

Huazhong Holdings Company Limited 華眾控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock code: 6830



Interim Report

2013

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhou Minfeng (*Chairman*)
Mr. Chang Jingzhou

Non-executive Directors

Ms. Lai Cairong
Mr. Wang Yuming
Ms. Kuang Min

Independent non-executive Directors

Mr. Yu Shuli
Mr. Tian Yushi
Mr. Xu Jiali

AUDIT COMMITTEE

Mr. Yu Shuli (*Chairman*)
Mr. Tian Yushi
Mr. Xu Jiali

REMUNERATION COMMITTEE

Mr. Yu Shuli (*Chairman*)
Mr. Zhou Minfeng
Mr. Tian Yushi

NOMINATION COMMITTEE

Mr. Zhou Minfeng (*Chairman*)
Mr. Yu Shuli
Mr. Tian Yushi

JOINT COMPANY SECRETARIES

Mr. Lian Wei Chung
Ms. Ho Wing Yan (*HKICS*)

AUTHORISED REPRESENTATIVE

Mr. Zhou Minfeng
Mr. Lian Wei Chung

REGISTERED OFFICE

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTERS IN CHINA

No. 104 Zhenan Road
Xizhou Town
Xiangshan County
Zhejiang Province
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1704, 17/F, Tai Yau Building
181 Johnston Road
Wanchai
Hong Kong

PRINCIPAL BANKERS

Bank of China
Agricultural Bank of China

LEGAL ADVISER AS TO HONG KONG LAW

Orrick, Herrington & Sutcliffe

COMPLIANCE ADVISER

Guotai Junan Capital Limited

AUDITORS

Ernst & Young

SHARE REGISTRARS

Principal Share Registrar and Transfer Office in the Cayman Islands

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

Hong Kong Share Registrar and Transfer Office

Tricor Investor Services Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Hong Kong

LISTING EXCHANGE INFORMATION

The Stock Exchange of Hong Kong Limited
Main Board

Stock Code

6830

COMPANY WEBSITE

www.cn-huazhong.com

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.

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-automotive products; and
- (v) raw materials.

MANAGEMENT DISCUSSION AND ANALYSIS

	For the six months ended 30 June			
	2013		2012	
	Revenue (Unaudited) RMB'000	Gross profit margin %	Revenue (Unaudited) RMB'000	Gross profit margin %
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-automotive 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 prices offered 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 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-automotive 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-automotive 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 in 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 the 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 (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 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 Automobile 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 advance 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-tier 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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	Used from 12 January 2012 to 30 June 2013	Balance as at 30 June 2013
	RMB in million	RMB in million	RMB in million
Constructing new manufacturing facilities, expanding and upgrading existing production facilities to increase production capacity	97.8	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 AND OTHER INFORMATION

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 throughout 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 Chairman and Chief Executive section below.

CHAIRMAN AND CHIEF EXECUTIVE

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 THE LISTED ISSUERS (“MODEL CODE”)

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct governing dealings by all 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 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.

DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2013, the Directors and the chief executive of the Company had the following interests or short positions in the shares (the “**Shares**”), underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“**SFO**”) which have been notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors and the chief executive of the Company are taken and deemed to have under such provisions of the SFO, or which are required to be and are recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

Long position in the Company

Name of Director	Capacity/ Nature of interest	Number of Shares	Number of Underlying Shares	Approximate percentage of the issued share capital
Mr. Zhou Minfeng	Interests of controlled corporation ⁽¹⁾	600,000,000	—	75.00%
	Beneficial owner	—	1,500,000 ⁽²⁾	0.18% ⁽⁴⁾
	Spouse's interest	—	1,000,000 ⁽²⁾⁽³⁾	0.12% ⁽⁴⁾
Mr. Chang Jingzhou	Beneficial owner	—	600,000 ⁽²⁾	0.07% ⁽⁴⁾
Ms. Lai Cairong	Beneficial owner	—	3,800,000 ⁽²⁾	0.46% ⁽⁴⁾

Notes:

- (1) Mr. Zhou Minfeng is deemed to be interested in Shares held by Huayou Holdings Company Limited ("Huayou Holdings") by virtue of Huayou Holdings being wholly-owned by Mr. Zhou Minfeng.
- (2) Underlying shares subject to options under the Pre-IPO Share Option Scheme.
- (3) Ms. Chen Chun'er, the spouse of Mr. Zhou Minfeng, has been granted an option to subscribe for 1,000,000 Shares under the Pre-IPO Share Option Scheme, therefore, Mr. Zhou Minfeng is deemed to be interested in Ms. Chen Chun'er's option.
- (4) Calculated based on the number of issued Shares taking into account the Shares which may be allotted and issued to all grantees upon their full exercise of the options under the Pre-IPO Share Option Scheme as at 30 June 2013.

