



Huazhong Holdings Company Limited 華眾控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock code: 6830

2014 | Interim Report

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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

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. Zhang Senquan (*HKICPA*)
Ms. Ho Wing Yan (*HKICS*)

AUTHORISED REPRESENTATIVES

Mr. Zhou Minfeng
Mr. Zhang Senquan

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. 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

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
Level 22, Hopewell Centre
183 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.

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

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

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

FINANCIAL REVIEW

Revenue

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

For the six months ended 30 June 2014, the total revenue generated from automotive interior and exterior structural and decorative parts was RMB585,447,000 (30 June 2013: RMB479,196,000), accounting for 71.9% of the Group's total revenue for the six months ended 30 June 2014 (30 June 2013: 70.7%). The increase was primarily because of commenced production of new manufacturing facility, booming automotive sales market and new car models launched. Gross profit margin increased from 24.2% for the six months ended 30 June 2013 to 24.5% for the six months ended 30 June 2014, primarily due to better capacity utilization.

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

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

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

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

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

Other income and gains

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

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

Selling and Distribution Costs

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

Administrative Expenses

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

Share of Profits or Losses of Joint Ventures

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

Finance Income

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

Finance Costs

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

Taxes

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

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Financial Resources

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

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

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

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

As at 30 June 2014, the Group's interest-bearing bank borrowings were approximately RMB684,509,000 (31 December 2013: approximately RMB636,759,000), among of which, RMB595,509,000 would be due within one year (31 December 2013: RMB560,759,000). As at 30 June 2014, all of the bank borrowings were subject to fixed interest rate (31 December 2013: approximately RMB599,759,000). The board (the "Board") of directors (the "Directors") of the Company expects that the bank borrowings will either be repaid by internally generated funds or rolled over upon maturity and will continue to provide funding to the Group's operations.

Prepayment and Other Receivables

As at 30 June 2014, prepayments and other receivables were approximately RMB140,172,000 (31 December 2013: RMB81,992,000). The increase was mainly resulted from the increase in prepayment for the acquisition of moulds and other receivables.

Capital Commitments

As at 30 June 2014, the Group had capital commitments amounting to RMB545,808,000 (31 December 2013: RMB559,177,000) for the acquisition of property, plant and equipment.

Foreign Exchange Exposure

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

Contingent Liabilities

The Group provided guarantee of RMB1,619,000 in respect of the banking facilities granted to one of the Group's joint ventures as at 30 June 2014 (31 December 2013: RMB8,154,000).

Pledge of Assets

As at 30 June 2014, the Group's assets of approximately RMB100,652,000 (31 December 2013: approximately RMB136,923,000) were pledged to secure some of the Group's interest-bearing bank borrowings. The book values of the pledged assets are set out below:

	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Property, plant and equipment	24,483	14,908
Investment property	3,256	3,380
Prepaid land lease payments	58,934	31,649
Trade receivables	—	20,000
Pledged deposits	13,979	8,579
Total	100,652	78,516

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

Gearing Ratio

As at 30 June 2014, the Group's gearing ratio was approximately 70.7% (31 December 2013: 69.5%). The gearing ratio is derived by dividing net liabilities (including interest-bearing bank borrowings, trade and notes payables, other payables and accruals, and payables to related parties and the ultimate controlling shareholder less cash and cash equivalents) by total capital (including equity attributable to owners of the parent company) plus net liabilities at the end of the period under review.

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

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

Employees and Remuneration Policies

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

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

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

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

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

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

CORPORATE GOVERNANCE 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 corporate governance 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 2014, except for the deviation from Code Provision A.2.1, which stipulates that the roles of the chairman and chief executive should be separate and should not be performed by the same individual. Please refer to the 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, two non-executive Directors and three independent non-executive Directors and has a strong independence element in its composition.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF 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 2014, 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 2014.

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

As at 30 June 2014, 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:

CORPORATE GOVERNANCE AND OTHER INFORMATION

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⁾	0.47% ⁽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 2014.

