFRS 12 and IAS 27 (Revised) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (Revised) — *Investment Entities*
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*
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 Hedge Accounting*

The adoption of these new and revised IFRSs 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 2014 is set out in the following table:

	For the six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Mainland China	**718,225**	630,943
Overseas	**95,537**	47,177
Total	**813,762**	678,120

(b) Non-current assets

	30 June	31 December
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Mainland China	**736,790**	731,172
Overseas	**47,571**	50,298
Total	**784,361**	781,470

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 2014 are set out in the following table:

	For the six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Customer A	**301,621**	268,166
Customer B	**95,927**	79,707

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	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue:		
Sales of goods	**766,293**	633,962
Sales of materials	**47,469**	44,158
	813,762	678,120
Other income and gains:		
Government grants	**1,689**	596
Rental income	**3,311**	2,815
Gain on sales of scrap materials	**499**	508
Management fee income *(Note (a))*	**—**	3,000
Gain on disposal of property, plant and equipment	**61**	—
Others	**714**	2,848
	6,274	9,767

Note (a) The Group ceased to charge management fee income that represents income for administrative services rendered to Changchun Huaxiang Faurecia Automotive Plastic Components Company Limited ("**Changchun Huaxiang Faurecia**"), a joint venture of the Group, since July 2013.

6. FINANCE INCOME

	For the six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest income on bank deposits	**4,782**	2,788

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	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories recognised as expenses	**633,496**	525,529
Depreciation of property, plant and equipment	**28,302**	26,291
Depreciation of investment properties	**1,254**	1,110
Amortisation of prepaid land lease payments	**2,271**	1,131
Research and development costs	**15,260**	19,620
Lease payments under operating leases in respect of properties	**3,763**	2,676
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages, salaries and other benefits	**74,201**	65,994
Pension scheme contributions	**9,301**	8,322
Equity-settled share option expense	**346**	1,379
	83,848	75,695
Gross rental income	**4,446**	(4,326)
Less: Direct expenses that generated rental income	**1,135**	1,511
Rental income, net	**(3,311)**	(2,815)
Foreign exchange difference, net	**(33)**	1,160
Reversal of impairment of receivables	**—**	(2,382)
(Reversal)/write-down of inventories to net realizable value	**(628)**	583
Gain on disposal of items of property, plant and equipment	**(61)**	—
Interest income	**(4,782)**	(2,788)

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	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax		
— Charge for the period	**13,499**	10,396
Deferred income tax	**2,257**	4,777
Total tax charge for the period	**15,756**	15,173

9. DIVIDENDS PAID AND PROPOSED

	For the six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Dividends on ordinary shares declared and paid during the six-month period:		
Final dividend for 2013: HK$0.025 per share (2012: HK$0.01)	**15,842**	6,486

The board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2014 (30 June 2013: 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 2014 (30 June 2013: 800,000,000).

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 2014.

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

	For the six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to owners of the parent used in the basic and diluted earnings per share calculation	**26,476**	11,090

	For the six months ended 30 June Number of shares	
	2014	2013
	(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**	800,000,000
Effect of dilution — weighted average number of ordinary shares:		
Share options	**—**	—
	800,000,000	800,000,000

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

During the six months ended 30 June 2014, the Group acquired property, plant and equipment with a total cost of RMB51,006,000 (30 June 2013: RMB31,693,000).

Included in the property, plant and equipment as at 30 June 2014 were certain buildings with a net carrying value of RMB192,134,000 (31 December 2013: RMB127,386,000), 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 2014.

Certain of the Group's buildings with a net carrying value of RMB24,483,000 as at 30 June 2014 (31 December 2013: RMB14,908,000) were pledged to secure bank loans granted to the Group.

During the six months ended 30 June 2014, the Group has not acquired prepaid land lease payments (30 June 2013: RMB25,698,000).

Included in the prepaid land lease payments as at 30 June 2014 were certain lands with a net book value of RMB4,086,000 (31 December 2013: RMB17,217,000) 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 2014.

Certain of the Group's prepaid land lease payments with a carrying value of RMB58,934,000 as at 30 June 2014 (31 December 2013: RMB31,649,000) were pledged to secure bank loans granted to the Group.