Save as disclosed above, as at 30 June 2013, none of the Directors or the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which had been notified to the Company and the Stock Exchange pursuant to the Model Code.

At no time was the Company, its holding company, or any of its subsidiaries a party to any arrangements to enable the Directors and the chief executive of the Company (including their spouse and children under 18 years of age) to hold any interest or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

SHARE OPTION SCHEMES

Pre-IPO Share Option Scheme

The Company adopted a pre-IPO share option scheme (the “**Pre-IPO Share Option Scheme**”) on 15 December 2011 for the purposes of giving certain eligible persons an opportunity to have a personal stake in the Company and motivating them to optimize their future performance and efficiency to the Group and/or rewarding them for their past contributions, and attracting and retaining, or otherwise maintaining ongoing relationships with, such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group. Options to subscribe for an aggregate of 18,000,000 Shares were granted on 23 December 2011. The exercise price per Share is HK\$1.12, representing a discount of 20% to the global offering price per Share. Save as disclosed below, no further options were granted under the Pre-IPO Share Option Scheme prior to 12 January 2012 (the “Listing Date”), the date on which the Shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (i.e. the day the Shares being listed on the Stock Exchange). All options granted under the Pre-IPO Share Option Scheme may be exercised during the option period commencing from the end of 12 months after the Listing Date to the date falling 10 years from the adoption date of the Pre-IPO Share Option Scheme and can only be exercised in the following manner:

Exercise period	Maximum percentage of options exercisable
Anytime after the first anniversary of the Listing Date	35 % of the total number of options granted
Anytime after the second anniversary of the Listing Date	70 % of the total number of options granted
Anytime after the third anniversary of the Listing Date	100 % of the total number of options granted

Details of the share options movement under the Pre-IPO Share Option Scheme for the six months ended 30 June 2013 are as follows:

Name	Outstanding	Granted	Exercised	Lapsed	Cancelled	Outstanding
	as at 1 January 2013	the six months ended 30 June 2013	the six months ended 30 June 2013	the six months ended 30 June 2013	the six months ended 30 June 2013	as at 30 June 2013
Directors						
Mr. Zhou Minfeng	1,500,000	—	—	—	—	1,500,000
Mr. Chang Jingzhou	600,000	—	—	—	—	600,000
Ms. Lai Cairong	3,800,000	—	—	—	—	3,800,000
Senior Management						
In aggregate	1,900,000	—	—	(350,000)	—	1,550,000
Others						
In aggregate	9,900,000	—	—	—	—	9,900,000
Total	17,700,000	—	—	(350,000)	—	17,350,000

Save as disclosed above, no options were granted, exercised, lapsed or cancelled under the Pre-IPO Share Option Scheme during the six months ended 30 June 2013.

Share Option Scheme

The Company adopted a share option scheme (the “Share Option Scheme”) on 15 December 2011 for the purpose of giving certain eligible persons an opportunity to have a personal stake in the Company and motivating them to optimize their future performance and efficiency to the Group and/or rewarding them for their past contributions, and attracting and retaining, or otherwise maintaining on-going relationships with, such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group.

During the six months ended 30 June 2013, no options were granted, exercised, lapsed or cancelled pursuant to the Share Option Scheme.

