SHUANGHUA HOLDINGS LIMITED
雙樺控股有限公司

("the Company")

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1241)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2011

CONSOLIDATED INCOME STATEMENT

Six months ended 30 June 2011

		Six months ended 30 June	
		2011	2010
	Notes	***RMB'000***	*RMB'000*
			(Unaudited)
REVENUE	*6*	**310,707**	311,958
Cost of sales		**(240,385)**	(241,303)
Gross profit		**70,322**	70,655
Other income and gains	*6*	**3,186**	1,145
Selling and distribution costs		**(9,725)**	(9,368)
Administrative expenses		**(21,151)**	(17,885)
Other expenses		**(1,494)**	(567)
Finance costs	*8*	**(3,945)**	(2,502)
Share of profits of an associate		**11,417**	10,959
PROFIT BEFORE TAX	*7*	**48,610**	52,437
Income tax expense	*11*	**(6,918)**	(6,347)
PROFIT FOR THE PERIOD		**41,692**	46,090
Attributable to:			
Owners of the parent		**41,692**	46,715
Non-controlling interests		**–**	(625)
		41,692	46,090
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT			
Basic (RMB)	*12*	**8.5 cents**	9.6 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Six months ended 30 June 2011

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
		(Unaudited)
PROFIT FOR THE PERIOD	**41,692**	46,090
OTHER COMPREHENSIVE LOSS		
Exchange differences on translation of foreign operations	**(49)**	(29)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	**(49)**	(29)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**41,643**	46,061
Attributable to:		
Owners of the parent	**41,643**	46,686
Non-controlling interests	**–**	(625)
	41,643	46,061

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2011

	Notes	**As at 30 June 2011** *RMB'000*	As at 31 December 2010 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*13*	**189,929**	191,640
Prepaid land lease payments	*14*	**63,403**	64,095
Advance payments for property, plant and equipment		**4,006**	3,744
Investment in an associate	*16*	**85,383**	73,966
Available-for-sale investments	*17*	**262**	262
Deferred tax assets	*27*	**9,908**	9,898
Total non-current assets		**352,891**	343,605
CURRENT ASSETS			
Inventories	*18*	**76,575**	83,845
Trade and notes receivables	*19*	**142,820**	107,742
Prepayments, deposits and other receivables	*20*	**144,363**	11,143
Due from related parties	*34(c)*	**128,694**	104,020
Cash and cash equivalents	*21*	**63,965**	69,596
Total current assets		**556,417**	376,346
CURRENT LIABILITIES			
Trade and bills payables	*22*	**133,582**	85,981
Other payables and accruals	*23*	**36,814**	35,687
Interest-bearing bank borrowings	*24*	**154,100**	107,000
Due to related parties	*34(c)*	**6,892**	62,452
Provision	*25*	**5,792**	5,518
Government grants	*26*	**1,170**	1,170
Tax payable		**3,850**	2,745
Total current liabilities		**342,200**	300,553
NET CURRENT ASSETS		**214,217**	75,793
TOTAL ASSETS LESS CURRENT LIABILITIES		**567,108**	419,398

	Notes	As at 30 June 2011 RMB'000	As at 31 December 2010 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	*24*	**20,000**	20,000
Government grants	*26*	**9,387**	9,972
Deferred tax liabilities	*27*	**3,156**	8,559
Total non-current liabilities		**32,543**	38,531
Net assets		**534,565**	380,867
EQUITY			
Equity attributable to owners of the parent			
Issued capital	*28*	**5,406**	–
Reserves	*29*	**213,755**	74,800
Retained earnings		**315,401**	306,067
		534,562	380,867
Non-controlling interests		**3**	–
Total equity		**534,565**	380,867

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2011

1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 19 November 2010. The registered office of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The shares of the Company were listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 30 June 2011.

The Company is an investment holding company. The Group is principally engaged in design, development, manufacture and sale of parts of auto air-conditioner.

2. BASIS OF PRESENTATION

Pursuant to the Group reorganisation (the "Reorganisation") as more fully described in the section headed "Reorganization" in the prospectus of the Company dated 17 June 2011, the Company became the holding company of the companies now comprising the Group on 8 June 2011 by acquiring the entire issued share capital of BVI Automart, a company incorporated in the BVI, which was the then holding company of the other subsidiaries comprising the Group. Since the shareholders group, Zheng Ping and Dong Zongde, is acting in concert and ultimately controlled the Group before and after the Reorganisation and that control is not transitory, the business combination in Reorganisation is accounted for as business combination under common control using the principles of merger accounting in accordance with the Accounting Guidance 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA.

These financial statements include the consolidated statements of income, comprehensive income, changes in equity, cash flows and financial position of the companies now comprising the Group, as if the current group structure resulted from the Reorganisation had been in existence throughout the periods presented, or since their respective dates of incorporation, whichever is a shorter period.

All significant intra-group transactions and balances have been eliminated on consolidation.

3.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

The financial statements have been prepared under the historical cost convention. The accounting policies set out in note 3.4 is consistently applied throughout the periods. The financial statements have been presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

3.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised interpretations and amendments to HKFRSs for the first time for the current period's financial statements.

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*
HKAS 24 (Revised)	*Related Party Disclosures*
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010

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

3.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*[1]
HKFRS 9	*Financial Instruments*[4]
HKFRS 10	*Consolidated Financial Statements*[4]
HKFRS 11	*Joint Arrangements*[4]
HKFRS 12	*Disclosure of Interests in Other Entities*[4]
HKFRS 13	*Fair Value Measurement*[4]
HKAS 1 (Revised)	*Presentation of Financial Statements*[3]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*[2]
HKAS 19 Amendments	Amendments to HKAS 19 *Employee Benefits*[4]
HKAS 27 (Revised)	*Separate Financial Statements*[4]
HKAS 28 (Revised)	*Investments in Associates and Joint Ventures*[4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application, certain of which may be relevant to the Group's operation and may result in changes in the Group's accounting policies, and changes in presentation and measurement of certain items of the Group's financial statements.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2011.

Acquisitions under common control which is treated as business combination under common control are accounted for using merger accounting principles. The merger method of accounting involves incorporating the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or the excess of the acquirers' interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over the cost of investment at the time of the Reorganisation under common control. The consolidated statements of income and comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under common control, where this is a shorter period, regardless of the date of the Reorganisation under common control.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

Non-controlling interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. An acquisition of non-controlling interests is accounted for using the entity concept method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as an equity transaction.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

There is no significant effect on the amounts recognised in the financial statements arising from the judgements, apart from those involving estimations, made by management in the process of applying the Group's accounting policies.

5. OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organised into business units based on their products and services and the Group has only one reportable operating segment which is engaged in design, development, manufacture and sale of parts of auto air-conditioner. Management monitors the operating results of operating segment as a whole for the purpose of making decisions about resource allocation and performance assessment.

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
		(Unaudited)
Mainland	**159,430**	137,478
United States of America	**110,339**	133,917
Canada	**23,890**	26,637
Asia	**11,283**	8,865
Others	**5,765**	5,061
	310,707	311,958

The revenue information above is based on the location of the customers.

(b) Non-current assets

All non-current assets of the Group are located in Mainland China during the six months ended 30 June 2010 and 2011.

Information about major customers

For the six months ended 30 June 2011, revenue from two customers accounted for more than 10% of the Group's total revenue individually. Revenue from these two customers was RMB109,708,188 and RMB65,649,916, respectively.

For the six months ended 30 June 2010, revenue from two customers accounted for more than 10% of the Group's total revenue individually. Revenue from these two customers was RMB133,722,813 and RMB57,091,708, respectively.

6. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, net of valued-added tax and government surcharges, and after allowances for returns.