Save as disclosed above, as at 30 June 2014, 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 2014 are as follows:

Name	Outstanding as at 1 January 2014	Granted during the six months ended 30 June 2014	Exercised during the six months ended 30 June 2014	Lapsed during the six months ended 30 June 2014	Cancelled during the six months ended 30 June 2014	Outstanding as at 30 June 2014
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	1,550,000	—	—	—	—	1,550,000
Others						
In aggregate	9,900,000	—	—	—	—	9,900,000
Total	17,350,000	—	—	—	—	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 2014.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 2014, 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 2014 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 2014, 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⁾
Munsun Assets Management Ltd	Investment manager	54,584,000	—	6.82%

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 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 2014.

Save as disclosed above, as at 30 June 2014, 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 2014, 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

BOARD OF DIRECTORS

Ms. Kuang Min has retired from her position as a non-executive director of the Company with effect from conclusion of the Company's annual general meeting on 20 May 2014.

AUDIT COMMITTEE

During the six months ended 30 June 2014, the audit committee of the Company (the "**Audit Committee**") consisted of three members, namely Mr. Yu Shuli (chairman), Mr. Tian Yushi and Mr. Xu Jiali, all of them were independent non-executive Directors. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group.

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2014 have been reviewed by the Audit Committee and the Audit Committee is of the view that the interim report for the six months ended 30 June 2014 is prepared in accordance with applicable accounting standards, rules and regulations and appropriate disclosures have been duly made.

Disclosure of financial information in this 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 2014.

DIVIDENDS

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

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 thank 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, 25 August 2014

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2014

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Notes	For the six months ended 30 June	
		2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
PROFIT FOR THE PERIOD		28,769	13,031
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		(96)	(139)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX		(96)	(139)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		28,673	12,892
Attributable to:			
Owners of the parent		26,380	10,951
Non-controlling interests		2,293	1,941
		28,673	12,892

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

		30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment	11	504,115	481,750
Investment properties	12	40,135	41,389
Prepaid land lease payments	11	161,296	163,972
Intangible assets		4,017	4,204
Investment in an associate		2,206	2,730
Investments in joint ventures	13	59,617	65,327
Prepayments for purchase of property, plant and equipment		12,975	22,098
Deferred tax assets		18,679	16,593
Total non-current assets		803,040	798,063
CURRENT ASSETS			
Inventories	14	201,374	181,776
Trade and notes receivables	15	412,636	370,913
Prepayments and other receivables	16	140,172	81,992
Due from the ultimate controlling shareholder	23(d)	—	430
Due from related parties	23(d)	21,471	6,808
Pledged deposits		89,806	128,554
Cash and cash equivalents		242,870	240,659
Total current assets		1,108,329	1,011,132
CURRENT LIABILITIES			
Interest-bearing bank borrowings	17	595,509	560,759
Trade and notes payables	18	468,301	450,796
Other payables, advances from customers and accruals	19	133,447	125,555
Due to the ultimate controlling shareholder	23(d)	236	289
Due to related parties	23(d)	58,262	41,081
Income tax payable		52,818	55,902
Total current liabilities		1,308,573	1,234,382
NET CURRENT LIABILITIES		(200,244)	(223,250)
TOTAL ASSETS LESS CURRENT LIABILITIES		602,796	574,813

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Notes	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings — non-current portion	17	89,000	76,000
Government grants		8,733	8,969
Deferred tax liabilities		25,340	23,496
Total non-current liabilities		123,073	108,465
Net assets		479,723	466,348
EQUITY			
Equity attributable to owners of the parent			
Share capital		65,120	65,120
Reserves		385,587	358,663
Proposed final dividend	9	—	15,842
		450,707	439,625
Non-controlling interests		29,016	26,723
Total equity		479,723	466,348