12. TRADE AND NOTES RECEIVABLES

	30 June 2014 *RMB'000* **(Unaudited)**	31 December 2013 *RMB'000* (Audited)
Trade receivables	**410,190**	367,858
Notes receivable	**14,960**	15,569
	425,150	383,427
Impairment of the trade receivables	**(12,514)**	(12,514)
	412,636	370,913

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 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Within 3 months	**376,394**	332,568
3 to 6 months	**16,531**	21,084
6 months to 1 year	**4,686**	992
Over 1 year	**65**	700
	397,676	355,344

13. TRADE AND NOTES PAYABLES

An aged analysis of the trade and notes payables of the Group as at 30 June 2014, based on the invoice date, is as follows:

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Within 3 months	**382,072**	328,634
3 to 12 months	**82,512**	117,371
1 to 2 years	**3,180**	4,172
2 to 3 years	**113**	227
Over 3 years	**424**	392
	468,301	450,796

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 RMB75,827,000 as at 30 June 2014 (31 December 2013:RMB119,975,000).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Huazhong Holdings Company Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") is principally engaged in the manufacture and sale of automotive internal and external structural and decorative parts, moulds and tooling, casings and liquid tanks of air conditioners or heaters and other non-automotive products.

For the six months ended 30 June 2014, the business performance of the Group significantly improved which created better shareholder's value as the Group secured more new orders stably and the productivity enhanced due to the operation of the new factory and cost control implemented by the Group.

For the six months ended 30 June 2014, the Group's revenue was approximately RMB813,762,000, representing an increase of approximately 20.0% as compared to approximately RMB687,120,000 for the six months ended 30 June 2013. Profit attributable to the owners of the parent for the six months ended 30 June 2014 was approximately RMB26,476,000, representing an increase of approximately 138.7% as compared to RMB11,090,000 for the six months ended 30 June 2013.

The new manufacturing facilities in Hangzhou Bay, Ningbo of China were also under construction and were expected to commence trial production in the second half of this year.

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-automotive products; and

(v) sale of raw materials.

	For the six months ended 30 June			
	2014		2013	
	Revenue (Unaudited)	**Gross profit margin**	Revenue (Unaudited)	Gross profit margin
	RMB'000	***%***	*RMB'000*	*%*
Automotive interior and exterior structural and decorative parts	**585,447**	**24.5**	479,196	24.2
Moulds and tooling	**48,818**	**10.3**	26,582	27.2
Casings and liquid tanks of air conditioners and heaters	**100,547**	**19.7**	94,773	18.3
Non-automotive products	**31,481**	**36.8**	33,411	30.9
Sale of raw materials	**47,469**	**1.4**	44,158	4.0
Total	**813,762**	**22.2**	678,120	22.5

For the six months ended 30 June 2014, the total revenue generated from automotive interior and exterior structural and decorative parts was RMB585,447,000 (30 June 2013: RMB479,196,000), accounting for 71.9% of the Group's total revenue for the six months ended 30 June 2014 (30 June 2013: 70.7%). 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 24.2% for the six months ended 30 June 2013 to 24.5% for the six months ended 30 June 2014, primarily due to better capacity utilization.

For the six months ended 30 June 2014, revenue from moulds and tooling was RMB48,818,000 (30 June 2013: RMB26,582,000), accounting for 6.0% of the Group's total revenue for the six months ended 30 June 2014 (30 June 2013: 3.9%). The increase was due to the operation expansion of the mould plant in Germany. Gross profit margin decreased from 27.2% for the six months ended 30 June 2013 to 10.3% for the six months ended 30 June 2014. The decrease in gross profit margin was mainly due to the high cost incurred as a result of certain outsourced processes.

For the six months ended 30 June 2014, revenue from casings and liquid tanks of air conditioners and heaters was RMB100,547,000 (30 June 2013: RMB94,773,000), accounting for 12.4% of the Group's total revenue for the six months ended 30 June 2014 (30 June 2013: 14.0%). Gross profit margin slightly increase from 18.3% for the six months ended 30 June 2013 to 19.7% for the six months ended 30 June 2014.

For the six months ended 30 June 2014, revenue from non-automotive products was RMB31,481,000 (30 June 2013: RMB33,411,000), accounting for 3.9% of the Group's total revenue for the six months ended 30 June 2014 (30 June 2013: 4.9%). Gross profit margin increased from 30.9% for the six months ended 30 June 2013 to 36.8% for the six months ended 30 June 2014.

For the six months ended 30 June 2014, revenue from sale of raw materials was RMB47,469,000 (30 June 2013: RMB44,158,000), accounting for 5.8% of the Group's total revenue for the six months ended 30 June 2014 (30 June 2013: 6.5%). The gross profit margin was 1.4% for the six months ended 30 June 2014, which recorded a decrease as compared to the corresponding period in 2013.

For the six months ended 30 June 2014, the overall gross profit margin was 22.2% (30 June 2013: 22.5%). The slight decrease was mainly attributable to the decrease of the gross profit margin of revenue from sale of moulds and tooling as afore-mentioned.