An analysis of revenue, other income and gains is as follows:

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
		(Unaudited)
Revenue		
Sale of goods	**310,707**	311,958
Other income and gains		
Bank interest income	**207**	93
Government grants	**2,585**	670
Gain on disposal of items of property, plant and equipment	**33**	112
Others	**361**	270
	3,186	1,145

7. PROFIT BEFORE TAX

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

		Six months ended 30 June	
		2011	2010
	Notes	***RMB'000***	*RMB'000*
			(Unaudited)
Cost of inventories sold		**240,385**	241,303
Depreciation	*13*	**8,570**	7,681
Amortisation of prepaid land lease payments	*14*	**692**	842
Research and development costs		**1,002**	3,998
Operating lease expenses		**1,326**	988
Gain on disposal of items of property, plant and equipment		**(33)**	(112)
Product warranty provision	*25*	**430**	1,076
Employee benefit expense (including directors' remuneration *(note 9)*):			
Wages and salaries		**19,834**	19,080
Pension scheme contribution		**2,738**	2,330
Staff welfare expenses		**1,657**	1,133
		24,229	22,543
Foreign exchange differences, net		**719**	(99)
Impairment of inventories	*18*	**540**	762
Reversal of impairment of trade receivables	*19*	**(4)**	(225)
Bank interest income		**(207)**	(93)

8. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
		(Unaudited)
Interest on bank loans wholly repayable within five years	**3,945**	2,502

9. DIRECTORS' REMUNERATION

Directors' remuneration for the six months ended 30 June 2011, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
		(Unaudited)
Fees	**75**	75
Other emoluments:		
Salaries, bonuses, allowances and benefits in kind	**30**	843
Pension scheme contributions	**12**	6
	117	924

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the six months ended 30 June 2011 were as follows:

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
		(Unaudited)
He Binhui	**25**	25
Zhao Fenggao	**25**	25
Chen Lifan	**–**	–
	50	50

There were no other emoluments payable to the independent non-executive directors during the six months ended 30 June 2011 (30 June 2010: Nil).

(b) Executive directors and non-executive directors

	Fees *RMB'000*	Salaries, bonuses, allowances and benefits in kind *RMB'000*	Pension scheme contributions *RMB'000*	Total remuneration *RMB'000*
Six months ended 30 June 2011				
Executive directors:				
Zheng Ping	**–**	**–**	**–**	**–**
Dong Zongde	**–**	**30**	**12**	**42**
	–	**30**	**12**	**42**
Non-executive directors:				
Kong Xiaoling	**–**	**–**	**–**	**–**
Jia Weiren	**25**	**–**	**–**	**25**
	25	**–**	**–**	**25**
	25	**30**	**12**	**67**
Six months ended 30 June 2010 (Unaudited)				
Executive directors:				
Zheng Ping	–	477	–	477
Dong Zongde	–	366	6	372
	–	843	6	849
Non-executive directors:				
Kong Xiaoling	–	–	–	–
Jia Weiren	25	–	–	25
	25	–	–	25
	25	843	6	874

There was no arrangement under which a director waived or agreed to waive any remuneration during the six months ended 30 June 2011.

10. FIVE HIGHEST PAID EMPLOYEES

All the five highest paid employees of the Group during the six months ended 30 June 2011 were not directors. During the six months ended 30 June 2010, two of the highest paid individuals were directors of the Group. Details of the remuneration of the remaining non-director, highest paid employees during the six months ended 30 June 2011 are as follows:

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
		(Unaudited)
Salaries, bonuses, allowances and benefits in kind	**815**	1,193
Pension scheme contributions	**88**	147
	903	1,340

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2011	2010
		(Unaudited)
Nil to RMB1,000,000	**5**	3

11. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The income tax expenses of the Group for the six months ended 30 June 2011 are analysed as follows:

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
		(Unaudited)
Current – charge for the period	**6,291**	6,548
Deferred *(note 27)*	**627**	(201)
Total tax charge for the period	**6,918**	6,347

The Company incorporated in Cayman Island is not subject to corporate income tax ("CIT") as the Company does not have a place of business (other than a registered office only) or carry on any business in Cayman Island.

The subsidiary incorporated in the British Virgin Islands ("BVI") is not subject to CIT as such subsidiary does not have a place of business (other than a registered office only) or carry on any business in the BVI.

Pursuant to the relevant tax law of the Hong Kong Special Administrative Region, Hong Kong profits was subject to CIT at the rate of 16.5% for the six months ended 30 June 2010 and 2011 in Hong Kong. No provision of income tax has been made for Hong Kong Automart as Hong Kong Automart had no taxable income derived from Hong Kong during the six months ended 30 June 2011. Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for Hong Kong Shuanghua during the six months ended 30 June 2011.

During the Fifth Session of the Tenth National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law (the "New Corporate Income Tax Law") was approved and became effective on 1 January 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%. In this connection, Shanghai Shuanghua, Shanghai Shuanghua Machinery Manufacturing Co., Ltd. ("Shuanghua Machinery"), Shanghai Youshen Industry Co., Ltd. ("Youshen Industry"), Shanghai Shuanghua Auto Components Co., Ltd. ("Shuanghua Auto Components") and Baoding Shuanghua Autoparts Co., Ltd. ("Baoding Shuanghua") are subject to CIT at the rate of 25%.

Shanghai Shuanghua was registered as a foreign-invested enterprise and pursuant to the approval from the tax bureau, Shanghai Shuanghua was exempted from CIT for its first-two profit-making years (after deducting losses incurred in previous years) and was entitled to a 50% tax reduction for the succeeding three years. Shanghai Shuanghua was in its third, fourth and fifth profit-making years for the years ended 31 December 2008, 2009 and 2010 and therefore Shanghai Shuanghua was subject to CIT at the rate of 12.5% for the six months ended 30 June, 2010.

The preferential tax treatment of "two-year exemption and three-year half rate" enjoyed by Shanghai Shuanghua expired on 31 December 2010. Shanghai Shuanghua was accredited as a "Shanghai High and New Technology Enterprise" in December 2008 and such qualification will expire on 24 December 2011. Shanghai Shuanghua is in the process of applying for re-assessment of this "hi-tech enterprise" qualification in order to enjoy the preferential EIT rate of 15.0% applicable to "hi-tech enterprise" for the years ending 31 December 2011, 2012 and 2013. According to the "Announcement of the State Administration of Taxation on Prepayment of Enterprise Income Tax" issued by the State Administration of Taxation in January 2011, any enterprise that is applying for re-assessment of its "hi-tech enterprise" qualification can temporarily prepay enterprise income tax at a rate of 15% during the transition period before passing the re-assessment while its hi-tech enterprise qualification remains valid. As such, Shanghai Shuanghua is temporarily prepaying enterprise income tax in 2011 at a rate of 15%.

Youshen Industry was located in Pudong New Area and was subject to a preferential CIT at the rate of 15% before 2008. With the release of the New Corporate Income Tax Law, Youshen Industry was subject to CIT at the rates of 18%, 20%, 22% and 24% for 2008, 2009, 2010 and 2011, respectively, before Youshen Industry is subject to CIT at the rate of 25% in 2012.

Shuanghua Machinery, Shuanghua Auto Components and Baoding Shuanghua are subject to CIT at the rate of 25% during the six months ended 30 June 2011.

A reconciliation of the tax expense applicable to profit before tax at the statutory rates in Mainland China to the tax expense at the effective tax rates is as follows:

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
		(Unaudited)
Profit before tax	**48,610**	52,437
Tax at statutory tax rates 25% in Mainland China	**12,153**	13,109
Lower tax rate for specific province or enacted by local authority	**(4,092)**	(6,264)
Profits attributable to an associate	**(2,854)**	(2,740)
Income not subject to tax	**(45)**	(205)
Expenses not deductible for tax	**951**	98
Effect on deferred tax balances due to change in income tax rate	**–**	(410)
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries and an associate	**637**	2,342
Tax losses utilised	**(126)**	(84)
Tax losses not recognised	**294**	501
Tax charge at the Group's effective rate	**6,918**	6,347

The share of tax charge attributable to an associate amounting to RMB3,550,175 for the six months ended 30 June 2011 (30 June 2010: RMB3,458,992) are included in "Share of profits of an associate" in the consolidated income statement.

12. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the six months ended 30 June 2011 attributable to owners of the parent and the weighted average number of ordinary shares of 489,296,001 (2010: 487,500,000) in issue during the period.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2011.

