

# 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 **2012**

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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 (appointed on 26 July 2012)

### Independent non-executive Directors

Mr. Su Xijia  
Mr. Yu Shuli  
Mr. Tian Yushi

## AUDIT COMMITTEE

Mr. Su Xijia (*Chairman*)  
Mr. Yu Shuli  
Mr. Tian Yushi

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

## COMPANY SECRETARY

Ms. Lau Miu Man (*HKICPA, CPA (Aust.)*)

## AUTHORISED REPRESENTATIVE

Mr. Zhou Minfeng  
Ms. Lau Miu Man

## 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

Butterfield Fulcrum Group (Cayman) Limited  
Butterfield House  
68 Fort Street  
P.O. Box 609  
Grand Cayman KY1-1107  
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](http://www.cn-huazhong.com)

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

Huazhong Holdings Company Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) are principally engaged in manufacturing and sales of automobile internal and external structure and decorative parts, moulds and tooling, casings and liquid tanks of air conditioners and heaters and other non-automobile products.

During six months ended 30 June 2012 (the “**Period**”), constant growth in production costs including raw material costs and labor wages, as well as the economic slowdown in China 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 2012, the Group’s revenue was approximately RMB521,105,000, representing a decrease of approximately 9.1% as compared to approximately RMB573,538,000 for the six months ended 30 June 2011. Profit attributable to the owners of the parent for the Period was approximately RMB10,065,000, represent a decrease of approximately 80.3% as compared to RMB51,012,000 for the six months ended 30 June 2011.

During the Period, the Group acquired the assets and business of a bankrupt company in Germany which engaged in manufacturing and sales of moulding and tools at a consideration of approximately RMB29.7 million (equivalent to approximately Euro 3.8 million). The acquisition is to strengthen and enhance the Group’s moulding manufacturing technology, production equipment and development of overseas market. The acquisition was completed in April 2012.

The expansion and upgrade of the existing manufacturing facilities in Ningbo and Chengdu were still under construction during the Period. The new manufacturing facilities in Wuhu and Yantai were also under construction and were expected to be completed and commenced production in the second half of this year.

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

## FINANCIAL REVIEW

### Revenue

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

- (i) automotive interior and exterior structural and decorative parts;
- (ii) moulds and tooling;
- (iii) casings and liquid tanks of air conditioners and heaters; and
- (iv) non-automobile products.

	For the six months ended 30 June			
	2012		2011	
	Revenue (Unaudited) RMB'000	Gross profit margin %	Revenue (Unaudited) RMB'000	Gross profit margin %
Automotive interior and exterior structural and decorative parts	389,094	26.1	432,897	25.8
Moulds and tooling	6,436	0	18,735	39.3
Casings and liquid tanks of air conditioners and heaters	101,524	23.3	94,734	23.8
Non-automobile products	24,051	30.5	27,172	34.7
<b>Total</b>	<b>521,105</b>	<b>25.4</b>	<b>573,538</b>	<b>26.3</b>

For the six months ended 30 June 2012, the total revenue generated from automotive interior and exterior structural and decorative parts was RMB389,094,000 (30 June 2011: RMB432,897,000), accounting for 74.7% of the Group's total revenue for the Period (30 June 2011: 75.5%). The decrease was due to the transfer of the manufacturing and assembling of bumpers and certain other exterior structural and decorative automobile body parts by the Group to Changchun Huaxiang Faurecia Automotive Plastic Components Co., Ltd. ("**Changchun Huaxiang Faurecia**"), a jointly-controlled entity established by the Group and Faurecia (China) Holdings Co., Ltd. in June 2011. As a result of such transfer, revenue generated from the sales of bumpers and certain exterior structural and decorative automobile body parts was no longer included in the consolidated revenue of the Group since September 2011, which led to the decrease in revenue of these products for the period ended 30 June 2012. Gross profit margin increased from 25.8% for the six months ended 30 June 2011 to 26.1% for the six months ended 30 June 2012, primarily due to strict cost control measures implemented by the Group.

For the six months ended 30 June 2012, revenue from moulds and tooling was RMB6,436,000 (30 June 2011: RMB18,735,000), accounting for 1.2% of the Group's total revenue for the Period (30 June 2011: 3.3%). The decrease in revenue was attributable to the decrease in sales of moulding. Gross profit margin decreased from 39.3% for the six months ended 30 June 2011 to nil for the six months ended 30 June 2012 due to the commencement of operation of the company in Germany engaging in manufacturing of moulding and tools in April 2012 which dragged down the overall gross profit margin of the Group's moulds and tooling business.

For the six months ended 30 June 2012, revenue from casings and liquid tanks of air conditioners and heaters was RMB101,524,000 (30 June 2011: RMB94,734,000), accounting for 19.5% of the Group's total revenue for the Period (30 June 2011: 16.5%). The increase of approximately 7.2% in revenue represented a steady growth of these products. Gross profit margin decreased slightly from 23.8% as at 30 June 2011 to 23.3% as at 30 June 2012.

For the six months ended 30 June 2012, revenue from non-automobile products was RMB24,051,000 (30 June 2011: RMB27,172,000), accounting for 4.6% of the Group's total revenue for the Period (30 June 2011: 4.7%). The decrease in revenue from non-automobile products was primarily due to the decrease in demand by the Group's overseas customers under the downturn of global economy. Gross profit margin decreased from 34.7% as at 30 June 2011 to 30.5% as at 30 June 2012.

### Other income and gains

Other income and gains of the Group for the Period amounted to RMB10,249,000, representing an increase of approximately 233.6% as compared to the corresponding period in 2011. The increase was mainly attributable to the following factors: (i) rental and management fee income received from the jointly-controlled entity, Changchun Huaxiang Faurecia; and (ii) government grants of RMB1,200,000 for the Company's successful listing (the "**Listing**") of its shares on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 12 January 2012 (the "**Listing Date**").