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Attributable to owners of the parent											Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Statutory reserve funds	Merger reserve	Share option reserve	Proposed final dividend	Exchange fluctuation reserve	Retained earnings	Total			
	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 2014	65,120	84,024	5,580	28,449	88,278	8,427	15,842	742	143,163	439,625	26,723	466,348	
Total comprehensive income for the period:													
Profit for the period	—	—	—	—	—	—	—	—	26,476	26,476	2,293	28,769	
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	(96)	—	(96)	—	(96)	
Dividends	—	—	—	—	—	—	(15,842)	—	—	(15,842)	—	(15,842)	
Equity-settled share option arrangements	—	—	—	—	—	544	—	—	—	544	—	544	
As at 30 June 2014 (Unaudited)	65,120	84,024	5,580	28,449	88,278	8,971	—	646	169,639	450,707	29,016	479,723	
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	13,031	
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	(139)	—	(139)	—	(139)	
Capitalisation issue of shares	—	—	—	—	—	—	—	—	—	—	—	—	
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	

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

		For the six months ended 30 June	
		2014	2013
		RMB'000	RMB'000
Notes		(Unaudited)	(Unaudited)
Cash flows from operating activities:			
Profit before tax		44,525	28,204
Adjustments for:			
Finance costs	6	21,391	23,288
Share of profits and losses of joint ventures and an associate		5,385	(4,845)
Interest income	5	(4,782)	(2,788)
Gain on disposal of items of property, plant and equipment	4	(61)	—
Release of government grants		(236)	(164)
Depreciation of property, plant and equipment		28,302	26,291
Depreciation of investment properties		1,254	1,110
Amortisation of prepaid land lease payments		2,271	1,131
Amortisation of intangible assets		187	—
Equity-settled share option expense		544	1,379
(Reversal)/ write-down of inventories to net realisable value		(628)	583
Reversal of impairment of property, plant and equipment		—	(127)
Reversal of impairment of receivables		—	(2,382)
Increase in inventories		(18,341)	(5,272)
Increase in trade and notes receivables		(41,723)	(5,187)
(Increase)/ decrease in prepayments and other receivables		(73,002)	106,192
(Increase)/ decrease in amounts due from related parties		(15,813)	25,352
Decrease in amounts due from the ultimate shareholder		430	964
Increase/ (decrease) in trade and notes payables		31,898	(77,014)
Increase in other payables, advances from customers and accruals		5,779	13,136
Increase in amounts due to related parties		14,282	222
Decrease in amount due to the controlling shareholder		(53)	—
Cash generated from operations		1,609	130,073
Income tax paid		(19,082)	(5,999)
Net cash flows (used in)/ generated from operating activities		(17,473)	124,074

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	Notes	For the six months ended 30 June	
		2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Cash flows from investing activities:			
Interest received	5	4,782	2,788
Purchases of items of property, plant and equipment		(39,034)	(81,781)
Purchases of items of prepaid land lease payments		—	(25,698)
Purchases of items of intangible assets		—	(2,715)
Proceeds from disposal of items of property, plant and equipment		402	—
Advances to the ultimate controlling shareholder	23(b)	—	(230)
Advances to related parties	23(b)	(88,023)	(61,232)
Recovery of advances to related parties	23(b)	87,789	50,211
(Increase)/ decrease in non-pledged time deposits with original maturity of three months or more when acquired		(53,177)	10,000
Decrease/ (increase) in pledged deposits		38,748	(53,328)
Net cash flows used in investing activities		(48,513)	(161,985)
Cash flows from financing activities:			
New bank loans		344,750	397,837
Repayment of bank loans		(297,000)	(356,200)
Interest paid		(21,391)	(23,288)
Dividends paid	9	(11,339)	(6,486)
Advances from related parties	23(b)	—	67,688
Repayment of advances from the ultimate controlling shareholder	23(b)	—	(337)
Repayment of advances from related parties	23(b)	—	(30,863)
Net cash flows generated from financing activities		15,020	6,132
Net increase in cash and cash equivalents		(50,966)	(31,779)
Cash and cash equivalents at beginning of year		169,759	123,260
Cash and cash equivalents at end of year		118,793	91,481
Analysis of balances of cash and cash equivalents			
Cash and cash equivalents as stated in the consolidated statement of cash flows		118,793	91,481
Cash and bank balances		118,793	91,481
Non-pledged time deposits with original maturity of three months or more when acquired		124,077	—
Cash and cash equivalents as stated in the consolidated statement of financial position		242,870	91,481

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

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 2014 have been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2013.