ARRANGEMENT FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in “Share Option Schemes” above, at no time during the six months ended 30 June 2013 were rights to acquire benefits by means of the acquisition of Shares or debentures of the Company granted to any Director or their respective spouses or minor children, or were such rights exercised by them, or was the Company, its holding company or any of its subsidiaries a party to any arrangements which enable the Directors of the Company to acquire benefits by means of the acquisition of Shares in, or debt securities (including debentures) of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS’ INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as is known to any Director or the chief executive of the Company, as at 30 June 2013, the persons or corporations (other than Director or the chief executive of the Company) who had interests or short positions in the Shares and underlying Shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

Long position in the Company

Name	Capacity/Nature of Interest	Number of Shares	Number of Underlying Shares	Approximate percentage of issued share capital
Huayou Holdings ⁽¹⁾	Beneficial owner	600,000,000	—	75.00%
Chen Chun'er ⁽²⁾	Beneficial owner	—	1,000,000 ⁽³⁾	0.12% ⁽⁶⁾
	Spouse's interest	600,000,000 ⁽⁴⁾	—	75.00%
		—	1,500,000 ⁽⁵⁾	0.18% ⁽⁶⁾

CORPORATE GOVERNANCE AND OTHER INFORMATION

Notes:

- (1) Huayou Holdings is wholly-owned by Mr. Zhou Minfeng.
- (2) Spouse of Mr. Zhou Minfeng.
- (3) Underlying shares subject to option under the Pre-IPO Share Option Scheme.
- (4) Shares held by Huayou Holdings Company, in which Mr. Zhou is deemed to be interested by virtue of Huayou Holdings being wholly-owned by Mr. Zhou Minfeng.
- (5) Shares subject to options granted to Mr. Zhou Minfeng under the Pre-IPO Share Option Scheme.
- (6) Calculated based on the number of issued Shares taking into account Shares which may be allotted and issued to all grantees upon their full exercise of the options under the Pre-IPO Share Option Scheme as at 30 June 2013.

Save as disclosed above, as at 30 June 2013, the Directors and the chief executive of the Company are not aware of any other person or corporation having an interest or short position in the Shares and underlying Shares of the Company which would require disclosure to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Direct or indirect interests in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group:

Name	Shareholder	Approximate percentage of shareholding
Shanghai Huaxin	Shanghai Automobile Air Conditioner Factory* (上海汽車空調器廠)	30%
Shanghai Huaxin	Shanghai Beicai Industrial Co., Ltd. (上海北蔡工業有限公司)	19%
Changxing Huaxin Automobile Latex and Plastic Co., Ltd ("Changxing Huaxin") ⁽¹⁾	Shanghai Automobile Air Conditioner Factory* (上海汽車空調器廠)	30%
Changxing Huaxin ⁽¹⁾	Shanghai Beicai Industrial Co., Ltd. (上海北蔡工業有限公司)	19%

Note:

- (1) Shanghai Automobile Air Conditioner Factory* (上海汽車空調器廠) and Shanghai Beicai Industrial Co., Ltd. (上海北蔡工業有限公司) directly hold 30% and 19% interests in Shanghai Huaxin, respectively. Changxing Huaxin is wholly-owned by Shanghai Huaxin and as a result, Shanghai Automobile Air Conditioner Factory* (上海汽車空調器廠) and Shanghai Beicai Industrial Co., Ltd. (上海北蔡工業有限公司) also indirectly hold 30% and 19% interests in Changxing Huaxin, respectively.

Save as disclosed above, as at 30 June 2013, the Directors and the chief executive of the Company are not aware of any other person or corporation who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

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 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 interim report 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 report complies with Appendix 16 of the Listing Rules. The Audit Committee supervised the Group’s financial reporting process.

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).

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.

On behalf of the Board

Zhou Minfeng

Chairman

Zhejiang, the PRC, 30 August 2013

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	Notes	For the six months ended 30 June	
		2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
REVENUE	4	678,120	521,105
Cost of sales		(525,529)	(388,516)
Gross profit		152,591	132,589
Other income and gains	4	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	5	2,788	4,083
Finance costs	6	(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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	Notes	For the six months ended 30 June	
		2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
PROFIT FOR THE PERIOD		13,031	11,802
OTHER COMPREHENSIVE LOSS			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
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

INTERIM 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	12	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	13	62,359	65,333
Prepayments for purchase of property, plant and equipment	23(b)	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	14	174,992	170,107
Trade and notes receivables	15	327,876	320,307
Prepayments and other receivables	16	107,644	235,892
Due from the ultimate controlling shareholder	23(d)	29,429	30,163
Due from related parties	23(d)	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	17	660,348	621,186
Trade and notes payables	18	496,879	573,893
Other payables, advances from customers and accruals	19	122,567	107,471
Due to the ultimate controlling shareholder	23(d)	350	687
Due to related parties	23(d)	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