### Gain on Bargain Purchase

During the six months ended 30 June 2012, no gain on bargain purchase was recorded. During the six months ended 30 June 2011, the Group recorded a one-off gain of RMB9,766,000 upon its acquisition of the equity interests in Shanghai Huaxin Automobile Latex and Plastic Co., Ltd. ("**Shanghai Huaxin**") prior to the Listing. The gain represented the difference between the fair value of the net identifiable assets acquired and liabilities assumed, and the consideration paid.

### Selling and Distribution Costs

The Group's selling and distribution costs for the Period amounted to approximately RMB39,457,000, representing a decrease of approximately 4.3% as compared to RMB41,239,000 in the corresponding period in 2011. The decrease was mainly due to the decrease in transportation, packing and warehousing costs resulting from the establishment of production bases located close to the key automakers in China and the decrease in sales.

### Administrative Expenses

The Group's administrative expenses for the Period amounted to approximately RMB45,397,000, representing an increase of approximately 32.5% as compared to RMB34,255,000 in the corresponding period in 2011. The increase was mainly attributable to (i) increase in staff costs of approximately RMB2.3 million caused by the pay rise in May 2011 and January 2012; (ii) the equity-settled share option expenses of approximately RMB2.9 million recorded by the Group in connection with the grant of pre-IPO share option to certain directors and senior management of the Company prior to the Listing; and (iii) increase of approximately RMB3.7 million in office administrative expenses and others due to the relocation to the new plant in Xizhou and the acquisition of the operating assets in Germany.

### Share of Losses of Jointly-Controlled Entities

During the six months ended 30 June 2012, the Group recorded RMB6,879,000 of the share of losses of jointly-controlled entities as compared to the share of profits of RMB4,686,000 for the six months ended 30 June 2011. This was primarily attributable to the loss incurred by Changchun Huaxiang Faurecia which was established in June 2011 and was still in start-up stage. The Group believes that it will contribute to the Group's profit when the production scale increases and reaches its optimization.

### Finance Income

The Group's finance income decreased by approximately 11.9% from approximately RMB4,633,000 for the six months ended 30 June 2011 to approximately RMB4,083,000 for the six months ended 30 June 2012. The decrease in finance income was mainly attributable to the repayment of entrusted loan by a related party in January 2012.

### Finance Costs

The Group's finance costs increased from approximately RMB23,964,000 for the six months ended 30 June 2011 to approximately RMB25,860,000 for the six months ended 30 June 2012, representing an increase of approximately 7.9%. The increase in finance costs was mainly due to the rise in interest rates during the Period.

### Taxes

The Group's tax expenses decreased by approximately 11.0% from approximately RMB18,208,000 for the six months ended 30 June 2011 to approximately RMB16,207,000 for the six months ended 30 June 2012. The decrease was mainly attributable to the decrease in the Group's profit before tax as compared to the corresponding period in 2011. The Group's effective income tax rate increased from 25.7% for the six months ended 30 June 2011 to 57.9% for the six months ended 30 June 2012, as no deferred tax assets were recognised for several entities in the Group in loss.

### Liquidity and Financial Resources

For the six months ended 30 June 2012, the net cash used in operating activities amounted to approximately RMB142,568,000 (30 June 2011: net cash generated from operating activities RMB191,450,000). The cash used in operating activities mainly resulted from decrease in profit for the period. The increase in trade and notes receivables was temporary as most of the receivables were aged within three months which was within the credit term. The increase in prepayments and other receivables was mainly attributable to the increase in prepayment to suppliers to ensure raw materials for the production of the Group's product. Besides, the decrease in trade and notes payables in line with purchase decline also resulted in the cash outflow from operating activities during the Period.

The net cash generated from investing activities amounted to approximately RMB30,984,000 (30 June 2011: net cash used in investing activities RMB117,068,000) and the net cash flow generated from financing activities amounted to approximately RMB63,681,000 (30 June 2011: cash used in financing activities RMB11,711,000). The cash generated from investing activities was mainly attributable from the repayment of outstanding amount from the related parties. The net cash generated from financing activities was mainly attributable to the net proceeds received from the Listing in January 2012.

As a result of the cumulative effect described above, the Group recorded a net cash outflow of RMB47,903,000 for the period ended 30 June 2012 (30 June 2011: net cash inflow of RMB62,671,000).

As at 30 June 2012, the Group's cash and cash equivalents (comprise cash on hand and at banks, including time deposits) amounted to approximately RMB98,006,000 (31 December 2011: RMB145,909,000).

As at 30 June 2012, the Group's interest-bearing bank borrowings were approximately RMB459,064,000 (31 December 2011: approximately RMB440,147,000), all of which were due within one year. As at 30 June 2012, approximately RMB23,864,000 of the bank borrowings were subject to fixed interest rate. 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.

### Foreign Exchange Exposure

The sales and purchases of the Group were mainly denominated in Renminbi and Euro. The cash and cash equivalents of the Group were mainly denominated in Renminbi, Hong Kong dollars and Euro. The borrowings are denominated in Renminbi. Since the Group's exposure to fluctuations in foreign exchange rates was minimal, the Group has not implemented any foreign currency hedging policy at the moment. However, the management will closely monitor the foreign exchange exposure of the Group and will consider hedging the foreign exchange exposure if it becomes significant to the Group.

### Contingent Liabilities

The Group provided guarantee of RMB6,553,000 in respect of the banking facilities granted to a jointly controlled entity of the Group as at 30 June 2012 (31 December 2011: RMB7,020,000).