Going concern basis

Notwithstanding that the Group had consolidated net current liabilities of RMB200,244,000 as at 30 June 2014, the financial statements have been prepared by the directors of the Company on a going concern basis.

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

- (i) as at 30 June 2014, the Group had unutilised credit facilities from banks of approximately RMB701,039,000; and
- (ii) the directors continue to take action to tighten cost controls over various operating expenses, and are actively seeking new investment and business opportunities with an aim to attaining profitable and positive cash flow operations;

In the opinion of the directors of the Company, in light of the measures taken to date, together with the expected results of other measures in progress, it is appropriate to prepare the financial statements on a going concern basis, notwithstanding the Group’s financial and liquidity positions at 30 June 2014.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and basis of preparation adopted in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the Group’s annual financial statements for the year ended 31 December 2013, except in relation to the new and revised International Financial Reporting Standards (“IFRSs”, which also include IASs and interpretations) as set out in note 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 2014

2.3 ADOPTION OF NEW AND REVISED IFRSs

The following new and revised IFRSs, amendments and interpretations (“New IFRSs”) are adopted for the first time for the current period’s condensed interim financial statements:

IFRIC 21	<i>Levies</i>
IFRS 10, IFRS 12 and IAS 27 (Revised) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (Revised) — <i>Investment Entities</i>
IAS 32 Amendments	Amendments to IAS 32 <i>Financial Instruments: Presentation</i> — <i>Offsetting Financial Assets and Financial Liabilities</i>
IAS 36 Amendments	Amendments to IAS 36 <i>Impairment of Assets</i> — <i>Recoverable Amount Disclosures for Non-Financial Assets</i>
IAS 39 Amendments	Amendments to IAS 39 <i>Financial Instruments: Recognition and Measurement</i> — <i>Novation of Derivatives and Continuation Hedge Accounting</i>

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

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

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 2014 is set out in the following table:

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

3. OPERATING SEGMENT *(Continued)*

Geographical information *(Continued)*

(b) Non-current assets

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

The non-current asset information above is based on the locations of assets and excludes financial instruments and deferred tax assets.

Information about major customers

Revenues from sales to customers that individually amounted to 10 percent or more of the Group's revenue for the six months ended 30 June 2014 are set out in the following table:

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

The above sales to major customers include sales to a group of entities which are known to be under common control with those customers.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue and other income is as follows:

	For the six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Revenue:		
Sales of goods	766,293	633,962
Sales of materials	47,469	44,158
	813,762	678,120
Other income and gains:		
Government grants	1,689	596
Rental income	3,311	2,815
Gain on sales of scrap materials	499	508
Management fee income (Note (a))	—	3,000
Gain on disposal of property, plant and equipment	61	—
Others	714	2,848
	6,274	9,767

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

5. FINANCE INCOME

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

6. FINANCE COSTS

	For the six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Interest expense on bank loans and borrowings	21,391	23,288

7. PROFIT BEFORE INCOME TAX EXPENSE

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

	For the six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Cost of inventories recognised as expenses	633,496	525,529
Depreciation of property, plant and equipment	28,302	26,291
Depreciation of investment properties	1,254	1,110
Amortisation of prepaid land lease payments	2,271	1,131
Research and development costs	15,260	19,620
Lease payments under operating leases in respect of properties	3,763	2,676
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages, salaries and other benefits	74,201	65,994
Pension scheme contributions	9,301	8,322
Equity-settled share option expense	346	1,379
	83,848	75,695
Gross rental income	(4,446)	(4,326)
Less: Direct expenses that generated rental income	1,135	1,511
Rental income, net	(3,311)	(2,815)
Foreign exchange difference, net	(33)	1,160
Reversal of impairment of receivables	—	(2,382)
(Reversal)/write-down of inventories to net realizable value	(628)	583
Gain on disposal of items of property, plant and equipment	(61)	—
Interest income	(4,782)	(2,788)