The calculations of basic earnings per share are based on:

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
		(Unaudited)
Earnings		
Profit attributable to owners of the parent	**41,692**	46,715

	Number of shares Six months ended 30 June	
	2011	2010
	'000	*'000*
Shares		
Weighted average number of ordinary shares in issue during the period	**489,296**	487,500

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Plant and machinery *RMB'000*	Office equipment *RMB'000*	Motor vehicles *RMB'000*	Construction in progres *RMB'000*	Total *RMB'000*
30 June 2011						
At 1 January 2011:						
Cost	**113,856**	**102,603**	**2,737**	**4,193**	**6,817**	**230,206**
Accumulated depreciation	**(13,368)**	**(22,184)**	**(1,295)**	**(1,719)**	**–**	**(38,566)**
Net carrying amount	**100,488**	**80,419**	**1,442**	**2,474**	**6,817**	**191,640**
At 1 January 2011, net of accumulated depreciation	**100,488**	**80,419**	**1,442**	**2,474**	**6,817**	**191,640**
Additions	**927**	**2,863**	**119**	**258**	**2,702**	**6,869**
Disposal	**–**	**(7)**	**(3)**	**–**	**–**	**(10)**
Depreciation provided during the period *(note 7)*	**(2,785)**	**(5,235)**	**(211)**	**(339)**	**–**	**(8,570)**
Transfers	**2,213**	**604**	**–**	**–**	**(2,817)**	**–**
At 30 June 2011, net of accumulated depreciation	**100,843**	**78,644**	**1,347**	**2,393**	**6,702**	**189,929**
At 30 June 2011:						
Cost	**116,996**	**106,051**	**2,848**	**4,451**	**6,702**	**237,048**
Accumulated depreciation	**(16,153)**	**(27,407)**	**(1,501)**	**(2,058)**	**–**	**(47,119)**
Net carrying amount	**100,843**	**78,644**	**1,347**	**2,393**	**6,702**	**189,929**

	Buildings *RMB'000*	Plant and machinery *RMB'000*	Office equipment *RMB'000*	Motor vehicles *RMB'000*	Construction in progres *RMB'000*	Total *RMB'000*
31 December 2010						
At 1 January 2010:						
Cost	98,609	82,352	3,585	3,776	28,676	216,998
Accumulated depreciation	(8,466)	(14,035)	(976)	(1,166)	–	(24,643)
Net carrying amount	90,143	68,317	2,609	2,610	28,676	192,355
At 1 January 2010, net of accumulated depreciation	90,143	68,317	2,609	2,610	28,676	192,355
Additions	213	8,845	241	795	23,548	33,642
Disposal	–	(87)	–	(116)	–	(203)
Disposal of a subsidiary	(7,912)	(8,120)	(981)	(121)	(949)	(18,083)
Depreciation provided during the year *(note 7)*	(5,440)	(9,371)	(566)	(694)	–	(16,071)
Transfers	23,484	20,835	139	–	(44,458)	–
At 31 December 2010, net of accumulated depreciation	100,488	80,419	1,442	2,474	6,817	191,640
At 31 December 2010:						
Cost	113,856	102,603	2,737	4,193	6,817	230,206
Accumulated depreciation	(13,368)	(22,184)	(1,295)	(1,719)	–	(38,566)
Net carrying amount	100,488	80,419	1,442	2,474	6,817	191,640

As at 30 June 2011, certain of the Group's buildings with a net carrying amount of RMB67,486,067 (31 December 2010: RMB69,037,918) were pledged to secure bank loan facilities granted to the Group (note 24).

As at 30 June 2011, the Group has not obtained certificates of ownership in respect of certain buildings of the Group in the PRC with a net carrying amount of RMB18,770,472 (31 December 2010: RMB69,417,857). The directors of the Company are of the view that the Group is entitled to lawfully and validly occupy and use the above mentioned buildings. The directors of the Company 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 2011.

14. PREPAID LAND LEASE PAYMENTS

	Group	
	As at 30 June 2011	As at 31 December 2010
	RMB'000	*RMB'000*
Carrying amount at beginning of year/period	**65,498**	79,904
Recognised during the year/period *(note 7)*	**(692)**	(1,603)
Disposal of a subsidiary	**–**	(12,803)
Carrying amount at end of year/period	**64,806**	65,498
Current portion included in prepayments, deposits and other receivables *(note 20)*	**(1,403)**	(1,403)
Non-current portion	**63,403**	64,095

The Group's leasehold lands are situated in Mainland China and held under long term leases.

As at 30 June 2011, certain of the Group's leasehold lands with a net carrying amount of RMB59,253,716 (31 December 2010: RMB59,884,553), were pledged to secure bank loan facilities granted to the Group (note 24).

As at 30 June 2011, the Group has not obtained the land use right certificate in respect of a piece of leasehold land in the PRC with a net carrying amount of RMB5,552,050 (31 December 2010: RMB5,612,950). The directors of the Company are of the view that the Group is entitled to lawfully and validly occupy and use the above mentioned leasehold lands. The directors of the Company 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 2011.

15. INVESTMENTS IN SUBSIDIARIES

	Company As at 30 June 2011 *RMB'000*	As at 31 December 2010 *RMB'000*
Unlisted shares, at cost	**117,132**	–

Particulars of the subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interest attributable to the Company	Principal activities
Automart Holdings Limited ("BVI Automart")	British Virgin Islands	US$100,000	100 (direct)	Investment holding
Automart Holdings Limited ("Hong Kong Automart")	Hong Kong	HK$1,200,000	100 (indirect)	Investment holding
Shanghai Shuanghua Autoparts Co., Ltd. ("Shanghai Shuanghua")	People's Republic of China	RMB263,415,456	100 (indirect)	Manufacture and sale of auto air-conditioner parts and components
Shanghai Shuanghua Machinery Manufacturing Co., Ltd. ("Shuanghua Machinery")	People's Republic of China	RMB60,000,000	100 (indirect)	Manufacture and sale of auto air-conditioner parts and components
Shanghai Youshen Industry Co., Ltd. ("Youshen Industry")	People's Republic of China	RMB10,000,000	100 (indirect)	Import and export goods and technology and sales of auto-conditioner parts and components
Shuanghua Hong Kong Limited ("Hong Kong Shuanghua")	Hong Kong	US$200,000	100 (indirect)	Import and export goods and technology and sales of auto-conditioner parts and components
Shanghai Shuanghua Auto Components Co., Ltd. ("Shuanghua Auto Components")	People's Republic of China	RMB2,000,000	100 (indirect)	Wholesale and retail of mechanical equipment and accessories
Kunshan Xiaocang Compressor Co., Ltd. ("Kunshan Xiaocang ")(i)	People's Republic of China	US$1,210,000	65 (indirect)	Manufacture of automotive compressor

Notes:

(i) Kunshan Xiaocang is in the process of deregistration.

16. INVESTMENT IN AN ASSOCIATE

	Group	
	As at 30 June 2011	As at 31 December 2010
	RMB'000	*RMB'000*
Share of net assets	**85,383**	73,966

The Group's trade receivables balances with the associate are disclosed in note 34 to the financial statements.

Particulars of the principal associate are as follows:

Name	**Place of incorporation/ registration and operations**	**Nominal value of issued ordinary /registered share capital**	**Percentage of ownership interest attributable to the Company**	**Principal activities**
Macs Baoding	People's Republic of China	RMB20,339,000	49	Manufacture of automotive parts and components

The Group's shareholding in the associate is held through a wholly-owned subsidiary of the Company.

The following table illustrates the summarised financial information of the Group's associate extracted from its financial statements:

	As at 30 June 2011	As at 31 December 2010
	RMB'000	*RMB'000*
Assets	**398,551**	379,709
Liabilities	**(224,299)**	(228,758)

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000* (Unaudited)
Revenues	**203,817**	185,792
Profit	**23,301**	22,366

17. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	As at	As at
	30 June	31 December
	2011	2010
	RMB'000	*RMB'000*
Unlisted equity investments, at cost	**262**	262

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

Unlisted equity investments were stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future.

18. INVENTORIES

	Group	
	As at	As at
	30 June	31 December
	2011	2010
	RMB'000	*RMB'000*
Raw materials	**25,511**	27,809
Work in progress	**19,319**	20,228
Finished goods	**36,365**	39,888
	81,195	87,925
Impairment	**(4,620)**	(4,080)
	76,575	83,845

The movements in provision for impairment of inventories are as below:

	Group	
	As at	As at
	30 June	31 December
	2011	2010
	RMB'000	*RMB'000*
At beginning of year/period	**4,080**	4,175
Impairment losses recognised *(note 7)*	**540**	368
Impairment written off as disposal of a subsidiary	**–**	(463)
At end of year/period	**4,620**	4,080

19. TRADE AND NOTES RECEIVABLES

	Group	
	As at 30 June 2011	As at 31 December 2010
	RMB'000	*RMB'000*
Trade receivables	**106,786**	93,573
Notes receivables	**36,287**	14,426
	143,073	107,999
Impairment	**(253)**	(257)
	142,820	107,742

The Group's trading terms with its customers are mainly on credit. The credit period for trade receivable is generally 30 to 90 days. 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. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade and notes receivables of the Group as at the end of the reporting period based on the invoice date, is as follows:

	Group	
	As at 30 June 2011	As at 31 December 2010
	RMB'000	*RMB'000*
Within 1 month	**41,943**	50,341
1 to 2 months	**42,159**	23,312
2 to 3 months	**32,366**	23,758
3 to 12 months	**25,747**	8,766
Over 12 months	**858**	1,822
	143,073	107,999

The movements in provision for impairment of trade receivables are as below:

	Group	
	As at 30 June 2011	As at 31 December 2010
	RMB'000	*RMB'000*
At beginning of year/period	**257**	486
Impairment losses reversed *(note 7)*	**(4)**	(229)
At end of year/period	**253**	257

Included in the above provision for impairment of trade receivables is a provision assessed on individual basis of RMB253,439 (31 December 2010: RMB257,218) with carrying amounts before provision of RMB253,439 (31 December 2010: RMB257,218). The individually impaired trade receivables relate to customers that no longer have transaction with the Group, and none of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

The aged analysis of the trade and notes receivables that are not individually nor collectively considered to be impaired is as follows:

	Group	
	As at 30 June 2011	As at 31 December 2010
	RMB'000	*RMB'000*
Neither past due nor impaired	**109,570**	90,673
Less than 1 months past due	**28,217**	11,052
1 to 2 months past due	**3,304**	3,827
2 to 3 months past due	**262**	177
3 to 12 months past due	**771**	853
Over 12 months past due	**696**	1,160
	142,820	107,742

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

As at 30 June 2011, certain of the Group's notes receivables of RMB9,500,000 (31 December 2010: RMB8,650,000) were pledged to secure bills payables of RMB9,500,000 (31 December 2010: RMB8,650,000) (note 22).