### Pledge of Assets

As at 30 June 2012, the Group's assets of approximately RMB61,506,000 (31 December 2011: approximately RMB51,463,000) were pledged to secure some of the Group's interest-bearing bank borrowings. The book value of the pledged assets is set out below:

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Property, plant and equipment	20,161	20,889
Investment property	3,754	3,879
Prepaid land lease payments	12,923	13,118
Trade receivables	9,668	10,327
Pledged deposits	15,000	3,250
<b>Total</b>	<b>61,506</b>	<b>51,463</b>

As at 30 June 2012, deposits with book value of approximately RMB90,516,000 (31 December 2011: approximately RMB151,876,000) were pledged to secure the issue of notes payable.

### Gearing Ratio

As at 30 June 2012, the Group's gearing ratio was approximately 71.5% (31 December 2011: 81.9%). The gearing ratio is derived by dividing net liabilities (including interest-bearing bank borrowings, trade and notes payables, other payables, advances from customers and accruals, and payables to related parties and ultimate shareholder less cash and cash equivalents) by total capital (including equity attributable to owners of the parent company) plus net liabilities at the end of the respective periods. The decrease in gearing ratio was mainly due to the proceeds received from the Listing during the Period.

### Employees and Remuneration Policies

As at 30 June 2012, the Group had 2,328 employees (30 June 2011: 2,393). Total staff costs of the Group for six months ended 30 June 2012 was approximately RMB55.2 million (30 June 2011: approximately RMB44.5 million). The Group's remuneration policies were in line with relevant legislation, market conditions and the performance of our employees.

### PROSPECTS

In the second half of 2012, the uncertainties in the global economy and the decrease in domestic market demand resulting from the slowdown of China's economy will add pressure to the automobile enterprises.

The passenger vehicle market in China recorded a moderate growth for the first half of the year. According to the statistics released by China Association of Automobile Manufacturers, the volumes for the production and sales of passenger vehicles were approximately 7,599,300 units and 7,613,500 units respectively for the six months ended 30 June 2012, representing an increase of approximately 7.9% and 7.1%.

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 to increase its market share and profitability through the following efforts (i) continue to implement its strict cost control measures to maintain the Group's overall business competitiveness, thereby enhancing its long-term stable development; (ii) strengthen the research and development capacity of the Group to keep up with the latest technological trends in relation to product specifications; (iii) expand the Group's existing production facilities and capacity to capture more market share and expand the market coverage in China; and (iv) proactively search for potential 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 the shareholders.

Looking forward, the Group will continue to actively but yet cautiously drive the development of its business, while assessing new investment opportunities, with the primary goal of maintaining a healthy 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\$210.7 million (approximately RMB171.5 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 2012 is set out as follows:

	Planned at the Global Offering RMB in million	Used in the Interim Period RMB in million	Balance as at 30 June 2012 RMB in million
Constructing new manufacturing facilities, expanding and upgrading existing production facilities to increase production capacity	102.9	55.2	47.7
Research and development	34.2	16.0	18.2
Acquiring companies to increase product offerings capacity and expand our market share and revenue base	17.2	17.2	—
Working capital and general purposes	17.2	17.2	—
<b>Total</b>	<b>171.5</b>	<b>105.6</b>	<b>65.9</b>

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## CORPORATE GOVERNANCE CODE

On 1 April 2012, the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules (the “**Former CG Code**”) was amended and renamed as Corporate Governance Code and Corporate Governance Report (the “**New CG Code**”). The Company has adopted the code provisions as set out in the New CG Code as the code of the Company in substitution for and to the exclusion of the Former CG Code with effect from 1 April 2012. The Company was listed on the Stock Exchange on 12 January 2012.

The Board is of the view that the Company has complied with all applicable code provisions set out in the Former CG Code and the New CG Code from the Listing Date to 31 March 2012 and from 1 April 2012 to 30 June 2012 respectively, except for the deviation from Code Provision A.2.1, which stipulates that the roles of the chairman and chief executive should be separate and should not be performed by the same individual. Please refer to the 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 comprise experienced and high caliber individuals. The Board currently comprises two executive Directors, three non-executive Directors and three independent non-executive Directors and has a strong independence element in its composition.

## COMPANY SECRETARY

Mr. Lam King Hang has tendered his resignation as the company secretary of the Company (the “**Company Secretary**”) and Ms. Lau Miu Man has been appointed as the Company Secretary, both with effect from 1 June 2012.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE LISTED ISSUERS (“MODEL CODE”)

The Company has adopted the Model Code 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 2012, 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 period from the Listing Date to the six months ended 30 June 2012 and up to the date of this report.

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

As at 30 June 2012, 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 <sup>(1)</sup>	600,000,000	—	75.00%
	Beneficial owner	—	1,500,000 <sup>(2)</sup>	0.18% <sup>(4)</sup>
	Spouse's interest	—	1,000,000 <sup>(2)(3)</sup>	0.12% <sup>(4)</sup>
Mr. Chang Jingzhou	Beneficial owner	—	600,000 <sup>(2)</sup>	0.07% <sup>(4)</sup>
Ms. Lai Cairong	Beneficial owner	—	3,800,000 <sup>(2)</sup>	0.46% <sup>(4)</sup>

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 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 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 2012.

Save as disclosed above, as at 30 June 2012, 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 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 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 the Listing Date. All options granted under the Pre-IPO Share Option Scheme may 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 2012 are as follows:

Name	Outstanding as at 1 January 2012	Granted during the period	Exercised during the Period	Lapsed during the Period	Cancelled during the Period	Outstanding as at 30 June 2012
<b>Directors</b>						
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
<b>Senior Management</b>						
In aggregate	2,200,000	—	—	(300,000)	—	1,900,000
<b>Others</b>						
In aggregate	9,900,000	—	—	—	—	9,900,000
<b>Total</b>	18,000,000	—	—	(300,000)	—	17,700,000

Save as disclosed above, there is no options outstanding, granted, exercised, lapsed and cancelled under the Pre-IPO Share Option Scheme for the six months ended 30 June 2012.