INTERIM 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 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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

	Attributable to owners of the parent											Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Statutory		Share option reserve	Proposed dividend	Exchange final fluctuation reserve	Retained earnings	Total	Non-controlling interests		
				reserve funds	Merger reserve								
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
As at 1 January 2013	65,120	99,866	5,580	27,718	88,278	5,875	6,486	265	96,274	395,462	24,205	419,667	
Total comprehensive income for the period:													
Profit for the period	—	—	—	—	—	—	—	—	11,090	11,090	1,941	113,031	
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	(139)	—	(139)	—	(139)	
Dividends	—	—	—	—	—	—	(6,486)	—	—	(6,486)	—	(6,486)	
Dividends paid to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	(1,960)	(1,960)	
Equity-settled share option arrangements	—	—	—	—	—	1,379	—	—	—	1,379	—	1,379	
As at 30 June 2013 (Unaudited)	65,120	99,866	5,580	27,718	88,278	7,254	—	126	107,364	401,306	24,186	425,492	
As at 1 January 2012	—	—	5,580	27,502	88,278	127	16,214	—	94,521	232,222	23,974	256,196	
Total comprehensive income for the period:													
Profit for the period	—	—	—	—	—	—	—	—	10,065	10,065	1,737	11,802	
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	(2,215)	—	(2,215)	—	(2,215)	
Capitalisation issue of shares	52,096	(52,096)	—	—	—	—	—	—	—	—	—	—	
Dividends	—	—	—	—	—	—	(16,214)	—	—	(16,214)	—	(16,214)	
Dividends paid to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	(3,675)	(3,675)	
New issue of shares from placing and public offering	13,024	169,312	—	—	—	—	—	—	—	182,336	—	182,336	
Share issue expense	—	(10,864)	—	—	—	—	—	—	—	(10,864)	—	(10,864)	
Equity-settled share option arrangements	—	—	—	—	—	2,861	—	—	—	2,861	—	2,861	
As at 30 June 2012 (Unaudited)	65,120	106,352	5,580	27,502	88,278	2,988	—	(2,215)	104,586	398,191	22,036	420,227	

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

	For the six months ended 30 June	
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
NET CASH FLOW GENERATED FROM/(USED IN) OPERATING ACTIVITIES	124,074	(142,568)
NET CASH FLOW (USED IN)/GENERATED FROM INVESTING ACTIVITIES	(161,985)	30,984
NET CASH FLOW GENERATED FROM FINANCING ACTIVITIES	6,132	63,681
NET DECREASE IN CASH AND CASH EQUIVALENTS	(31,779)	(47,903)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	123,260	115,909
CASH AND CASH EQUIVALENTS AT END OF PERIOD	91,481	68,006
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	91,481	68,006
Non-pledged time deposits with original maturity of three months or more when acquired	—	30,000
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	91,481	98,006

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

1. CORPORATE INFORMATION

Huazhong Holdings Company Limited (the “Company”) is a limited liability company incorporated in the Cayman Islands on 3 December 2010. The registered office address of the Company is Cricket Square, Hutchins Drive, PO BOX 2681, Grand Cayman, KY1-1111, Cayman Islands. The shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 12 January 2012 (the “Listing Date”).

The Company is an investment holding company. During the period, the Company and its subsidiaries (collectively referred to as the “Group”) were engaged in the manufacture and sale of automotive internal and external structural and decorative parts, moulds and tooling, casing and liquid tanks of air conditioning or heater units and other non-automotive products.

2.1 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.

2.2 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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

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

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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

3. OPERATING SEGMENT

For management purposes, the Group is organised into one single business unit that includes primarily the manufacture and sale of automotive internal and external decorative and structural 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 RMB'000 (Unaudited)	2012 RMB'000 (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 RMB'000 (Unaudited)	2012 RMB'000 (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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

3. OPERATING SEGMENT *(Continued)*

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 RMB'000 (Unaudited)	2012 RMB'000 (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.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue and other income is as follows:

	For the six months ended 30 June	
	2013 RMB'000 (Unaudited)	2012 RMB'000 (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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

5. FINANCE INCOME

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

6. FINANCE COSTS

	For the six months ended 30 June	
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Interest expense on bank loans and borrowings	23,288	25,860

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

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 RMB'000 (Unaudited)	2012 RMB'000 (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)

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

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 RMB'000 (Unaudited)	2012 RMB'000 (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 RMB'000 (Unaudited)	2012 RMB'000 (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).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

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 RMB'000 (Unaudited)	2012 RMB'000 (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 (Unaudited)	2012 (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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

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 (Note 17).