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

8. INCOME TAX EXPENSE

Major components of the Group's income tax expense for the period are as follows:

	For the six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Current income tax		
— Charge for the period	13,499	10,396
Deferred income tax	2,257	4,777
Total tax charge for the period	15,756	15,173

9. DIVIDENDS PAID AND PROPOSED

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

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

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

The calculation of basic earnings per share for the period is based on the consolidated net profit attributable to owners of the parent and the weighted average number of ordinary shares of 800,000,000 in issue during the six months ended 30 June 2014 (30 June 2013: 800,000,000).

The share option scheme does not give rise to any dilution effect on the Company's earnings per share and there were no other dilutive potential ordinary shares during the six months ended 30 June 2014.

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

	For the six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Earnings		
Profit attributable to owners of the parent used in the basic and diluted earnings per share calculation	26,476	11,090
	For the six months ended 30 June	
	Number of shares	
	2014 (Unaudited)	2013 (Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	800,000,000	800,000,000
Effect of dilution — weighted average number of ordinary shares: Share options	—	—
	800,000,000	800,000,000

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

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

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

Included in the property, plant and equipment as at 30 June 2014 were certain buildings with a net carrying value of RMB192,134,000 (31 December 2013: RMB127,386,000), of which the property ownership certificates have not been obtained. The directors are of the view that the Group is entitled to lawfully and validly occupy and use the above mentioned buildings. The directors are also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at 30 June 2014.

Certain of the Group's buildings with a net carrying value of RMB24,483,000 as at 30 June 2014 (31 December 2013: RMB14,908,000) were pledged to secure bank loans granted to the Group (Note 17).

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

Included in the prepaid land lease payments as at 30 June 2014 were certain lands with a net book value of RMB4,086,000 (31 December 2013: RMB17,217,000) of which the land use right certificates have not been obtained. The directors are of the view that the Group is entitled to lawfully and validly occupy and use the above mentioned land. The directors are also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at 30 June 2014.

Certain of the Group's prepaid land lease payments with a carrying value of RMB58,934,000 as at 30 June 2014 (31 December 2013: RMB31,649,000) were pledged to secure bank loans granted to the Group (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 2014 were certain buildings with a net carrying value of RMB13,432,000 (31 December 2013: RMB13,262,000) of which the property ownership certificates have not been obtained. The directors are of the view that the Group is entitled to lawfully and validly occupy and use the above mentioned buildings. The directors are also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at 30 June 2014.

The Group's investment properties with a net carrying value of RMB3,256,000 as at 30 June 2014 (31 December 2013: RMB3,380,000) 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 2014

13. INVESTMENTS IN JOINT VENTURES

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Share of net assets	59,617	65,327

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 2014

13. INVESTMENTS IN JOINT VENTURES *(Continued)*

The following table illustrates the summarised financial information of Ningbo Hualete adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements:

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Cash and cash equivalents	5,983	14,832
Other current assets	112,866	91,638
Current assets	118,849	106,470
Non-current assets	8,393	9,337
Financial liabilities, excluding trade and other payables	(16,797)	(22,349)
Other current liabilities	(16,535)	(13,884)
Net assets	93,910	79,574
Net assets, excluding goodwill	93,910	79,574
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	50%	50%
Group's share of net assets of the joint venture, excluding goodwill	46,955	39,787
Carrying amount of the investment	46,955	39,787
	For the six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Revenues	79,584	65,783
Interest income	123	11
Depreciation and amortisation	(1,204)	(1,196)
Interest expenses	(500)	(404)
Profit and total comprehensive income for the year	15,593	12,133
Group's share of comprehensive income for the year	7,797	6,067