## 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.

For the six months ended 30 June 2012, there is no option outstanding, granted, exercised, lapsed and 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 2012 were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director of the Company 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 to 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 chief executive of the Company, as at 30 June 2012, the persons or corporations (other than Director or 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 <sup>(1)</sup>	Beneficial owner	600,000,000	—	75.00%
Chen Chun'er <sup>(2)</sup>	Beneficial owner	—	1,000,000 <sup>(3)</sup>	0.12% <sup>(4)</sup>
	Spouse's interest	—	601,500,000 <sup>(3)</sup>	73.56% <sup>(4)</sup>

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) 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 2012.

## Corporate Governance and Other Information

Save as disclosed above, as at 30 June 2012, 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 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 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") <sup>(1)</sup>	Shanghai Automobile Air Conditioner Factory* (上海汽車空調器廠)	30%
Changxing Huaxin <sup>(1)</sup>	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 2012, 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

The audit committee of the Company (the "Audit Committee") consists of three members, namely Mr. Su Xijia (Chairman), Mr. Yu Shuli and Mr. Tian Yushi, all of them are the independent non-executive Directors. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group.

Disclosure of financial information in this report complies with Appendix 16 of the Listing Rules. The Audit Committee has provided supervision over the Group's financial reporting process.

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2012 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 2012 is prepared in accordance with applicable accounting standards, rules and regulations and appropriate disclosures have been duly made.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the period from the Listing Date to the six months ended 30 June 2012 and up to the date of this report.

## DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2012 (30 June 2011: 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*

Hong Kong, 31 August 2012

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	Notes	For the six months ended 30 June	
		2012 RMB'000 (Unaudited)	2011 RMB'000 (Audited)
Revenue	4	521,105	573,538
Cost of sales		(388,516)	(422,473)
<b>Gross profit</b>		<b>132,589</b>	151,065
Other income and gains	4	10,249	3,072
Gain on bargain purchase		—	9,766
Selling and distribution costs		(39,457)	(41,239)
Administrative expenses		(45,397)	(34,255)
Other expenses		(1,513)	(3,135)
<b>Operating profit</b>		<b>56,471</b>	85,274
Share of profits/(losses) of			
Associates		194	100
Jointly controlled entities		(6,879)	4,686
Finance income	5	4,083	4,633
Finance costs	6	(25,860)	(23,964)
<b>Profit before income tax expense</b>	7	<b>28,009</b>	70,729
Income tax expense	8	(16,207)	(18,208)
<b>Profit for the period</b>		<b>11,802</b>	52,521
Attributable to:			
Owners of the parent		10,065	51,012
Non-controlling interests		1,737	1,509
<b>Earnings per share attributable to ordinary equity holders of the parent</b>	10		
Basic and diluted		RMB0.01	RMB0.08

## Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012

	For the six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Audited)
<b>Profit for the period</b>	<b>11,802</b>	52,521
<b>Other comprehensive income</b>		
Exchange differences on translation of foreign operations	(2,215)	—
<b>Other comprehensive loss for the period, net of tax</b>	<b>(2,215)</b>	—
<b>Total comprehensive income for the period</b>	<b>9,587</b>	52,521
Attributable to:		
Owners of the parent	7,850	51,012
Non-controlling interests	1,737	1,509
	<b>9,587</b>	52,521

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	Notes	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	294,035	256,319
Investment properties	12	43,893	45,197
Prepaid land lease payments	11	107,237	92,618
Investment in an associate		2,632	2,774
Investments in jointly-controlled entities	13	42,411	56,505
Prepayments for acquiring property, plant and equipment		5,120	75,236
Intangible assets		958	—
Deferred tax assets		8,754	9,939
Total non-current assets		505,040	538,588
<b>CURRENT ASSETS</b>			
Inventories	14	149,219	107,825
Trade and notes receivables	15	326,442	281,679
Prepayments and other receivables	16	278,676	154,394
Due from the ultimate shareholder	24(d)	5,142	6,284
Due from related parties	24(d)	86,855	112,587
Pledged deposits		105,516	155,126
Cash and cash equivalents		98,006	145,909
Total current assets		1,049,856	963,804
<b>CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings	17	459,064	440,147
Trade and notes payables	18	435,076	515,245
Other payables, advances from customers and accruals	19	136,672	106,358
Due to the ultimate shareholder	24(d)	1,084	—
Due to related parties	24(d)	64,778	134,742
Income tax payable		29,409	43,993
Total current liabilities		1,126,083	1,240,485
<b>NET CURRENT LIABILITIES</b>		76,227	276,681
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		428,813	261,907

## Condensed Consolidated Statement of Financial Position

As at 30 June 2012

	Notes	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		8,586	5,711
Total non-current liabilities		8,586	5,711
<b>Net assets</b>		<b>420,227</b>	256,196
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	20	65,120	—
Reserves		333,071	216,008
Proposed final dividend	9	—	16,214
		398,191	232,222
<b>Non-controlling interests</b>		<b>22,036</b>	23,974
<b>Total equity</b>		<b>420,227</b>	256,196