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group	
	As at 30 June 2011	As at 31 December 2010
	RMB'000	*RMB'000*
Other receivables	**141,339**	3,718
Prepayments	**1,621**	5,008
Prepaid land lease payments *(note 14)*	**1,403**	1,403
Prepaid other taxes	**–**	1,014
	144,363	11,143

	Company	
	As at 30 June 2011	As at 31 December 2010
	RMB'000	*RMB'000*
Other receivables	**135,496**	–

Other receivables are non-interest-bearing, unsecured and repayable on demand.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

21. CASH AND CASH EQUIVALENTS

	Group	
	As at 30 June 2011	As at 31 December 2010
	RMB'000	*RMB'000*
Cash and bank balances	**44,827**	64,596
Time deposits	**19,138**	5,000
Cash and cash equivalents	**63,965**	69,596

	Company	
	As at 30 June 2011	As at 31 December 2010
	RMB'000	*RMB'000*
Cash and bank balances	**759**	–
Time deposits	**14,138**	–
Cash and cash equivalents	**14,897**	–

As at 30 June 2011, the Group's cash and cash equivalents denominated in RMB were RMB40,320,166 (31 December 2010: RMB61,278,441). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for 7 days and earn interest at 7-day short term time deposit rate. The bank balances are deposited with creditworthy banks with no recent history of default.

22. TRADE AND BILLS PAYABLES

	Group	
	As at	As at
	30 June	31 December
	2011	2010
	RMB'000	*RMB'000*
Trade payables	**124,082**	77,331
Bills payables	**9,500**	8,650
	133,582	85,981

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	As at	As at
	30 June	31 December
	2011	2010
	RMB'000	*RMB'000*
Within 1 month	**48,186**	45,204
1 to 2 months	**42,455**	18,606
2 to 3 months	**24,731**	13,920
3 to 6 months	**17,446**	5,733
6 to 12 months	**242**	1,001
12 to 24 months	**118**	730
Over 24 months	**404**	787
	133,582	85,981

Trade payables are non-interest-bearing and have an average credit term of one to three months.

Bills payables were secured by certain of the Group's notes receivables of RMB9,500,000 (31 December 2010: RMB8,650,000) (note 19).

23. OTHER PAYABLES AND ACCRUALS

	Group	
	As at	As at
	30 June	31 December
	2011	2010
	RMB'000	*RMB'000*
Other payables	**12,394**	12,701
Advances from customers	**2,128**	2,037
Taxes other than CIT	**3,242**	2,168
Payroll payable	**6,694**	8,815
Accrued liabilities	**12,356**	9,966
	36,814	35,687

Other payables and advances from customers are non-interest-bearing and have an average term of three months.

24. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate (%)	Maturity	Group As at 30 June 2011 *RMB'000*	 As at 31 December 2010 *RMB'000*
Current				
Bank loans – secured*	6.06-6.31	Within 1 year	**25,000**	–
Bank loans – secured*	5.40	Within 1 year	**–**	20,000
Bank loans – secured*	5.31	Within 1 year	**–**	25,000
Bank loans – secured*	5.56	Within 1 year	**–**	60,000
Bank loans – secured*	5.28	Within 1 year	**20,000**	–
Bank loans – secured*	5.81-6.31	Within 1 year	**40,000**	–
Bank loans – secured*			**85,000**	105,000
Bank loans – unsecured*	6.31	Within 1 year	**35,000**	–
Bank loans – unsecured*	3.58	Within 1 year	**14,100**	–
Bank loans – unsecured*			**49,100**	–
Bank loans			**134,100**	105,000

	Effective interest rate (%)	Maturity	As at 30 June 2011 *RMB'000*	As at 31 December 2010 *RMB'000*
Discounted bank acceptances*	7.02-7.28	Within 1 year	**20,000**	–
	5.35-5.46	Within 1 year	**–**	2,000
			20,000	2,000
			154,100	107,000

	Effective interest rate (%)	Maturity	Group As at 30 June 2011 *RMB'000*	 As at 31 December 2010 *RMB'000*
Non-current				
Bank loans – secured*	5.40	2012	**–**	20,000
Bank loans – secured*	5.81-6.31	2012	**20,000**	–
Bank loans			**20,000**	20,000
Analysed into:				
Bank loans and discounted bank acceptances repayable:				
Within one year or on demand			**154,100**	107,000
In the second year			**20,000**	20,000
			174,100	127,000

Notes:

The Group's bank borrowings are secured by:

(i) mortgages over the Group's buildings situated in Mainland China, which had an aggregate carrying values at the end of the reporting period of RMB67,486,067 (31 December 2010: RMB69,037,918) (note 13).

(ii) mortgages over the Group's leasehold lands situated in Mainland China, which had an aggregate carrying values at the end of the reporting period of RMB59,253,716 (31 December 2010: RMB59,884,553) (note 14).

(iii) At the end of the reporting period, there was no guarantees by related parties. As at 31 December 2010, the Group's related party, Shanghai Automart, has guaranteed certain of the Group's bank loans up to RMB50,000,000.

25. PROVISION

	Group	
	As at 30 June 2011	As at 31 December 2010
	RMB'000	*RMB'000*
At beginning of year/period	**5,518**	4,131
Additional provision	**700**	2,108
Amounts utilised during the year/period	**(156)**	(721)
Reversal of unutilised amounts	**(270)**	–
At end of year/period	**5,792**	5,518

The Group provides warranties to its customers on its products, under which faulty products are repaired or replaced. The amount of the provision for the warranties is estimated based on sales volumes and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

26. GOVERNMENT GRANTS

	Group	
	As at 30 June 2011	As at 31 December 2010
	RMB'000	*RMB'000*
Carrying amount at beginning of the year/period	**11,142**	10,879
Received during the year/period	**2,000**	1,573
Released to income statement *(note 6)*	**(2,585)**	(1,310)
Carrying amount at end of the year/period	**10,557**	11,142
Current	**1,170**	1,170
Non-current	**9,387**	9,972
	10,557	11,142

Government grants have been received either for the construction of certain items of property, plant and equipment or for the Group subsidiaries' business development. There are no unfulfilled conditions or contingencies attached to these grants.

27. DEFERRED TAX

Group

The movements in deferred tax assets and liabilities during the periods are as follows:

Deferred tax assets

	Group					
	Accruals and provision *RMB'000*	**Impairment of assets** *RMB'000*	**Government grants** *RMB'000*	**Losses available for offsetting future taxable profits** *RMB'000*	**Unrealised profits** *RMB'000*	**Total** *RMB'000*
Deferred tax assets at 1 January 2010	697	589	1,974	1,210	201	4,671
Deferred tax credited to the income statement during the year	1,855	119	154	3,080	19	5,227
Deferred tax assets at 31 December 2010 and 1 January 2011	2,552	708	2,128	4,290	220	9,898
Deferred tax credited/(charged) to the income statement during the period	(1,455)	68	(105)	1,722	(220)	10
Deferred tax assets at 30 June 2011	1,097	776	2,023	6,012	–	9,908

Deferred tax liabilities

	Group Withholding tax on the distributable profits *RMB'000*
At 1 January 2010	5,433
Deferred tax charged to the income statement during the year	3,126
At 31 December 2010 and 1 January 2011	8,559
Deferred tax charged to the income statement during the period	637
Deferred tax utilised during the period	(6,040)
At 30 June 2011	3,156

Pursuant to the New Corporate Income Tax Law and implementation regulations issued by the State Council, and in accordance with the Arrangement between the Mainland China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprise established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax arrangement between China and the jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes on dividend distributed by Shanghai Shuanghua and Macs (Baoding) Auto A/C Systems Co., Ltd. ("Macs Baoding") in respect of earnings generated from 1 January 2008. The Group recognised deferred tax liabilities in respect of accumulated distributable earnings from its subsidiaries and associate established in Mainland China since 1 January 2008, no matter whether such earnings have been declared or not by the subsidiaries at the reporting dates.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

Deferred tax assets have not been recognised in respect of the following items:

	As at 30 June 2011	As at 31 December 2010
	RMB'000	*RMB'000*
Tax losses:		
Hong Kong Automart	**2,239**	3,003
Youshen Industry	**1,226**	–
	3,465	3,003

The Group has tax losses arising in Hong Kong that are available indefinitely for offsetting against future taxable profits of Hong Kong Automart.