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

13. INVESTMENTS IN JOINT VENTURES *(Continued)*

The following table illustrates the summarised financial information of Changchun Huaxiang Faurecia adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements:

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Cash and cash equivalents	131,082	31,927
Other current assets	279,212	261,553
Current assets	410,294	293,480
Non-current assets	107,464	89,056
Financial liabilities, excluding trade and other payables	(285,976)	(143,524)
Other current liabilities	(206,458)	(187,932)
Net assets	25,324	51,080
Net assets, excluding goodwill	25,324	51,080
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	50%	50%
Group's share of net assets of the joint venture, excluding goodwill	12,662	25,540
Carrying amount of the investment	12,662	25,540
	For the six months ended 30 June 2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Revenues	339,229	398,995
Interest income	35	110
Depreciation and amortisation	(10,143)	(5,579)
Interest expenses	(4,210)	(2,950)
Loss and total comprehensive income for the year	(25,756)	(2,689)
Group's share of comprehensive income for the year	(12,878)	(1,345)

The financial statements of Changchun Huaxiang Faurecia were audited by Ernst & Young Hua Ming LLP.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

14. INVENTORIES

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Raw materials	35,345	45,259
Work in progress	28,983	30,961
Finished goods	137,046	105,556
	201,374	181,776

15. TRADE AND NOTES RECEIVABLES

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

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

The Group's notes receivable all age within six months and are neither past due nor impaired.

An aged analysis of the trade receivables of the Group, based on the invoice date and net of impairment loss, is as follows:

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

16. PREPAYMENTS AND OTHER RECEIVABLES

	Note	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Prepayments		58,651	50,387
Other receivables	(i)	77,870	27,946
Current portion of prepaid land lease payments		3,651	3,659
		140,172	81,992

(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

	Notes	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Current			
Secured bank loans	(i)	132,548	84,759
Unsecured bank loans		458,961	472,000
Current portion of long term bank loans-unsecured		4,000	4,000
	(ii)	595,509	560,759
Non-current			
Secured bank loans	(i)	15,000	—
Unsecured bank loans		74,000	76,000
		89,000	76,000

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

17. INTEREST-BEARING BANK BORROWINGS *(Continued)*

- (i) As at 30 June 2014, the Group's bank loans of RMB147,548,000 (31 December 2013: RMB84,759,000) were secured by the pledges of the Group's assets with carrying values as follows:

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Property, plant and equipment (note 11)	24,483	14,908
Investment properties (note 12)	3,256	3,380
Prepaid land lease payments (note 11)	58,934	31,649
Trade receivables	—	20,000
Pledged deposits	13,979	8,579
	100,652	78,516

- (ii) The bank loans bear interest at rates ranging from 2.47% to 7.8% per annum (31 December 2013: 2.35% to 6.89% per annum).

18. TRADE AND NOTES PAYABLES

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Trade payables	310,221	294,036
Notes payable	158,080	156,760
	468,301	450,796

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

18. TRADE AND NOTES PAYABLES *(Continued)*

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

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

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

Notes payable were secured by certain of the Group's pledged deposits of RMB75,827,000 as at 30 June 2014 (31 December 2013: RMB119,975,000).

19. OTHER PAYABLES, ADVANCES FROM CUSTOMERS AND ACCRUALS

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Other payables (Note 24)	117,232	108,145
Advances from customers	11,610	12,528
Accruals	4,134	4,411
Government grants — current portion	471	471
	133,447	125,555

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

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 2014:

	Weighted average exercise price HK\$ per share	Number of options '000
At 1 January 2014	1.12	17,350
Forfeited during the period	1.12	—
At 30 June 2014	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 2014		
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 RMB544,000 during the six months ended 30 June 2014 (30 June 2013: RMB1,379,000).