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Attributable to owners of the parent												
	Share capital	Share premium	Capital reserve	Statutory		Merger reserve	Share option reserve	Proposed final dividend	Exchange fluctuation reserve	Retained earnings	Non-controlling		Total equity
				reserve	funds						Total	interests	
				RMB'000	RMB'000						RMB'000	RMB'000	
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	
<b>As at 30 June 2012 (Unaudited)</b>	<b>65,120</b>	<b>106,352*</b>	<b>5,580*</b>	<b>27,502*</b>	<b>88,278*</b>	<b>2,988*</b>	<b>—*</b>	<b>(2,215)*</b>	<b>104,586*</b>	<b>398,191</b>	<b>22,036</b>	<b>420,227</b>	
As at 1 January 2011	44,179	—	5,580	22,608	(8,020)	—	—	—	211,461	275,808	4,029	279,837	
Profit and total comprehensive income	—	—	—	—	—	—	—	—	51,012	51,012	1,509	52,521	
Deemed capital contribution	12,800	—	—	—	—	—	—	—	—	12,800	—	12,800	
Dividends paid to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	(4,768)	(4,768)	
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	—	—	25,628	25,628	
Deemed distribution to an equity holder	(16,464)	—	—	—	—	—	—	—	—	(16,464)	—	(16,464)	
Acquisition of non-controlling interests	—	—	—	—	20	—	—	—	—	20	(56)	(36)	
<b>As at 30 June 2011 (Audited)</b>	<b>40,515</b>	<b>—</b>	<b>5,580</b>	<b>22,608</b>	<b>(8,000)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>262,473</b>	<b>323,176</b>	<b>26,342</b>	<b>349,518</b>	

\* These reserve accounts comprise the consolidated reserves of RMB333,071,000 as at 30 June 2012 in the condensed consolidated statement of financial position.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

	For the six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Audited)
NET CASH FLOW (USED IN)/GENERATED FROM OPERATING ACTIVITIES	(142,568)	191,450
NET CASH FLOW GENERATED FROM/(USED IN) INVESTING ACTIVITIES	30,984	(117,068)
NET CASH FLOW GENERATED FROM/(USED IN) FINANCING ACTIVITIES	63,681	(11,711)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(47,903)	62,671
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	115,909	25,080
CASH AND CASH EQUIVALENTS AT END OF PERIOD	68,006	87,751
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	68,006	87,751
Non-pledged time deposits with original maturity of three months or more when acquired	30,000	5,000
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	98,006	92,751

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT

For the six months ended 30 June 2012

## 1. CORPORATE INFORMATION

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 on 12 January 2012.

The Company is an investment holding company. During the Period, the Group were engaged in the manufacture and sale of automobile internal and external structural and decorative parts, moulds and tooling, casing and liquid tanks of air conditioning or heater units and other non-automobile products.

### 2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2012 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 2011.

### 2.2 NET CURRENT LIABILITIES

Notwithstanding that the Group had consolidated net current liabilities of RMB76,227,000 at 30 June 2012 and net cash outflow used in operating activities of RMB142,568,000 for the six months ended 30 June 2012, the financial statements have been prepared by the directors of the Company on a going concern basis.

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

- (i) as at 30 June 2012, the Group had unutilised credit facilities from banks of approximately RMB203,000,000; 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 2012.

## 2.3 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 2011, except in relation to the new and revised International Financial Reporting Standards ("IFRSs", which also include IASs and interpretations) as set out in note 2.4 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.

## 2.4 ADOPTION OF NEW AND REVISED IFRSs

During the six months ended 30 June 2012, the following new standards and interpretations are adopted by the Group:

IFRS 1 Amendments	Amendments to IFRS 1 <i>First-time Adoption of International Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i>
IFRS 7 Amendments	Amendments to IFRS 7 <i>Financial Instruments: Disclosures-Transfers of Financial Assets</i>
IAS 12 Amendments	Amendments to IAS 12 <i>Income Taxes — Deferred Tax: Recovery of Underlying Assets</i>

The adoption of these new and revised IFRSs has had no significant financial effect on these interim condensed financial information and there have been no significant changes to the accounting policies applied in these interim condensed financial information.

The Group has not early adopted any other standard, interpretation or amendment that was issued but is not yet effective.

### 3. 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 2012 is set out in the following table:

	For the six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Audited)
Mainland China	488,142	548,325
Overseas	32,963	25,213
<b>Total</b>	<b>521,105</b>	<b>573,538</b>

##### (b) Non-current assets

Substantially all non-current assets, employed by the Group are located in Mainland China, no geographical information for non-current assets is presented.

#### 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 2012 are set out in the following table:

	For the six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Audited)
Customer A	189,483	270,912
Customer B	51,355	57,704

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	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Audited)
<b>Revenue:</b>		
Sales of goods	499,950	573,538
Sales of materials	21,155	—
	<b>521,105</b>	<b>573,538</b>
<b>Other income and gains:</b>		
Government grants	2,423	284
Rental income	2,386	307
Gain on sales of scrap materials	528	1,245
Gain on disposal of investment in associates	—	714
Management fee income (Note (a))	3,000	—
Others	1,912	522
	<b>10,249</b>	<b>3,072</b>

Note (a) Management fee income represents income for administrative services rendered to Changchun Huaxiang Faurecia, a jointly-controlled entity of the Group.

## 5. FINANCE INCOME

	For the six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Audited)
Interest income from a related party through entrusted loans	—	2,819
Interest income on loans and receivables	—	709
Interest income on bank deposits	4,083	1,105
	<b>4,083</b>	<b>4,633</b>

## Notes to Interim Condensed Consolidated Financial Statement

For the six months ended 30 June 2012

### 6. FINANCE COSTS

	For the six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Audited)
Interest expense on bank loans and borrowings	25,860	23,964

### 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	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Audited)
Cost of inventories recognised as expenses	388,516	436,456
Depreciation of property, plant and equipment	18,523	24,164
Depreciation of investment properties	1,304	124
Amortisation of prepaid land lease payments	1,286	976
Research and development costs	2,126	2,096
Lease payments under operating leases in respect of properties	4,128	4,864
Employee benefit expense (including directors' remuneration):		
Wages, salaries and other benefits	45,716	39,437
Pension scheme contributions	6,624	5,052
Equity-settled share option expense	2,861	—
	55,201	44,489
Gross rental income	(4,051)	(504)
Less: Direct expenses that generated rental income	1,665	197
Rental income, net	(2,386)	(307)
Foreign exchange difference, net	822	330
(Reversal of)/provision for impairment of receivables	(671)	1,516
Write-down of inventories to net realizable value	398	2,358
Loss on disposal of items of property, plant and equipment	7	59
Interest income	(4,083)	(4,633)