The Group also has tax losses arising in Mainland China that will expire in one to five years for offsetting against future taxable profits of Youshen Industry.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in Hong Kong Automart and Youshen Industry that it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

28. ISSUED CAPITAL

The movements in the authorised and issued share capital of the Company are as follows:

	Notes	Number of shares	Amount
			RMB'000
Authorised ordinary shares of HK$0.01 each:			
At 31 December 2010	*(i)*	10,000,000	86
Increase on 8 June 2011	*(ii)*	9,990,000,000	83,207
		10,000,000,000	83,293
Issued and fully paid ordinary shares of HK$0.01 each:			
At 19 November 2010, date of incorporation	*(i)*	1	–
At 31 December 2010 and 1 January 2011		1	–
Issue of shares on 28 March 2011	*(iii)*	9,999	–
Capitalization issue of shares	*(iv)*	487,490,000	4,055
New issue of shares from initial public offering	*(v)*	162,500,000	1,351
At 30 June 2011		650,000,000	5,406

(i) As at the date of incorporation, the authorised ordinary share capital of the Company was HK$100,000 divided into 10,000,000 shares of HK$0.01. As at the date of incorporation, one nil paid share of HK$0.01 was allotted and issued to Codan Trust Company (Cayman) Limited ("Codan Trust") as the subscriber share. Codan Trust transferred its share to Zheng Ping on the same day. On 28 March 2011, Zheng Ping transferred the said one share to Youshen Group.

(ii) By an ordinary resolution passed on 8 June 2011, the authorised share capital of the Company increased from HK$100,000 to HK$100,000,000 by the creation of 9,990,000,000 ordinary shares of HK$0.01 each.

(iii) On 28 March 2011, 5,799 shares and 4,200 shares were allotted and issued nil paid to Youshen Group and Shuanghua International, respectively.

On 8 June 2011, the Company acquired the entire issued share capital of BVI Automart from Zheng Ping and Shuanghua International in consideration of the crediting as fully paid the 5,800 and 4,200 nil paid shares in the share capital of the Company held by Youshen Group and Shuanghua International, respectively.

(iv) On 29 June 2011, a total of 487,490,000 new ordinary shares of HK$0.01 each were further allotted and issued, credited as fully paid at par by the Company, by way of capitalisation of the sum of HK$ 4,875,000 (equivalent to RMB4,055,000) from the share premium account, to the then existing shareholders of the Company in proportion to their respective share holdings.

(v) On 30 June 2011, the shares of the Company were listed on the Stock Exchange and the Company had offered 162,500,000 ordinary shares of HK$0.01 each and received a total proceeds of HK$188,500,000 (equivalent to RMB156,760,370) from the initial public offering.

29. RESERVES

	Group	
	As at 30 June 2011	As at 31 December 2010
	RMB'000	*RMB'000*
Capital reserve	**302,255**	5,108
Statutory surplus reserve	**31,482**	31,482
Merger reserve	**(119,792)**	38,351
Exchange fluctuation reserve	**(190)**	(141)
	213,755	74,800

	Company	
	As at 30 June 2011	As at 31 December 2010
	RMB'000	*RMB'000*
Capital reserve	**262,119**	–

Capital reserve

On 29 June 2011, a total of 487,490,000 new ordinary shares of HK$0.01 each were further allotted and issued, credited as fully paid at par by the Company, by way of capitalisation of the sum of HK$ 4,875,000 (equivalent to RMB4,055,000) from the share premium account, to the then existing shareholders of the Company in proportion to their respective share holdings.

Pursuant to the Reorganisation, Zheng Ping and Shuanghua International agreed to contribute the registered capital of HK$140,000,000 (equivalent to RMB116,718,000), while Zheng Ping and Shuanghua International injected RMB132,375,039. The difference between the registered capital and the contribution was recorded as capital reserve.

On 18 June 2011, the Group entered into a deed of release with Youshen International Ltd., and Youshen International Ltd. waived the debt of RMB30,700,372 due from the Group.

On 30 June 2011, 16,500,000 shares with a par value of HK$0.01 were issued for a total cash consideration of HK$188,500,000 (equivalent to RMB156,760,370).

Statutory surplus reserve

In accordance with the PRC Company Law, the Company's subsidiaries registered in the PRC are required to appropriate 10% of the annual statutory profit after tax (after offsetting any prior years' losses) to the statutory surplus reserve. When the balance of the reserve fund reaches 50% of the entity's registered capital, any further appropriation is optional. The statutory reserve can be utilised to offset prior years' losses or to increase capital. However, the balance of the statutory reserve must be maintained at a minimum of 25% of the registered capital after such usages.

Merger reserve

The merger reserve of the Group represents the reserve arose pursuant to the Reorganisation which is accounted for as reorganisation under common control.

Exchange fluctuation reserve

The exchange fluctuation reserve is used to record exchange differences arising from the translation of the financial statements of Hong Kong Shuanghua.

30. CONTINGENT LIABILITIES

There were no significant contingent liabilities at the end of each of the reporting period.

31. PLEDGE OF ASSETS

Details of the Group's bank borrowings and bills payables, which are secured by the assets of the Group, are included in notes 13, 14, 19, 22 and 24 to the financial statements.

32. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to fifteen years.

At 30 June 2011, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 30 June 2011 *RMB'000*	As at 31 December 2010 *RMB'000*
Within one year	**924**	1,879
In the second to fifth years, inclusive	**2,473**	3,271
After fifth years	**–**	–
	3,397	5,150

33. COMMITMENTS

In addition to the operating lease commitments detailed in note 32 above, the Group had the following capital commitments at the end of the reporting period:

	As at 30 June 2011 *RMB'000*	As at 31 December 2010 *RMB'000*
Contracted, but not provided for:		
Property, plant and machinery	**3,399**	3,098

34. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in the financial statements, the Group had the following transactions with related parties during the period:

		Six months ended 30 June	
		2011	2010
	Notes	***RMB'000***	*RMB'000*
			(Unaudited)
Associate			
Sales of products to:			
Macs Baoding	*(i)*	**66,219**	65,478
Companies in which the directors of the Company are the shareholders			
Rental expense to:			
Shanghai Automart*	*(iii)*	**928**	1,323
Purchase of goods from:			
Shanghai Youchen Aluminum Materials Co., Ltd. ("Shanghai Youchen")*	*(ii)*	**8,632**	–

Notes:

(i) The sales to the related parties were made according to the published prices and conditions offered to the major customers of the Group.

(ii) The purchases from the related parties were made at terms agreed between the parties.

(iii) The rental expenses to the related parties were based on prices mutually agreed between the parties.

* The related party transactions denoted with * also constitute connected transaction or continuing connected transactions as defined in Chapter 14A of Listing Rules.

(b) Other transactions with related parties:

At the end of the reporting period, there was no guarantees by related parties, As at 31 December 2010, the Group's related party, Shanghai Automart, has guaranteed certain of the Group's bank loans up to RMB50,000,000.

(c) Outstanding balances with related parties:

	Notes	As at 30 June 2011 RMB'000	As at 31 December 2010 RMB'000
Due from related parties:			
Macs Baoding	*(i)*	**128,694**	95,020
Shanghai Longcang Investment Co., Ltd.	*(ii)*	**–**	3,780
Shanghai Zhongzhi Trading Co., Ltd.	*(ii)*	**–**	5,220
		128,694	104,020
Due to related parties:			
Shanghai Automart	*(ii)*	**4,452**	4,026
Youshen International Ltd.	*(ii)*	**–**	56,191
Shanghai Youchen	*(ii)*	**2,440**	2,235
		6,892	62,452

Notes:

(i) The balances due from Macs Baoding included dividend receivable of RMB14,700,000 (31 December 2010: RMB14,700,000). The remaining balances were trade in nature, unsecured, interest-free and have fixed terms of repayment.