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 approximately RMB1,377,000, and share premium of HK\$17,697,000, equivalent to approximately RMB14,048,00 (before issue expenses).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

20. SHARE OPTION SCHEME *(Continued)*

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 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Within one year	5,363	4,707
In the second to fifth years, inclusive	1,768	2,580
	7,131	7,287

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 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Within one year	8,557	8,407
In the second to fifth years, inclusive	8,725	12,751
	17,282	21,158

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22. COMMITMENTS

The Group had the following capital commitments:

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Contracted, but not provided for in respect of acquisition of:		
Property, plant and equipment	545,808	559,177

23. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Name and relationship

Name of related party	Relationship with the Group
Mr. Zhou	Ultimate controlling shareholder
Mr. Zhou Cimei	Father of Mr. Zhou
Ms. Lai Cairong	Mother of Mr. Zhou
Ms. Lai Danfen	Cousin of Mr. Zhou
Mr. Zhou Xiaofeng	Brother of Mr. Zhou
Huaxiang Group	Collectively controlled by Mr. Zhou Cimei and Ms. Lai Cairong
Ningbo Huaxiang Electronics Co., Ltd. ("Ningbo Huaxiang Electronics")	Significantly influenced by Mr. Zhou Xiaofeng
Ningbo Huayou Properties Co., Ltd. ("Ningbo Huayou Properties")	Controlled by Mr. Zhou
Huayou Holdings Company Ltd. ("Huayou Holdings")	Controlling shareholder of the Company
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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

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

(a) Name and relationship *(Continued)*

Name of related party	Relationship with the Group
Chengdu Huaxiang Auto Parts Co., Ltd. ("Chengdu Huaxiang")	Controlled by Ningbo Huaxiang Electronics
寧波華英模具科技發展有限公司 ("Huaying Moulding")	Controlled by 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")	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 Properties Co., Ltd. ("Changchun Huayou")	An associate of the Group prior to disposal on 31 March 2011 and controlled by Mr. Zhou
Ningbo City Huaxiang Technology Co., Ltd. ("Huaxiang Technology")*	Controlled by Ningbo Huayou Properties
Guangzhou Chengli Industrial Co., Ltd. ("Guangzhou Chengli")	Controlled by Mr. Zhou
Ningbo Huayue Automotive Co., Ltd. ("Ningbo Huayue")	Controlled by Ningbo Huazhong Moulding and became a subsidiary in 2010 and being disposed of to Ms. Lai Danfen in 2011
Changchun Huaxiang Faurecia	Joint venture of the Group
Shanghai Baodegu Plastic Science & Technology Co., Ltd. ("Shanghai Baodegu")	An associate of the Group
寧波華翔進出口有限公司 ("Huaxiang Export")	Significantly influenced by Huaxiang Group

* Ningbo Huayou Properties disposed of 100% of the equity interest in Huaxiang Technology to a third party in February 2014. The share transfer registration with local authority was completed in February 2014.

**NOTES TO INTERIM CONDENSED CONSOLIDATED
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For the six months ended 30 June 2014

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	
		2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Sales of goods to related parties	(i)		
Shanghai Baodegu		699	1,592
Purchase of goods from related parties	(ii)		
Changchun Huaxiang Faurecia		85,439	70,329
Huaxiang Trim		53	798
Nanchang Jiangling		757	753
Huaxiang Resort		425	422
Huaxiang Sales Co		117	8
Ningbo Makete		—	276
		86,791	72,586
Sales of raw materials to a related party	(i)		
Changchun Huaxiang Faurecia		43,161	42,392
Purchase of raw materials from related parties	(ii)		
Ningbo Hualete		37,818	30,317
Shanghai Baodegu		889	2,534
Chengdu Huaxiang		—	238
		38,707	33,089
Purchase of an office building from a related party	(iii)		
Ningbo Huayou Properties		—	41,000
Gross rental income from related parties	(iv)		
Changchun Huaxiang Faurecia		3,942	3,595
Ningbo Hualete		504	504
Chengdu Huaxiang		—	213
		4,446	4,312
Management fee income from a related party	(v)		
Changchun Huaxiang Faurecia		—	3,000