## 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	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Audited)
Current income tax		
— Charge for the period	12,147	14,513
— Under-provision in prior periods	—	13
Deferred income tax	4,060	3,682
<b>Total tax charge for the period</b>	<b>16,207</b>	<b>18,208</b>

## 9. DIVIDENDS PAID AND PROPOSED

	For the six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Audited)
Dividends on ordinary shares declared and paid during the six-month period:		
Final dividend for 2011: HK\$0.025 (2010: Nil)	16,214	—

The board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2012 (six months ended 30 June 2011: 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 790,329,670 in issue during the six months ended 30 June 2012 (30 June 2011: 639,999,999), as though the capitalisation issue of shares of 639,999,999 shares prior to the Global Offering had been issued on 1 January 2011.

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 2012.

## 10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT *(continued)*

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

	For the six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Audited)
<b>Earnings</b>		
Profit attributable to owners of the parent used in the basic and diluted earnings per share calculation	10,065	51,012

	For the six months ended 30 June	
	2012	2011
	Number of shares	
	(Unaudited)	(Audited)
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	790,329,670	639,999,999
Effect of dilution — weighted average number of ordinary shares:		
Share options	—	—
	790,329,670	639,999,999

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

During the six months ended 30 June 2012, the Group acquired property, plant and equipment with a total cost of RMB57,543,000 (30 June 2011: RMB60,472,000).

During the six months ended 30 June 2012, property, plant and equipment with a net book value of RMB1,304,000 (30 June 2011: RMB164,000) were disposed of by the Group, resulting in a net loss on disposal of RMB7,000 (30 June 2011: RMB59,000).

Included in the property, plant and equipment as at 30 June 2012 were certain buildings with a net carrying value of RMB54,001,000 (31 December 2011: RMB39,643,000), 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 2012.

Certain of the Group's buildings with a net carrying value of RMB20,161,000 as at 30 June 2012 (31 December 2011: RMB20,889,000) were pledged to secure bank loans granted to the Group (Note 17).

## 11. PROPERTY, PLANT AND EQUIPMENT AND PREPAID LAND LEASE PAYMENTS *(continued)*

During the six months ended 30 June 2012, the Group acquired prepaid land lease payments with a cost of RMB16,000,000 (30 June 2011: RMB3,085,000).

Included in the prepaid land lease payments as at 30 June 2012 were certain lands with a net book value of RMB31,563,000 (31 December 2011: RMB16,269,600), which the Group is yet to sign the land transfer agreement with local land authorities. 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 2012.

Certain of the Group's prepaid land lease payments with a carrying value of RMB12,923,000 as at 30 June 2012 (31 December 2011: RMB13,118,000) 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 is held under medium term leases.

Included in the investment property as at 30 June 2012 were certain buildings with a net carrying value of RMB13,972,000 (31 December 2011: RMB14,521,000) 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 2012.

The Group's investment property with a net carrying value of RMB3,754,000 as at 30 June 2012 (31 December 2011: RMB3,879,000) was pledged to secure bank loans granted to the Group (Note 17).

## 13. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Share of net assets	42,411	56,505

### 13. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES *(continued)*

Particulars of the jointly-controlled entities 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") (Note (i))	Mainland China 17 March 2004	50%	50%	50%	Manufacture and sale of auto parts, designing and manufacture of high-grade textiles
Changchun Huaxiang Faurecia (Note (ii))	Mainland China 3 June 2011	50%	50%	50%	Manufacture and sale of auto parts, provision of after-sale services, and technical consultations

(i) On 17 March 2004, Ningbo Hualete was incorporated in Zhejiang Province, Mainland China, with a 41% equity interest beneficially held by the Group. On 24 December 2010, the Group acquired an additional 9% equity interest in Ningbo Hualete from Ningbo Huayou Properties Co., Ltd. ("Ningbo Huayou Properties"), a related party. The Group currently holds a 50% equity interest and Ningbo Hualete remains to be jointly controlled by the Group.

(ii) On 3 June 2011, Changchun Huaxiang Faurecia was incorporated in Changchun with a 50% equity interest held by the Group.

The following table illustrates the summarised financial information of the Group's jointly-controlled entities:

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Share of the jointly-controlled entities' assets and liabilities:		
Current assets	189,388	108,890
Non-current assets	38,079	35,379
Current liabilities	(185,056)	(87,764)
Net assets	42,411	56,505

**13. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES** *(continued)*

	For the six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Audited)
Share of the jointly-controlled entities' results:		
Revenue	166,502	25,190
Other income	787	281
	167,289	25,471
Total expenses	(172,582)	(20,147)
Tax	(1,586)	(638)
(Loss)/Profit after tax	(6,879)	4,686

The financial statements of these companies were not audited by Ernst & Young, Hong Kong, or another member firm of the Ernst & Young global network.

**14. INVENTORIES**

	30 June	31 December
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Audited)
Raw materials	38,109	33,679
Work in progress	6,848	3,356
Finished goods	104,262	70,790
	149,219	107,825

## 15. TRADE AND NOTES RECEIVABLES

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Trade receivables	320,781	262,807
Notes receivable	20,048	33,930
	<b>340,829</b>	296,737
Impairment of the trade receivables	(14,387)	(15,058)
	<b>326,442</b>	281,679

The Group's trading terms with its customers are mainly on credit. The credit period is from one to three months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Within 3 months	286,689	222,783
3 to 6 months	9,107	19,222
6 months to 1 year	10,598	5,744
	<b>306,394</b>	247,749

As of 30 June 2012, trade receivables of RMB9,668,000 (31 December 2011: RMB10,327,000) of the Group were pledged to secure bank loans granted to the Group (Note 17).