(ii) The balances are unsecured, non-interest-bearing and have no fixed terms of repayment.

(d) Compensation of key management personnel of the Group:

	Six months ended 30 June 2011 RMB'000	Six months ended 30 June 2010 RMB'000 (Unaudited)
Short term employee benefits	**417**	1,111
Pension scheme contributions	**72**	60
Total compensation paid to key management personnel	**489**	1,171

35. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting dates are as follows:

Financial assets – loans and receivables

	As at 30 June 2011 *RMB'000*	As at 31 December 2010 *RMB'000*
Trade and notes receivables	**142,820**	107,742
Financial assets included in prepayments, deposits and other receivables	**141,339**	3,718
Due from related parties	**128,694**	104,020
Cash and cash equivalents	**63,965**	69,596
	476,818	285,076

Financial assets – available-for-sale financial assets

	As at 30 June 2011 *RMB'000*	As at 31 December 2010 *RMB'000*
Available-for-sale investments	**262**	262

Financial liabilities at amortised cost

	Group	
	As at 30 June 2011 *RMB'000*	As at 31 December 2010 *RMB'000*
Trade and bills payables	**133,582**	85,981
Financial liabilities included in other payables and accruals	**12,394**	12,701
Interest-bearing bank borrowings	**174,100**	127,000
Due to related parties	**6,892**	62,452
	326,968	288,134

Financial assets

	Company	
	As at 30 June 2011	As at 31 December 2010
	RMB'000	*RMB'000*
Financial assets included in prepayments, deposits and other receivables	**135,496**	–
Cash and cash equivalents	**14,897**	–
	150,393	–

36. FAIR VALUE AND FAIR VALUE HIERARCHY

The fair values of financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values.

Trade and notes receivables, financial assets included in prepayments, deposits and other receivables, due from related parties, cash and cash equivalents, trade and bills payables, financial liabilities included in other payables and accruals, interest-bearing bank borrowings and due to related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group has no material financial instruments to be disclosed according to the fair value hierarchy (Level 1, 2 and 3).

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings, and cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and notes receivables and trade and bills payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks.

38. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 25 August 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Despite the unstable international economic situation and the unfavourable domestic macroeconomic factors, such as increasing inflationary pressure, surging materials and labour costs, appreciating RMB exchange rates and rising interest rates in China, as well as additional expenses arising from the listing of the Company during the Reporting Period, responsive measures have been proactively taken by the Company with the consistent and unfailing efforts of all staff. In light of the slowing growth of the automobile industry this year, the Company's performance for the current year was in par with that of last year. The successful listing of the Company on the Main Board of the Stock Exchange on 30 June 2011 heralded strong drivers for its future development as well as new development opportunities.

For the Reporting Period, the Group's revenue was approximately RMB310.7 million, a decrease of approximately RMB1.3 million and net profit was approximately RMB41.7 million, a decrease of approximately RMB4.4 million, respectively, over the corresponding period of last year. On a product line basis, revenue from evaporators, condensers and heaters were approximately RMB80.0 million, RMB91.0 million and RMB16.0 million, respectively. On a market basis, revenue from domestic and international segments were approximately RMB159.4 million and RMB151.3 million, respectively.

During the Reporting Period, the Company focused primarily on improvements to management and raising production efficiency. We also strengthened our market expansion, fortified marketing team building, accelerated new product development, tightened up distribution and delivery, further our closer working relationship with old customers and developed new customer groups in order to assure the steady growth of our business. During the first half of 2011, we actively developed new customers and nurtured smaller customers. In spite of slowdown in the overall development of domestic automobile repairers and decline in OEM volumes, domestic sales volume of evaporators, condensers and heaters experienced healthy growth of approximately 24.4%, 31.0% and 20.3%, respectively, over the corresponding period of 2010.

Being the crucial timing of the our listing, we took this opportunity to make an inspection and enhancement of our equity structure, asset restructuring and all detailed regulatory systems during the Reporting Period, in establishing an effective corporate governance regime with endless enhancements to internal control management. Our successful listing has not only expanded our production operation, upgraded our production facilities and provided adequate capital protection, but also laid a solid foundation for our future business outreach.

Business Prospect

Looking ahead, our will be primarily focusing on the domestic OEM market as well as the international aftermarket to consolidate our current leading position. To further develop and strengthen our presence in the international OEM market and the domestic aftermarket is our key long-term strategy. We will continue to strive to develop our core operations and sustaining of our core competitiveness through intensive execution of the following strategies:

- Consolidating our core competitiveness in the HVAC components market by expanding into the market of self-manufactured compressors, which is anticipated to be our future growth driver

  The Company has been engaged in the trading of compressors, primarily swash plate compressors, sourced from third party suppliers to the international aftermarket since 2007. Having established an extensive customer base through our compressor trading activities, we are able to sell our compressor products directly to the international aftermarket with the benefit of market synergy effect. In 2010, our advanced production lines for double-sided consistent displacement swash plate compressors, commenced trial production for sales to the international aftermarket. Leveraging on our existing sales and marketing networks, we plan to expand the geographical coverage of our self-manufactured compressors, which is expected to become one of our major business segments and growth drivers in the future, in order to consolidate our core competitiveness in the HVAC components market.

  Save for the aftermarket, we also plan to sell our self-manufactured compressor products directly to automotive HVAC system suppliers and automakers in the domestic OEM market. In the meantime, the Company will continue to source different types of compressors from third party suppliers primarily for exports to the international aftermarket.

- Expanding and upgrading our production facilities to improvise our competitiveness and consolidate our market leadership in the PRC market

  Over the years, we have been continuously expanding our production capacity by means of upgrading production facilities and acquiring new production lines. We intend to utilise part of the proceeds from the Share Offer to upgrade our facilities for a gradual shift towards the production of variable displacement swash plate compressors in order to consolidate our leading market position in the PRC. In addition, to facilitate our pace of vertical and horizontal expansion strategies, we will continue to identify companies for acquisitions and investments or joint ventures and strategic alliances.

Financial Review

Revenue

The Group's revenue for the six months ended 30 June 2011 (the "Reporting Period") was approximately RMB310.7 million, roughly in par with that of the corresponding period of last year of approximately RMB312.0 million.

Sales to domestic markets

In the wake of two consecutive years of explosive hikes in year-on-year growths of approximately 38.3% in 2009 and 32.44% in 2010, the period-on-period growth of the PRC domestic production of automobiles for the first half of 2011 was 2.48% at 9.156 million units. Despite unfavourable conditions, such as declines in OEM volumes of domestic automobile repairers, our sales to domestic markets recorded significant growth through active searches for new customers. Sales volume to the domestic markets of evaporators, condensers and heaters increased by approximately 24.4%, 31.0% and 20.3%, respectively, for the Reporting Period over the same period of 2010. To facilitate more domestic sales, minor discounts in selling prices for the Reporting Period over the same period of 2010 led to period-on-period increases in sales to domestic markets of evaporators, condensers and heaters of approximately 14.4%, 25.6% and 20.2%, respectively.

Other revenues are sales to domestic market comprising primarily of self-manufactured intercoolers and oil coolers.

Sales to international markets

Our sales to international markets are primarily sold to the North American market. The Group's revenue from sales to international markets of self-manufactured evaporators, condensers and heaters for the Reporting Period fell by approximately 35.4%, 1.2% and 46.9%, respectively, over the same period of 2010, which were primarily attributable to decreases in sales volume. Sales volume to international markets of self-manufactured evaporators and heaters for the Reporting Period fell by approximately 27.8% and 48.4%, respectively, over the same period of 2010. During the financial tsunami of 2008 and 2009, North American distributors of automotive components depleted their inventories in order to mitigate funding pressure. Our international sales in 2010 registered significant growth over 2009 as the distributors replenished their depleted inventories. Compared with its growth trend in 2010, international sales during the first half of 2011 showed a declining trend as inventory replenishments basically stopped at the end of 2010 but the inventory level remained high by the end of 2010 and the recovery of the American economy slackened amidst the pessimistic macroeconomic environment. As a result, both international revenue and sales declined over the same period of last year.

The Group's revenue from sales to international markets of self-manufactured compressors for the Reporting Period went up by approximately 313.2% over the same period of 2010. We commenced production and sales of compressors in 2010, which were all sold to international markets, and our production and sales increased significantly as production scale was attained in 2011. International sales volume of our self-manufactured compressors for the Reporting Period recorded a significant increase of approximately 337.2% over the last period of 2010. Having attained production scale, selling prices of compressors saw minor decreases.

Other revenue from sales to international market comprising primarily of self-manufactured oil coolers, intercoolers, liquid-gas separators, condenser cores and thermostats.