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 a/c 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) (Note 19).

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 (Note 17).

12. INVESTMENT PROPERTIES

The Group's investment properties are situated in Mainland China and on the land that are held under medium term leases.

Included in the investment properties as at 30 June 2013 were certain buildings with a net carrying value of RMB13,262,000 (31 December 2012: RMB13,644,000) 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.

The Group's investment properties with a net carrying value of RMB3,505,000 as at 30 June 2013 (31 December 2012: RMB3,630,000) were pledged to secure bank loans granted to the Group (Note 17).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

13. SHARE OF INVESTMENTS IN JOINT VENTURES

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Share of net assets	62,359	65,333

Particulars of the joint ventures are as follows:

Name	Place and date of registration	Percentage of			Principal activities
		Ownership interest	Voting power	Profit sharing	
Ningbo Roekona- Zoeppritex-Tex-Line Co., Ltd. ("Ningbo Hualete")	Mainland China 17 March 2004	50%	50%	50%	Manufacture and sale of auto parts, designing and manufacture of high-grade textiles
Changchun Huaxiang Faurecia	Mainland China 3 June 2011	50%	50%	50%	Manufacture and sale of auto parts, provision of after-sale services, and technical consultations

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

13. SHARE OF INVESTMENTS IN JOINT VENTURES *(Continued)*

The following table illustrates the summarised financial information of the Group's joint ventures:

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Share of the joint ventures' assets and liabilities:		
Current assets	269,520	264,866
Non-current assets	50,604	55,736
Current liabilities	(257,765)	(255,269)
Net assets	62,359	65,333
For the six months ended 30 June		
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Share of the joint ventures' results:		
Revenue	232,390	166,502
Other income	107	787
	232,497	167,289
Total expenses	(223,029)	(172,582)
Tax	(4,746)	(1,586)
Profit/(loss) after tax	4,722	(6,879)

14. INVENTORIES

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Raw materials	40,489	42,374
Work in progress	23,828	21,874
Finished goods	110,675	105,859
	174,992	170,107

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

15. TRADE AND NOTES RECEIVABLES

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (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 (Note 17).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

16. PREPAYMENTS AND OTHER RECEIVABLES

		30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
	Note		
Prepayments		32,017	64,029
Other receivables	(i)	71,958	168,935
Current portion of prepaid land lease payments		3,669	2,928
		107,644	235,892

(i) Other receivables are advances made to unrelated parties, which are unsecured, interest-free and have no fixed terms of repayment.

17. INTEREST-BEARING BANK BORROWINGS

		30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
	Note		
Secured bank loans	(i)	303,348	287,186
Unsecured bank loans		357,000	334,000
	(ii)	660,348	621,186

(i) As at 30 June 2013, the Group's bank loans of RMB303,348,000 (31 December 2012: RMB287,186,000) were secured by the pledges of the Group's assets with carrying values as follows:

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

(ii) The bank loans bear interest at rates ranging from 2.47% to 6.89% per annum (31 December 2012: 2.47% to 6.89% per annum).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

18. 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
	496,879	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).

19. OTHER PAYABLES, ADVANCES FROM CUSTOMERS AND ACCRUALS

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Other payables	107,404	91,444
Advances from customers	13,024	11,742
Accruals	1,810	3,956
Government grants — current portion	329	329
	122,567	107,471

Other payables are non-interest-bearing and repayable on demand.

Certain of the Group's advances from customers of RMB3,925,000 (31 December 2012: RMB3,795,000) were secured by buildings with a net carrying value of RMB24,804,000 (31 December 2012: RMB25,991,000) as aval commitments, a form of bank guarantees obtained by the Group in favour of certain customers for their advance payments, as at 30 June 2013 (Note 11).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

20. SHARE OPTION SCHEME

The Company operates a Pre-IPO share option scheme (the "Scheme") for the purpose to aid the Group in recruiting and retaining key employees, directors or consultants of outstanding ability and to motivate such employees, directors or consultants to exert their best efforts on behalf of the Company. Under a Pre-IPO share option scheme, the Company granted options to subscribe at an exercise price equivalent to 80% of the offer price for an aggregate of 18,000,000 shares in the Company ("Pre-IPO Share Option Scheme"). The Scheme became effective on 15 December 2011.