## 16. PREPAYMENTS AND OTHER RECEIVABLES

	Note	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Prepayments		36,489	71,101
Prepayment for acquisition of certain assets and businesses	(a)	29,711	—
Other receivables		210,312	81,224
Current portion of prepaid land lease payments		2,164	2,069
		<b>278,676</b>	154,394

Note(a) During the period ended 30 June 2012, the Group paid a consideration of RMB29,711,000 (equivalent to EURO 3,800,000) for acquisition of certain assets and businesses of FBZ Formenbau Zuttlingen GmbH, a German company under liquidation. The transaction has been completed in April 2012 and the management is in the process to complete the valuation of the acquisition.

## 17. INTEREST-BEARING BANK BORROWINGS

	Notes	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Secured bank loans	(i)	394,064	399,824
Bank advances under discounted bills		—	20,000
Unsecured bank loans		65,000	20,323
	(ii)	<b>459,064</b>	440,147

Notes:

- (i) As at 30 June 2012, the interest-bearing bank loans were secured by certain property, plant and equipment, investment property, prepaid land lease payments, trade receivables and pledged deposits of the Group with carrying amounts of RMB 20,161,000 (31 December 2011: RMB20,889,000), RMB 3,754,000 (31 December 2011: RMB3,879,000), RMB 12,923,000 (31 December 2011: RMB13,118,000), RMB 9,668,000 (31 December 2011: RMB10,327,000) and RMB 15,000,000 (31 December 2011: RMB3,250,000), respectively.
- (ii) The bank loans bear interest at rates ranging from 5.23% to 7.87% per annum (31 December 2011: 3.1% to 6.8014% per annum).

## 18. TRADE AND NOTES PAYABLES

An aged analysis of the trade and notes payables of the Group as at 30 June 2012, based on the invoice date, is as follows:

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Within 3 months	272,719	470,137
3 to 12 months	160,728	44,082
1 to 2 years	646	91
2 to 3 years	51	746
Over 3 years	932	189
	<b>435,076</b>	<b>515,245</b>

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 payables were secured by certain of the Group's pledged deposits of RMB90,516,000 as at 30 June 2012 (31 December 2011: RMB151,876,000).

## 19. OTHER PAYABLES, ADVANCES FROM CUSTOMERS AND ACCRUALS

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Other payables	122,012	86,832
Advances from customers	9,868	7,440
Accruals	4,792	12,086
	<b>136,672</b>	<b>106,358</b>

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

## 20. SHARE CAPITAL

### Shares

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Authorised: 10,000,000,000 (31 December 2011: 10,000,000,000) ordinary shares of HK\$0.10 each	814,800	814,800
	<b>Number of shares in issue</b>	<b>Share capital RMB'000</b>
Issued and fully paid:		
At 31 December 2011 and 1 January 2012	1	—
Capitalisation issue of shares	639,999,999	52,096
New issue of shares from placing and public offering	160,000,000	13,024
At 30 June 2012	800,000,000	65,120

During the period, the movements in share capital were as follows:

On 12 January 2012, 639,999,999 ordinary shares of HK\$0.10 each were issued to the then shareholder of the Company by way of capitalisation of HK\$64,000,000 (equivalent to RMB52,096,000) from the share premium account upon the listing of the Company's shares on the Stock Exchange pursuant to a resolution of the directors of the Company on 15 December 2011.

On 12 January 2012, 160,000,000 ordinary shares of HK\$0.10 each were issued at a price of HK\$1.40 per share. The proceeds of HK\$16,000,000 (equivalent to RMB13,024,000) representing the par value of the shares issued were credited to the Company's share capital. The remaining proceeds of HK\$208,000,000 (equivalent to RMB169,312,000), before the share issue expenses, were credited to the Company's share premium account. The shares of the Company were listed on the Stock Exchange on the same date.

## 21. 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. 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.

## 21. SHARE OPTION SCHEME *(continued)*

The following share options were outstanding under the Scheme during the six months ended 30 June 2012:

	Weighted average exercise price HK\$ per share	Number of options '000
At 1 January 2012	1.12	18,000
Forfeited during the period	1.12	300
		<hr/>
At 30 June 2012	1.12	17,700

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

30 June 2012 Number of options '000	Exercise price HK\$ per share	Exercise period
6,195	1.12	12 January 2013 to 11 January 2017
6,195	1.12	12 January 2014 to 11 January 2017
5,310	1.12	12 January 2015 to 11 January 2017
<hr/>		
17,700		

The Group recognised a share option expense of RMB2,861,000 during the six months ended 30 June 2012 (2011: Nil).

At the end of the reporting period, the Company had 17,700,000 share options outstanding under the Scheme, which represented approximately 2.21% 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 17,700,000 additional ordinary shares of the Company and additional share capital of HK\$1,770,000, equivalent to RMB1,443,000, and share premium of HK\$18,054,000, equivalent to RMB14,718,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 17,700,000 share options outstanding under the Scheme, which represented approximately 2.21% of the Company's shares in issue as at that date.