The following table set forth the breakdown of our revenue by products during the Reporting Period:

	For the six months ended 30 June			
	2011		2010	
Revenue	***RMB'000***	**% of revenue**	***RMB'000***	% of revenue
Domestic				
Evaporators	**64,422**	**20.7%**	56,327	18.1%
Condensers	**69,664**	**22.4%**	55,467	17.8%
Heaters	**14,331**	**4.6%**	11,921	3.8%
Others	**11,013**	**3.5%**	13,763	4.4%
Sub-total	**159,430**	**51.2%**	137,478	44.1%
International – self-manufacture				
Evaporators	**15,564**	**5.0%**	24,076	7.7%
Condensers	**21,326**	**6.9%**	21,579	6.9%
Heaters	**1,677**	**0.5%**	3,160	1.0%
Compressors	**18,497**	**6.0%**	4,477	1.4%
Others	**1,108**	**0.4%**	3,900	1.3%
Sub-total	**58,172**	**18.8%**	57,192	18.3%
International – trading				
Compressors	**64,170**	**20.7%**	86,220	27.6%
Others	**28,935**	**9.3%**	31,068	10.0%
Sub-total	**93,105**	**30.0%**	117,288	37.6%
Total	**310,707**	**100.0%**	311,958	100.0%

Gross profit and gross margin

Overall gross profit for the Reporting Period was approximately RMB70.3 million (for the six months ended 30 June 2010: RMB70.7 million), which were practically flat over the two periods. Gross profit from sales to domestic market was approximately RMB46.4 million, an increase of approximately RMB6.0 million over the same period of last year; from sales to international markets was approximately RMB23.9 million, a decrease of approximately RMB6.4 million over the same period of last year. Increase in sales to domestic market was offset by decrease in sales to international markets.

The following table sets forth the breakdown of our gross profit by products during the Reporting Period:

	For the six months ended 30 June	
	2011	2010
Gross Profit	***RMB'000***	*RMB'000*
Domestic		
Evaporators	**25,326**	21,950
Condensers	**16,747**	14,191
Heaters	**3,193**	2,760
Others	**1,170**	1,540
Sub-total	**46,436**	40,441
International – self-manufacture		
Evaporators	**5,971**	9,013
Condensers	**4,091**	5,223
Heaters	**315**	393
Compressors	**1,667**	228
Others	**270**	815
Sub-total	**12,314**	15,672
International – trading		
Compressors	**6,187**	7,838
Others	**5,385**	6,704
Sub-total	**11,572**	14,542
Total	**70,322**	70,655

Overall gross margin was approximately 22.6% for the Reporting Period, which was in line with the same period of last year. The following table sets forth the breakdown of our gross margin by products during the Reporting Period:

	For the six months ended 30 June	
	2011	2010
Gross Margin	**%**	%
Domestic		
Evaporators	**39.3%**	39.0%
Condensers	**24.0%**	25.6%
Heaters	**22.3%**	23.2%
Others	**10.6%**	11.2%
International – self-manufacture		
Evaporators	**38.4%**	37.4%
Condensers	**19.2%**	24.2%
Heaters	**18.8%**	12.4%
Compressors	**9.0%**	5.1%
Others	**24.4%**	20.9%
International – trading		
Compressors	**9.6%**	9.1%
Others	**18.6%**	21.6%

Other income and gains

Other income and gains increased by approximately RMB2.1 million from approximately RMB1.1 million for the same period of 2010 to approximately RMB3.2 million for the Reporting Period, which was primarily attributable to the two government grants of RMB1.0 million each received in 2011 from the People's Government of Zhelin Town, Fengxian District, Shanghai Municipality and the Office for the Promotion of Conversion and Listing of Enterprises of Fengxian District, Shanghai Municipality, respectively, as awards for the Group's successful listing on the Stock Exchange.

Share of profits of an associate

The share of profits picked up from Macs (Baoding) Auto A/C Systems Co., Ltd. increased by approximately RMB0.4 million from approximately RMB11.0 million for the same period of 2010 to approximately RMB11.4 million, which was primarily due to the excellent business performance and profit growth in year 2011 (Macs Baoding is a 49% held associate of the Group).

Administrative and other expenses

Administrative and other expenses comprised primarily staff-related costs, various local taxes and education surcharges, depreciation, amortisation of land use rights, operating lease rental payments, listing expenses, agency service fees, research and development expenses and miscellaneous expenses. Increases in administrative and other expenses for the Reporting Period were primarily attributable to professional fees incurred for the listing of the Company's shares on the Main Board of the Stock Exchange on 30 June 2011 and expenses incurred for the expansion required by the Group's business.

Finance costs

We provide funds required for our working capital and sourcing by raising loans from banking institutions in Mainland China and Hong Kong. Increase in finance costs for the Reporting Period was primarily attributable to the increase in our short-term loans in 2011.

Income tax expense

Our overall income tax expense was approximately RMB6.9 million or 14.2% of the profit before tax for the Reporting Period, and approximately RMB6.3 million or 12.0% of the profit before tax for the same period of 2010. Increase in income tax expense was primarily attributable to the increase in income tax rate from 12.5% to 15% of Shanghai Shuanghua Auto Components Co., Ltd., in 2011.

Profit for the period

Profit attributable to the equity holders of the parent of the Group was approximately RMB41.7 million for the Reporting Period, and approximately RMB46.7 million for the same period of last year.

Liquidity and financial resources

Net current assets

The improvement in our net current assets from approximately RMB75.8 million as at 31 December 2010 to approximately RMB214.2 million as at 30 June 2011 was primarily attributable to the proceeds raised from the listing of the Group on 30 June 2011 of approximately RMB15.7 million received from retail investors and approximately RMB141.1 million due from institutional investors.

Our policy has been to achieve a proper balance between our continuous funding requirements and the flexibility needed to meet working capital needs through interest-bearing bank loans. We will review our liquidity position and assess the maturity dates of financial instruments regularly.

Financial position and bank borrowings

As at 30 June 2011, our total cash and bank balances, most of which were denominated in RMB, amounted to approximately RMB64.0 million (as at 31 December 2010: approximately RMB69.6 million). As at 30 June 2011, our total interest-bearing bank borrowings amounted to approximately RMB174.1 million (as at 31 December 2010: approximately RMB127.0 million). Please refer to note 24 to the audited consolidated financial statements for details of the relevant borrowings and related asset charges. As at 30 June 2011, our gearing ratio, presented as a percentage of total interest-bearing liabilities divided by total assets, was approximately 19.1% (as at 31 December 2010: approximately 17.6%). Increase in gearing ratio was primarily attributable to our acquisitions of property, plant and equipment for expanding our business operations.

We have not encountered any difficulty in securing bank borrowings during the Reporting Period. The guarantees provided by related parties as additional security for our bank borrowings have been released prior to listing. Our bank borrowings are secured by leasehold land and buildings situated in the PRC. We have provided sufficient level of security for obtaining and maintaining our bank borrowings. In view of our present level of security, the Directors do not anticipate any difficulty in renewing our existing loan facilities or obtaining new bank loan facilities.

Save for aforesaid or otherwise disclosed on notes to the audited consolidated financial statements, and apart from intra-group liabilities, as at the close of business on 30 June 2011, we did not have any outstanding mortgages, charges, debentures, debt securities or other loan capital or bank overdrafts or loans or other similar indebtedness or finance lease commitments, liabilities under acceptances or acceptance credits or hire purchase commitments, guarantees or other material contingent liabilities.

Our Directors have confirmed that there has not been any material change in the indebtedness and contingent liabilities of our Group since 30 June 2011.

Working capital

Our gross inventories, comprised raw materials, work-in-progress and finished products, amounted to approximately RMB76.6 million as at 30 June 2011 and approximately RMB83.8 million as at 31 December 2010. Our marketing team reviews and monitors our inventory level regularly. Average inventory turnover days for the Reporting Period were 60.1 days (for the year ended 31 December 2010: 57.8 days). Inventory turnover days are arrived at by dividing the arithmetic means of the beginning and ending balances of inventory for the relevant period by cost of sales of the same period and multiplying by 365 days. The slightly shorter inventory turnover days was primarily attributable to the decrease in average inventory of raw materials and finished goods resulting from our increased efforts on inventory control and operating efficiency and booming market demand.

Average turnover days of trade and notes receivables for the Reporting Period were 128.9 days (for the year ended 31 December 2010: 107.0 days). Increase in turnover days of trade and notes receivables was primarily attributable to increase in sales to local customers, which generally requested for longer credit periods from us and more major customers used notes receivables with 6 month maturity to settle their outstanding amounts.