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

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

(b) Related party transactions *(Continued)*

	Notes	For the six months ended 30 June	
		2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Advances to related parties	(vi)		
Ningbo Hualete		87,789	—
Huaxiang Technology*		234	383
Ningbo Huayue		—	60,750
Changchun Huayou		—	99
		88,023	61,462
Advances to the ultimate controlling shareholder	(vi)		
Mr. Zhou		—	230
Recovery of advances to related parties			
Ningbo Hualete		87,789	—
Ningbo Huayue		—	50,000
Ningbo Huaxiang Electronics		—	211
		87,789	50,211
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
Huaxiang Technology		—	98
		—	31,200

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For the six months ended 30 June 2014

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): Purchase of an office building 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 management fee income from a related party was made according to the terms and conditions agreed between the related parties.
- Note (vi): Advances from/to the ultimate controlling shareholder and related parties are interest-free and repayable on demand.

The related party transactions with Huaxiang Technology in respect of items denoted with “*” incurred before Ningbo Huayou Properties disposed of 100% of equity interest in Huaxiang Technology to a third party.

(c) Other transactions with related parties

- (i) During the six months ended 30 June 2014, the Group provided guarantees to Ningbo Huaite for their bank facilities amounting to RMB1,619,000 as at 30 June 2014 (31 December 2013: RMB8,154,000).
- (ii) During the period ended 30 June 2014, the Group offset its amounts due from Guangzhou Chengli against amounts due to Huayou Holdings of RMB1,604,000.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

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

(d) Outstanding balances with related parties

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Amount due from the ultimate controlling shareholder Mr. Zhou	—	430
Amounts due from related parties		
Ningbo Hualete	12,531	—
Changchun Huaxiang Faurecia	8,876	4,937
Huayou Holdings	64	86
Huaxiang Technology	—	85
Guangzhou Chengli	—	1,604
Chengdu Huaxiang	—	89
Huaxiang Export	—	7
	21,471	6,808
Amount due to the ultimate controlling shareholder Mr. Zhou	236	289
Amounts due to related parties		
Ningbo Hualete	50,060	25,715
Changchun Huaxiang Faurecia	4,380	9,670
Huayou Holdings	2,899	—
Shanghai Baodegu	590	—
Nanchang Jiangling	162	1,602
Huaxiang Resort	121	479
Huaxiang Trim	50	2
Huaying Moulding	—	2,768
Ningbo Huayou Properties	—	795
Ningbo Makete	—	50
	58,262	41,081

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 2014.

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

(e) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Wages, salaries and other benefits	1,376	1,868
Pension scheme contributions	14	16
Equity-settled share option expense	228	580
Total compensation paid to key management personnel	1,618	2,464

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 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Trade and notes receivables	412,636	370,913
Financial assets included in prepayments and other receivables (Note 16)	77,870	81,992
Due from the ultimate controlling shareholder	—	430
Due from related parties	21,471	6,808
Pledged deposits	89,806	128,554
Cash and cash equivalents	242,870	240,659
	844,653	829,356

Financial liabilities — at amortised cost

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Financial liabilities included in other payables		
advances from customers and accruals	117,232	108,145
Trade and notes payables	468,301	450,796
Interest-bearing bank borrowings	684,509	636,759
Due to the ultimate controlling shareholder	236	289
Due to related parties	58,262	41,081
	1,328,540	1,237,070

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24. FINANCIAL INSTRUMENTS *(Continued)*

Fair values

The fair values of financial assets and liabilities approximate to their carrying amounts.

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 2014, there were no transfers between Level 1 and Level 2 and no transfers into and out of Level 3 (2013: nil).

25. CONTINGENT LIABILITIES

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

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Related parties (Note 23(c)(i))	1,619	8,154

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 25 August 2013.