## 22. 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 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Within one year	4,641	2,666
In the second to fifth years, inclusive	3,857	3,305
	<b>8,498</b>	<b>5,971</b>

### 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 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Within one year	7,521	7,521
In the second to fifth years, inclusive	20,045	23,295
	<b>27,566</b>	<b>30,816</b>

## 23. COMMITMENTS

The Group had the following capital commitments:

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Contracted, but not provided for in respect of acquisition of: property, plant and equipment	11,651	19,895

## 24. 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
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
寧波翔潤石化科技有限公司 ("Xiangrun Petrochemical")	Controlled by Ningbo Huayou Properties
寧波華英模具科技發展有限公司 ("Huaying Moulding")	Controlled by Ningbo Huayou Properties
寧波華越置業有限公司 ("Huayue Properties")	Jointly controlled by Huaxiang Group and Ningbo Huayou Properties
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")	Jointly controlled by Ningbo Huaxiang Electronics
Ningbo Hualete	Jointly-controlled by the Group

**24. RELATED PARTY TRANSACTIONS AND BALANCES** *(continued)***(a) Name and relationship** *(continued)*

Name of related party	Relationship with 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 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	Jointly controlled by the Group
Shanghai Baodegu Plastic Science & Technology Co., Ltd. ("Shanghai Baodegu")	An associate to the Group

**24. 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 year:

	Notes	For the six months ended 30 June	
		2012 RMB'000 (Unaudited)	2011 RMB'000 (Audited)
Sales of goods to related parties	(i)		
Changchun Huaxiang Faurecia		10,881	—
Shanghai Baodegu		3,519	—
Ningbo Huaxiang Electronics		—	389
		14,400	389
Purchase of goods from related parties	(ii)		
Changchun Huaxiang Faurecia		35,606	—
Nanchang Jiangling		2,497	3,617
Huaxiang Trim		1,875	1,907
Ningbo Makete		1,712	3,391
Huaxiang Sales Co		14	25
Huaxiang Resort		6	—
		41,710	8,940
Sales of raw materials to a related party	(i)		
Changchun Huaxiang Faurecia		17,516	—
Purchase of raw materials from related parties	(ii)		
Ningbo Hualete		21,252	25,548
Shanghai Baodegu		3,070	—
		24,322	25,548
Gross rental income from related parties	(iv)		
Changchun Huaxiang Faurecia		3,251	—
Ningbo Hualete		504	504
		3,755	504

**24. RELATED PARTY TRANSACTIONS AND BALANCES** *(continued)***(b) Related party transactions** *(continued)*

	Notes	For the six months ended 30 June	
		2012 RMB'000 (Unaudited)	2011 RMB'000 (Audited)
Management fee income from a related party Changchun Huaxiang Faurecia (note 4)	(iii)	3,000	—
Advances to related parties	(v)		
Huaxiang Technology		1,422	—
Changchun Huayou		293	127,472
Ningbo Huaxiang Electronics		17	27
Ningbo Huayou Properties		—	209,927
Huaxiang Group		—	594
Huayue Properties		—	12
Xiangrun Petrochemical		—	1,898
		1,732	339,930

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 management fee income from a related party was made according to the terms and conditions agreed between the related parties.

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 advances to related parties are interest free and repayable on demand.

**(c) Other transactions with related parties**

(i) The Group provided guarantees to Ningbo Hualete for their bank facilities amounting to RMB6,553,000 as at 30 June 2012.

(ii) Pursuant to an agreement dated 27 March 2012, the Company acquired the entire equity interests of HY Internationale Handelsgesellschaft mbH, incorporated in Lenting, Germany, from Mr. Zhou, at the consideration of RMB209,893 (equivalent of Euro 25,000).

**24. RELATED PARTY TRANSACTIONS AND BALANCES** *(continued)***(d) Outstanding balances with related parties**

	<b>30 June 2012 RMB'000 (Unaudited)</b>	31 December 2011 RMB'000 (Audited)
Amount due from the ultimate shareholder Mr. Zhou	5,142	6,284
Amounts due from related parties		
Changchun Huaxiang Faurecia	57,240	43,258
Ningbo Huayou Properties	10,976	35,209
Ningbo Huayue	14,271	23,008
Guangzhou Chengli	2,083	2,083
Huaxiang Technology	1,527	105
Ningbo Huaxiang Electronics	441	424
Changchun Huayou	293	100
Huayou Holdings	24	—
Ms. Lai Danfen	—	8,400
	<b>86,855</b>	112,587
Amount due to the ultimate shareholder Mr. Zhou	1,084	—

**24. RELATED PARTY TRANSACTIONS AND BALANCES** *(continued)***(d) Outstanding balances with related parties** *(continued)*

	<b>30 June 2012 RMB'000 (Unaudited)</b>	<b>31 December 2011 RMB'000 (Audited)</b>
Amounts due to related parties		
Changchun Huaxiang Faurecia	42,686	36,190
Ningbo Hualete	13,590	24,046
Ningbo Huayou Properties	—	60,506
Huaxiang Trim	4,928	4,631
Nanchang Jiangling	1,516	1,252
Ningbo Makete	805	1,082
Shanghai Baodegu	711	2,022
Huaying Moulding	540	4,995
Huaxiang Sales Co	2	6
Huaxiang Resort	—	12
	<b>64,778</b>	<b>134,742</b>

As at 30 June 2012, all amounts due from/to the ultimate shareholder and related parties are unsecured, interest-free and repayable on demand.

**(e) Compensation of key management personnel of the Group**

	<b>For the six months ended 30 June</b>	
	<b>2012 RMB'000 (Unaudited)</b>	<b>2011 RMB'000 (Audited)</b>
Wages, salaries and other benefits	1,668	1,656
Pension scheme contributions	12	13
Equity-settled share option expense	1,308	—
Total compensation paid to key management personnel	<b>2,988</b>	<b>1,669</b>

**25. CONTINGENT LIABILITIES**

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

	<b>30 June 2012 RMB'000 (Unaudited)</b>	<b>31 December 2011 RMB'000 (Audited)</b>
Related parties (Note 24(c)(i))	6,553	7,020

**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 31 August 2012.