Average turnover days of trade and bills payables for the Reporting Period were 82.2 days (for the year ended 31 December 2010: 60.9 days). Turnover days of trade payables were in line with the credit terms offered to us by suppliers which were generally 30 to 90 days. Increase in turnover days of trade and bills payable was primarily attributable to more purchases were being made from suppliers with credit terms of 60 to 90 days and we settled our trade balances with our suppliers by means of notes receivables more frequently thereby extending the actual payment time for our purchases.

Use of proceeds from the share offer

The aggregate net proceeds from our share offer, 162,500,000 new shares at an offer price of HK$1.16 per share, after underwriting fees and expenses payable in connection with the share offer, amounted to approximately HK$167.2 million. We intend to apply the proceeds from the share offer for the construction, expansion and upgrade of our production facilities for variable displacement swash plate compressors, research and development expenditures and increase the production volume and scale of doubled-sided consistent displacement swash plate compressors. We do not expect to make any change to the planned usage of proceeds as presented in the prospectus of the Company dated 17 June 2011 (the "Prospectus").

Capital expenditures, capital commitments and human resources

Capital expenditures and capital commitments

Capital expenditures were approximately RMB5.9 million for the Reporting Period, and approximately RMB23.2 million for the corresponding period of 2010. We have been financing our capital expenditures primarily through cash generated from operations and bank borrowings. Our capital expenditures are primarily related to acquisition of land use rights, construction of production facilities and expenditures for plant, machinery and equipment for business expansion at our Shanghai production base.

Material acquisitions and disposals

Save as disclosed in our Prospectus, we did not have any material acquisitions or disposals relating to our subsidiaries and associates during the Reporting Period.

Foreign exchange risk

As our businesses are located in the PRC, our primary operating transactions are settled in RMB. We have transactional currency exposures arising from sales or purchases by operating units in currencies other than the unit's functional currency. Our transactional currency exposures principally arising from our overseas sales denominated in US dollars resulting from higher appreciation of RMB against US dollars. For the Reporting Period, approximately 48.7% of our sales and approximately 1.8% of our purchases were denominated in currencies other than the units' functional currencies. At present, the Group does not intend to hedge its exposures to foreign exchange fluctuations. However, management is responsible for constantly monitors the economic situation and the Group's foreign exchange risk profile and will consider appropriate hedging measures in the future should the need arise.

Contingent liabilities

As at 30 June 2011, the Group and the Company did not have any material contingent liabilities.

Pledged assets

As at 30 June 2011, certain buildings, with aggregate carrying values of RMB67,486,067 (as at 31 December 2010: RMB69,037,918), of the Group have been mortgaged to secure our bank loan facilities.

As at 30 June 2011, certain leasehold lands, with aggregate carrying values of RMB59,253,716 (as at 31 December 2010: RMB59,884,553), of the Group have been mortgaged to secure our bank loan facilities.

As at 30 June 2011, certain notes receivables amounting RMB9.5 million (as at 31 December 2010: RMB8.7 million) of the Group have been secured as guarantees for bills payables amounting to RMB9.5 million (as at 31 December 2010: RMB8.7 million).

Employees

As at 30 June 2011, the Group had approximately 947 full-time employees, including the management, sales, logistics supports and other ancillary personnel. The Group's total remuneration amounted to approximately RMB22.6 million for the Reporting Period. Our remuneration policy is primarily based on the job responsibilities, work performance and number of years of services of each employee and the current market conditions.

Pursuant to the relevant PRC labour laws and regulations, the Group has to pay contributions to a number of staff social insurance schemes (including medical, maternity, work injury, unemployment and pension insurances) and staff housing reserve funds. We provide social insurances and pay contributions to housing reserve funds for our employees in accordance with the interpretations to the relevant PRC labour laws and regulations given, and policies and measures executed by local government departments. We have established various welfare plans including the provision of pension funds, medical insurance, unemployment insurance and other relevant insurance for employees who are employed by our Group pursuant to the PRC rules and regulations and the existing policy requirements of the local government. Welfare benefits expenses for the Reporting Period amounted to approximately RMB2.7 million. We have complied, in all material respects, with all statutory requirements on retirement contribution in the jurisdictions where our Group operates.

The basic salary of each of our executive and non-executive Directors will be reviewed by the Board at the end of each financial year. The determination of the remuneration to our Directors will be based on remuneration of directors of comparable companies in the same industry, time commitment, duties and responsibilities of our Directors in our Company and our operational and financial performance. Under their respective service contracts, each of our executive Directors is entitled to a discretionary year-end bonus of an amount to be determined by the Board or the remuneration committee. Each of our executive Directors will also be entitled to reimbursements of reasonable travelling, hotel, entertainment and other expenses properly incurred in the performance of his/her duties under the relevant service contract.

In order to attract and retain technically competent and well-experienced staff and encourage them to strive for further development and expansion of the Group's business, the Group has provided a share option scheme (the "share Option Scheme"). As at 30 June 2011, no share option under the Share Option Scheme has been granted by the Group.

PURCHASE, SALE OR REDEMPTION OF THE SECURITIES OF THE COMPANY OR ITS SUBSIDIARIES

During the Reporting Period, the Company did not purchase, sell or redeem any of the Company's listed securities.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Directors of the Company are not aware of any information which will reasonably indicate that the Company did not fully comply with the Code on Corporate Governance Practices (the "Code") set out in Chapter 14 of the Listing Rules at any time during the six months ended 30 June 2011.

Under the code provision A.2.1, the roles of chairman and chief executive officer ("CEO") of the Group should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and CEO of the Group should be clearly established and set out in writing. The roles of the chairman and the CEO of the Group was not separated and was performed by the same individual, Mr. Zheng Ping acted as both the chairman and CEO throughout the period under review. The Directors meet regularly to consider major matters affecting the operations of the Group. The Directors consider that this structure will not impair the balance of power and authority between the Directors and the management of Group and believes that this structure will enable the Group to make and implement decisions promptly and efficiently.

AUDIT COMMITTEE

A meeting of the audit committee has been held to discuss matters relating to the audit, internal control and financial reporting of the Company, including review of the accounting policies and matters relating to accounting practices adopted by the Company; review of nature and scope of the audit; discussion with the external auditors and the management in respect of possible accounting exposures. In addition, the audit committee also review the audited financial statements for the six months ended 30 June 2011.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules has been adopted by the Company as the code of conduct for securities transactions by its Directors. The Directors have also been reminded of their responsibilities under the Model Code regularly by the Company. Having made specific enquiries to them, all Directors confirmed that they had complied with the required standards of the Model Code during the six months ended 30 June 2011.

REMUNERATION COMMITTEE

The Company has established a remuneration committee on 8 June 2011. The remuneration committee, which comprises the three Independent Non-executive Directors, is responsible for reviewing and determining the appropriate remuneration policies of the Directors and senior management and making recommendations to the Board from time to time.

NOMINATION COMMITTEE

The Company has established a nomination committee on 8 June 2011. The nomination committee, which comprises the three Independent Non-executive Directors and one Executive Director, is responsible for determining the criteria for identifying candidates suitably qualified, reviewing nominations for the appointment of Directors to the Board and making recommendations to the Board regarding any proposed changes.

INTERIM DIVIDEND

The Board do not recommend the payment of any interim dividend for the six months ended 30 June 2011. The register of members will not be closed for registration.

GENERAL INFORMATION

The Group's consolidated financial statements have been audited by Ernst & Young, the auditors of the Company. The comparative figures in the consolidated statement of comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows in respect of the six months ended 30 June 2010 and the related notes disclosed in consolidated interim financial statements are derived from the management accounts of the Group and have not been audited.

The opinion of the independent auditors' report on the consolidated financial statements for the six months ended 30 June 2011 is as follows:

"In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2011, and of the Group's profit and cash flows for the six-month period then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance."

DISCLOSURE OF INFORMATION ON WEBSITES

The announcement will be published on the websites of the Stock Exchange and the Company (www.shshuanghua.com). The interim report for the six months ended 30 June 2011 will be despatched to the shareholders of the Company in accordance with standard procedures and published in the above-mentioned websites.

APPRECIATION

I would like to make my heart-felt appreciation to the shareholders, all staff and business partners of the Group for their sustained supports.

By Order of the Board
Shuanghua Holdings Limited
Zheng Ping
CEO

Hong Kong, 25 August 2011

As at the date of this announcement, the Board comprises Mr. Zheng Ping and Mr. Dong Zongde, executive Directors, Ms. Kong Xiaoling and Mr. Jia Weiren, non-executive Directors; and Mr. Zhao Fenggao, Mr, He Binhui and Mr. Chen Lifan, independent non-executive Directors.