All the options under the Scheme were granted on 23 December 2011 and no further options will be granted under the Pre-IPO Share Option Scheme on and after the Listing Date.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the Scheme during the six months ended 30 June 2013:

	Weighted average exercise price HK\$ per share	Number of options '000
At 1 January 2013	1.12	17,700
Forfeited during the period	1.12	350
At 30 June 2013	1.12	17,350

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

30 June 2013		
Number of options '000	Exercise price HK\$ per share	Exercise period
6,072	1.12	12 January 2013 to 11 January 2017
6,073	1.12	12 January 2014 to 11 January 2017
5,205	1.12	12 January 2015 to 11 January 2017
17,350		

The Group recognised a share option expense of RMB1,379,000 during the six months ended 30 June 2013 (30 June 2012: 2,861,000).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

20. SHARE OPTION SCHEME *(Continued)*

At the end of the reporting period, the Company had 17,350,000 share options outstanding under the Scheme, which represented approximately 2.17% of the Company's share in issue as at the date of these financial statements. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 17,350,000 additional ordinary shares of the Company and additional share capital of HK\$1,735,000, equivalent to RMB1,382,000, and share premium of HK\$17,697,000, equivalent to RMB14,097,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 17,350,000 share options outstanding under the Scheme, which represented approximately 2.17% of the Company's shares in issue as at that date.

21. OPERATING LEASE ARRANGEMENTS

Group as lessee

The Group leases certain of its plants and warehouses under operating lease arrangements.

As at the end of each reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Within one year	7,820	6,395
In the second to fifth years, inclusive	1,316	2,249
	9,136	8,644

Group as lessor

The Group has entered into commercial property leases on its investment property portfolio, consisting of the Group's surplus offices and manufacturing plants.

Future minimum rentals receivable under non-cancellable operating leases as at the end of each reporting period are as follows:

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Within one year	8,054	8,365
In the second to fifth years, inclusive	14,980	16,794
	23,034	25,159

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For the six months ended 30 June 2013

22. COMMITMENTS

The Group had the following capital commitments:

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Contracted, but not provided for in respect of acquisition of:		
Property, plant and equipment	610,833	618,442
Prepaid land lease payments	—	23,370
	610,833	641,812

23. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Name and relationship

Name of related party	Relationship with the Group
Mr. Zhou	Ultimate controlling shareholder
Ms. Lai Danfen	Cousin of Mr. Zhou
Ms. Zhou Cimei	Father of Mr. Zhou
Ms. Lai Cairong	Mother of Mr. Zhou
Huayou Holdings	Parent company of the Company
Huaxiang Group Co., Ltd. ("Huaxiang Group")	Collectively controlled by Mr. Zhou Cimei and Ms. Lai Cairong
Ningbo Huaxiang Electronic Co., Ltd. ("Ningbo Huaxiang Electronics")	Significantly influenced by the brother of Mr. Zhou
Ningbo Huayou Properties	Controlled by Mr. Zhou
寧波華翔汽車飾件有限公司 ("Huaxiang Trim")	Controlled by Ningbo Huaxiang Electronics
寧波瑪克特汽車飾件有限公司 ("Ningbo Makete")	Controlled by Ningbo Huaxiang Electronics
Chengdu Huaxiang Auto Parts Co., Ltd. ("Chengdu Huaxiang")	Controlled by Ningbo Huaxiang Electronics