Other income and gains

Other income and gains of the Group for the six months ended 30 June 2014 amounted to RMB6,274,000 (30 June 2013: RMB9,767,000), representing a decrease of approximately 35.8% as compared to the corresponding period in 2013. Such other income and gains were mainly generated from: (i) rental income received from the joint venture, Changchun Huaxiang Faurecia; and (ii) government grants.

The decrease was mainly attributable to that the Group ceased to charge management fee on Changchun Huaxiang Faurecia since the second half of 2013.

Selling and Distribution Costs

The Group's selling and distribution costs for the six months ended 30 June 2014 amounted to approximately RMB46,515,000, representing a decrease of approximately 4.7% as compared to RMB48,811,000 in the corresponding period in 2013. This was mainly due to implementation of cost control.

Administrative Expenses

The Group's administrative expenses for the six months ended 30 June 2014 amounted to approximately RMB72,201,000, representing an increase of approximately 6.7% as compared to RMB67,658,000 in the corresponding period in 2013. This was mainly attributable to an annual increase in employee salaries.

Share of Profits or Losses of Joint Ventures

During the six months ended 30 June 2014, the Group recorded RMB5,081,000 of the share of loss of joint ventures, while a share of profits of joint ventures of RMB4,722,000 was recorded for the six months ended 30 June 2013. The change was primarily due to a substantial loss incurred by Changchun Huaxiang Faurecia during the period under review.

Finance Income

The Group's finance income increased by approximately 71.5% from approximately RMB2,788,000 for the six months ended 30 June 2013 to approximately RMB4,782,000 for the six months ended 30 June 2014. The increase in finance income was mainly attributable to the increase of time deposits with higher interest rates.

Finance Costs

The Group's finance costs decreased from approximately RMB23,288,000 for the six months ended 30 June 2013 to approximately RMB21,391,000 for the six months ended 30 June 2014, representing a decrease of approximately 8.1%. The decrease in finance costs was mainly because less bank acceptance notes were discounted during the period under review.

Taxes

The Group's tax expenses slightly increased by approximately 3.8% from approximately RMB15,173,000 for the six months ended 30 June 2013 to approximately RMB15,756,000 for the six months ended 30 June 2014. The increase was mainly due to an increase in the Group's profit before tax in the six months ended 30 June 2014 as compared to the corresponding period in 2013 and partially offset by the write-down of opening deferred tax as a result of preferential tax rate of a subsidiary during the corresponding period in 2013.

Liquidity and Financial Resources

For the six months ended 30 June 2014, the net cash used in operating activities amounted to approximately RMB17,473,000 (30 June 2013: net cash generated from operating activities RMB124,074,000). The cash used in operating activities mainly resulted from an increase in trade and notes receivables, inventories and prepayments and other receivables.

The net cash used in investing activities amounted to approximately RMB48,513,000 (30 June 2013: net cash used in investing activities RMB161,985,000) and the net cash flow generated from financing activities amounted to approximately RMB15,020,000 (30 June 2013: cash generated from financing activities RMB6,132,000). The cash used in investing activities was mainly attributable to the payment for purchase of property, plant and machinery and the increase in time deposit. The net cash generated from financing activities was mainly attributable to new bank loans.

As a result of the cumulative effect described above, the Group recorded a net cash outflow of RMB50,966,000 for the six months ended 30 June 2014 (30 June 2013: net cash outflow of RMB31,779,000).

As at 30 June 2014, the Group's cash and cash equivalents (comprise cash on hand and at banks, including time deposits) amounted to approximately RMB242,870,000 (31 December 2013: RMB240,659,000).

As at 30 June 2014, the Group's interest-bearing bank borrowings were approximately RMB684,509,000 (31 December 2013: approximately RMB636,759,000), among of which, RMB595,509,000 would be due within one year (31 December 2013: RMB560,759,000). As at 30 June 2014, all of the bank borrowings were subject to fixed interest rate (31 December 2013: approximately RMB599,759,000). The board (the "**Board**") of directors (the "**Directors**") of the Company 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 2014, prepayments and other receivables were approximately RMB140,172,000 (31 December 2013: RMB81,992,000). The increase was mainly resulted from the increase in prepayment for the acquisition of moulds and other receivables.

Capital Commitments

As at 30 June 2014, the Group had capital commitments amounting to RMB545,808,000 (31 December 2013: RMB559,177,000) 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 RMB1,619,000 in respect of the banking facilities granted to one of the Group's joint ventures as at 30 June 2014 (31 December 2013: RMB8,154,000).