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

23. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

(a) Name and relationship *(Continued)*

Name of related party	Relationship with the Group
寧波華英模具科技發展有限公司 ("Huaying Moulding")	Controlled by Ningbo Huayou Properties
寧波井上華翔汽車零部件有限公司 ("Jingshang Huaxiang")	Controlled by Ningbo Huaxiang Electronics
寧波華翔汽車銷售服務有限公司 ("Huaxiang Sales Co")	Controlled by Huaxiang Group
南昌江鈴華翔汽車零部件有限公司 ("Nanchang Jiangling")	Joint venture of Ningbo Huaxiang Electronics
Ningbo Hualete	Joint venture of the Group
象山華翔國際酒店有限公司 ("Huaxiang Resort")	Collectively controlled by Mr. Zhou Cimei and Ms. Lai Cairong
Changchun Huayou Real Estate Co., Ltd. ("Changchun Huayou")	An associate to the Group prior to disposal on 31 March 2011 and controlled by Mr. Zhou
Ningbo City Huaxiang Technology Co.,Ltd. ("Huaxiang Technology")	An associate to the Group prior to disposal on 24 June 2011 and controlled by Ningbo Huayou Properties
Guangzhou Chengli Industrial Co., Ltd. ("Guangzhou Chengli")	Controlled by Mr. Zhou
Ningbo Huayue Automobile Trimming Co.,Ltd. ("Ningbo Huayue")	Controlled by Ningbo Huazhong Moulding and became a subsidiary in 2010 and disposed of to Ms. Lai Danfen in July 2011
Changchun Huaxiang Faurecia	Joint venture of the Group
Shanghai Baodegu Plastic Science & Technology Co., Ltd. ("Shanghai Baodegu")	An associate to the Group

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For the six months ended 30 June 2013

23. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

(b) Related party transactions

In addition to the transactions and balances disclosed elsewhere in this report, the Group had the following material transactions with related parties during the period:

	Notes	For the six months ended 30 June	
		2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Sales of goods to related parties	(i)		
Shanghai Baodegu		1,592	3,519
Purchase of goods from related parties	(ii)		
Changchun Huaxiang Faurecia		70,329	35,606
Huaxiang Trim		798	1,875
Nanchang Jiangling		753	2,497
Huaxiang Resort		422	6
Huaxiang Sales Co		8	14
Ningbo Makete		276	1,712
		72,586	41,710
Sales of raw materials to a related party	(i)		
Changchun Huaxiang Faurecia		42,392	28,397
Purchase of raw materials from related parties	(ii)		
Ningbo Hualete		30,317	21,252
Shanghai Baodegu		2,534	3,070
Chengdu Huaxiang		238	—
		33,089	24,322
Prepayments for purchase of property, plant and equipment from a related party	(iii)		
Ningbo Huayou Properties		41,000	—
Gross rental income from related parties	(iv)		
Changchun Huaxiang Faurecia		3,595	3,251
Ningbo Hualete		504	504
Chengdu Huaxiang		213	—
		4,312	3,755

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For the six months ended 30 June 2013

23. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

(b) Related party transactions *(Continued)*

	Notes	For the six months ended 30 June	
		2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Management fee income from a related party Changchun Huaxiang Faurecia	(v)	3,000	3,000
Advances to related parties	(vi)		
Ningbo Huayue		60,750	—
Huaxiang Technology		383	1,422
Mr. Zhou		230	—
Changchun Huayou		99	293
Ningbo Huaxiang Electronics		—	17
		61,462	1,732
Recovery of advances to related parties			
Ningbo Huayue		50,000	8,738
Ningbo Huaxiang Electronics		211	—
Ningbo Huayou Properties		—	19,509
Mr. Zhou		—	2,016
Changchun Huayou		—	100
		50,211	30,363
Advances from related parties	(vi)		
Ningbo Huayue		20,000	—
Ningbo Huayou Properties		5,469	—
		25,469	—
Repayment of advances from related parties			
Ningbo Huayue		20,000	—
Ningbo Huayou Properties		10,765	52,633
Mr. Zhou		337	—
Huaxiang Technology		98	—
Huaying Moulding		—	4,635
		31,200	57,268

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

23. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

(b) Related party transactions *(Continued)*

- Note (i): The sales of goods and materials to the related parties were made according to the prices and terms agreed between the related parties.
- Note (ii): The purchases of goods and raw materials from the related parties were made according to the prices and terms offered by the related parties.
- Note (iii): The prepayment for purchase of property, plant and equipment was made according to the terms and conditions agreed between the related parties, detail of which has been disclosed in the announcement of the Company dated 2 April 2013. As at 30 June 2013, the office building was still under construction and has not been delivered to the Group.
- Note (iv): The gross rental income from related parties was made according to the terms and conditions agreed between the related parties through lease agreements.
- Note (v): The management fee income from a related party was made according to the terms and conditions agreed between the related parties.
- Note (vi): The advances to and from related parties are interest free and repayable on demand.

(c) Other transactions with related parties

- (i) During the six months ended 30 June 2013, the Group provided guarantees to Ningbo Hualete for their bank facilities amounting to RMB6,375,000 as at 30 June 2013 (31 December 2012: RMB4,530,000).
- (ii) During the six months ended 30 June 2013, the Group pledged bank deposits of RMB55,600,000 as guarantees to Ningbo Huayue for its bank facilities amounting to RMB50,000,000 (2012: nil).
- (iii) During the six months ended 30 June 2013, Ningbo Huayue repaid amounts of RMB20,700,000, in aggregate, to the Group on behalf of two third parties to settle their amounts due to the Group in accordance with the agreements among these parties.
- (iv) During the six months ended 30 June 2013, Ningbo Huayue agreed to pay amount of RMB1,000,000 to the Group on behalf of a third party to settle its amount due to the Group in accordance with an agreement among these parties.

**NOTES TO INTERIM CONDENSED CONSOLIDATED
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For the six months ended 30 June 2013

23. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

(d) Outstanding balances with related parties

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Amount due from the ultimate controlling shareholder Mr. Zhou	29,429	30,163
Amounts due from related parties		
Changchun Huaxiang Faurecia	48,295	44,698
Ningbo Huayue	11,571	—
Ningbo Huayou Properties	8,050	8,050
Guangzhou Chengli	1,924	2,104
Changchun Huayou	685	587
Huaxiang Technology	447	65
Huayou Holdings	80	81
Jingshang Huaxiang	8	8
Nanchang Jiangling	7	—
Ningbo Huaxiang Electronics	—	211
	71,067	55,804
Amount due to the ultimate controlling shareholder Mr. Zhou	350	687
Amounts due to related parties		
Changchun Huaxiang Faurecia	47,029	43,116
Ningbo Hualete	19,341	19,034
Shanghai Baodegu	2,453	3,001
Huaying Moulding	720	720
Huaxiang Trim	445	1,330
Ningbo Huayou Properties	397	5,693
Ningbo Makete	323	439
Huaxiang Resort	139	163
Chengdu Huaxiang	119	1,057
Nanchang Jiangling	—	1,308
Ningbo Huayue	—	179
Huaxiang Technology	—	98
	70,966	76,138

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For the six months ended 30 June 2013

23. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

(d) Outstanding balances with related parties *(Continued)*

Other than above disclosed, all amounts due from/to the ultimate controlling shareholder and related parties are unsecured, interest-free and repayable on demand as at 30 June 2013.

(e) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Wages, salaries and other benefits	1,868	1,668
Pension scheme contributions	16	12
Equity-settled share option expense	580	1,308
Total compensation paid to key management personnel	2,464	2,988

24. FINANCIAL INSTRUMENTS

Set out below is an overview of financial instruments held by the Group at the end of the reporting period:

Financial assets — loans and receivables

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Trade and notes receivables	327,876	320,307
Financial assets included in prepayments and other receivables (Note 16)	71,958	168,935
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
	843,090	906,420

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24. FINANCIAL INSTRUMENTS *(Continued)*

Financial liabilities — at amortised cost

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Trade and notes payables	496,879	573,893
Financial liabilities included in other payables		
advances from customers and accruals (Note 19)	107,404	91,444
Interest-bearing bank borrowings	660,348	621,186
Due to the ultimate controlling shareholder	350	687
Due to related parties	70,966	76,138
	1,335,947	1,363,348

Fair values

The fair values of financial assets and liabilities approximate to their carrying amounts largely due to the short term maturities of these instruments.

Fair value hierarchy

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable)

Level 3 — Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable)

During the six-month period ended 30 June 2013, there were no transfers between Level 1 and Level 2 and no transfers into and out of Level 3 (2012: nil).

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For the six months ended 30 June 2013

25. CONTINGENT LIABILITIES

The Group had issued guarantees to banks in respect of the banking facilities granted to the following parties:

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Related parties (Note 23(c)(i)(ii))	56,375	4,530

26. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 30 August 2013.