Pledge of Assets

As at 30 June 2014, the Group's assets of approximately RMB100,652,000 (31 December 2013: approximately RMB136,923,000) 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 2014 (Unaudited) *RMB'000*	31 December 2013 (Audited) *RMB'000*
Property, plant and equipment	**24,483**	14,908
Investment property	**3,256**	3,380
Prepaid land lease payments	**58,934**	31,649
Trade receivables	**—**	20,000
Pledged deposits	**13,979**	8,579
Total	**100,652**	78,516

As at 30 June 2014, deposits with a total book value of approximately RMB75,827,000 (31 December 2013: approximately RMB119,975,000) were pledged to secure the issue of notes payable.

Gearing Ratio

As at 30 June 2014, the Group's gearing ratio was approximately 70.7% (31 December 2013: 69.5%). 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 2014, the Group had 2,557 employees (30 June 2013: 2,383). Total staff costs of the Group (excluding directors' and chief executive's remuneration) for six months ended 30 June 2014 was approximately RMB83,848,000 (30 June 2013: approximately RMB75,695,000). The Group's remuneration policies were in line with relevant legislation, market conditions and the performance of our employees.

PROSPECTS

In the first half of 2014, the global sales of automobiles grew by 4.5%, reflecting a significant improvement as compared to the 1% growth for the same period last year. The global sales record of 72,130,000 vehicles was basically driven by the economic recovery in China, U.S. and Europe, which also contributed to the double-digit growth of automobile sales in U.S. and China, where automobile sales of 16,000,000 and 18,360,000 were recorded respectively. According to the Global PMI Index, the number of new orders in the first half of the year for manufacturers and service providers hit a five-month high. However, automobile sales in some areas such as Brazil and Russia remained weak. These two regions recorded only 14% of the global car purchases for the first half of the year.

In the first five months of 2014, the automobile manufacturing and sales were still recovering in Western Europe. However, the data already indicated that there was improvement. Sales data as of May this year increased by 6%, and the production of two major automobile manufacturing countries - Germany and Spain, remained strong during the period.

According to the statistics provided by the China Association of Automobile Manufacturers, the production and sales of vehicles in China as of May 2014 experienced a month-on-month decline but enjoyed a year-on-year growth. There was a slight decline of the month-on-month figure for the production and sales of passenger cars but showed a rather rapid growth year-on-year. The production and sales of commercial vehicles recorded decline in both month-on-month and year-on-year figures. From January to May, the production and sales of automobiles showed a steady growth in which a continuous growth was seen in passenger cars while a slowdown was seen in commercial vehicles as compared to the preceding four months. The production of automobiles amounted to 1,975,800 units, with month-on-month decrease of 4.44% and year-on-year growth of 10.9%. The sales of automobiles amounted to 1,911,200 unites, with a month-on-month decrease of 4.64% and a year-on-year growth of 8.50%. Among which, the production of passenger cars amounted to 1,649,600 units, representing a month-on-month decline of 1.07% and year-on-year growth of 16.19%; the sales of passenger cars amounted to 1,590,400 units, representing a month-on-month declined of 1.16% and a year-on-year growth of 13.85%. The production of commercial vehicles amounted to 326,200 units, representing a month-on-month decline of 18.47% and a year-on-year decline of 9.58%; the sales of commercial vehicles amounted to 320,800 units, representing a month-on-month decline of 18.82% and a year-on-year decline of 12.01%. The figures show that there was an overall decline in automobile sales in China in the first half of the year, which was affected primarily by the macroeconomical policies and partially by factors such as insurance and auto loan financing.

Based on the above analysis, we anticipate that the global sales of automobiles will continue to grow steadily. Although there is excessive production capacity in China, its sales volume will still account for a major portion of the global sales. We expect the macroeconomic control policies will achieve the desired objectives in the second half of the year and the slow automobile market will slowly recover in the third quarter. The Group will continue to capture opportunities arising in the market and work closely on cost control. As the Group secured more new orders stably and strengthened its relationship with its customers, together with the gradual completion of the new factory located at Hangzhou Bay in Zhejiang which enhanced productivity, the Group believes that its business performance will continue to improve and it will create better shareholder's value.

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 2014, 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, two non-executive Directors and three independent non-executive Directors and has a strong independence element in its composition.

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

The Company has 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 2014, 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 2014.

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 2014.

DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2014 (30 June 2013: Nil).

AUDIT COMMITTEE

During the six months ended 30 June 2014, the audit committee of the Company (the "**Audit Committee**") consisted of three members, namely Mr. Yu Shuli (chairman), Mr. Tian Yushi and Mr. Xu Jiali, all of them were 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.

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2014 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 2014 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 2014 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, 25 August 2014

As at the date of this announcement, the executive directors of the Company are Mr. Zhou Minfeng and Mr. Chang Jingzhou; the non-executive directors are Ms. Lai Cairong and Mr. Wang Yuming; and the independent non-executive directors are Mr. Yu Shuli, Mr. Tian Yushi and Mr. Xu Jiali.