SHUANGHUA HOLDINGS LIMITED
雙樺控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1241)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

The board of directors ("the Board") of Shuanghua Holdings Limited ("the Company") is pleased to announce its audited consolidated results of the Company and its subsidiaries (collectively "the Group") for the year ended 31 December 2012.

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
REVENUE	4	**379,596**	528,617
Cost of sales		**(314,676)**	(415,742)
Gross profit		**64,920**	112,875
Other income and gains	4	**3,105**	4,800
Selling and distribution expenses		**(16,210)**	(18,154)
Administrative expenses		**(34,379)**	(42,534)
Other expenses		**(603)**	(5,833)
Finance costs	6	**(6,442)**	(8,140)
Share of profits of an associate		**15,737**	23,655
PROFIT BEFORE TAX	5	**26,128**	66,669
Income tax expense	7	**(4,288)**	(7,654)
PROFIT FOR THE YEAR		**21,840**	59,015
Attributable to:			
Owners of the parent		**21,839**	59,015
Non-controlling interests		**1**	–
		21,840	59,015
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
– For profit for the year	10	**3.4 cents**	10.3 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2012

	2012	2011
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**21,840**	59,015
OTHER COMPREHENSIVE LOSS		
Exchange differences on translation of foreign operations	**(4)**	(128)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(4)**	(128)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**21,836**	58,887
Attributable to:		
Owners of the parent	**21,835**	58,887
Non-controlling interests	**1**	–
	21,836	58,887

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2012

	Notes	**31 December 2012 *RMB'000***	31 December 2011 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**184,639**	194,364
Prepaid land lease payments		**74,872**	62,692
Advance payments for property, plant and equipment		**579**	4,138
Investment in an associate		**113,358**	97,621
Available-for-sale investments		**262**	262
Deferred tax assets		**12,503**	12,755
Total non-current assets		**386,213**	371,832
CURRENT ASSETS			
Inventories		**85,132**	84,397
Trade and notes receivables	*11*	**61,813**	80,111
Prepayments, deposits and other receivables		**6,291**	8,690
Due from related parties		**49,551**	98,732
Financial assets at fair value through profit or loss		**38,000**	–
Cash and cash equivalents		**62,081**	151,620
Total current assets		**302,868**	423,550
CURRENT LIABILITIES			
Trade and bills payables	*12*	**57,625**	66,887
Other payables and accruals		**35,505**	26,279
Interest-bearing bank borrowings		**20,000**	120,000
Due to related parties		**5,000**	8,178
Provision		**3,868**	5,028
Government grants		**1,170**	1,170
Tax payable		**400**	3,093
Total current liabilities		**123,568**	230,635
NET CURRENT ASSETS		**179,300**	192,915
TOTAL ASSETS LESS CURRENT LIABILITIES		**565,513**	564,747

	Notes	**31 December 2012** ***RMB'000***	31 December 2011 *RMB'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		**565,513**	564,747
NON-CURRENT LIABILITIES			
Government grants		**7,632**	8,802
Deferred tax liabilities		**1,916**	4,136
Total non-current liabilities		**9,548**	12,938
Net assets		**555,965**	551,809
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**5,406**	5,406
Reserves		**221,559**	218,960
Retained earnings		**328,996**	309,760
Proposed final dividend	*9*	**–**	17,680
		555,961	551,806
Non-controlling interests		**4**	3
Total equity		**555,965**	551,809

STATEMENT OF FINANCIAL POSITION
31 December 2012

	Notes	**31 December 2012** *RMB'000*	31 December 2011 *RMB'000*
NON-CURRENT ASSETS			
Investments in subsidiaries		**117,131**	117,131
Total non-current assets		**117,131**	117,131
CURRENT ASSETS			
Due from subsidiaries		**131,023**	134,009
Cash and cash equivalents		**675**	50
Total current assets		**131,698**	134,059
CURRENT LIABILITIES			
Other payables and accruals		**126**	–
Total current liabilities		**126**	–
Net assets		**248,703**	251,190
EQUITY			
Issued capital		**5,406**	5,406
Reserves		**250,789**	250,789
Accumulated losses		**(7,492)**	(22,685)
Proposed final dividends	*9*	**–**	17,680
Total equity		**248,703**	251,190

NOTES TO FINANCIAL STATEMENTS
31 December 2012

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 address of the Company is Cricket Square, Hutchins Drive, P.O. 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 the design, development, manufacture and sale of parts of auto air-conditioners.

2.1 BASIS OF PREPARATION

These 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 ("HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance.

They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss, which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

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 year ended 31 December 2012. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if it results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

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*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

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

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[2]
HKFRS 9	*Financial Instruments*[4]
HKFRS 10	*Consolidated Financial Statements*[2]
HKFRS 11	*Joint Arrangements*[2]
HKFRS 12	*Disclosure of Interests in Other Entities*[2]
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance*[2]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27(2011) – *Investment Entities*[3]
HKFRS 13	*Fair Value Measurement*[2]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[1]
HKAS 19 (2011)	*Employee Benefits*[2]
HKAS 27 (2011)	*Separate Financial Statements*[2]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[3]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[2]
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012[2]

[1] Effective for annual periods beginning on or after 1 July 2012
[2] Effective for annual periods beginning on or after 1 January 2013
[3] Effective for annual periods beginning on or after 1 January 2014
[4] Effective for annual periods beginning on or after 1 January 2015

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3. 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 the design, development, manufacture and sale of parts of auto air-conditioners. Management monitors the operating results of the operating segment as a whole for the purpose of making decisions about resource allocation and performance assessment.

Geographical information

(a) Revenue from external customers

	2012	2011
	RMB'000	*RMB'000*
Mainland China	**210,261**	288,351
United States of America	**122,176**	176,693
Canada	**21,529**	34,437
Asia	**20,388**	23,381
Others	**5,242**	5,755
	379,596	528,617

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.

Information about major customers

For the year ended 31 December 2012, revenues from two customers individually accounted for more than 10% of the Group's total revenue. Revenues from these two customers were RMB112,032,000 and RMB88,631,000 respectively.

For the year ended 31 December 2011, revenues from two customers individually accounted for more than 10% of the Group's total revenue. Revenues from these two customers were RMB173,798,000 and RMB126,228,000 respectively.

4. 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:

	2012	2011
	RMB'000	*RMB'000*
Revenue		
Sale of goods	**379,596**	528,617
Other income		
Bank interest income	**941**	1,069
Government grants	**1,329**	3,500
Others	**328**	231
	2,598	4,800
Gains		
Foreign exchange gain, net	**407**	–
Gain on disposals of property, plant and equipment	**100**	–
	507	–
	3,105	4,800

5. PROFIT BEFORE TAX

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

	2012	2011
	RMB'000	*RMB'000*
Cost of inventories sold	**314,676**	415,742
Depreciation	**18,549**	17,207
Amortisation of prepaid land lease payments	**1,403**	1,403
Research and development costs	**3,525**	3,909
Operating lease expenses	**1,907**	2,746
Loss/(gain) on disposals of property, plant and equipment	**(100)**	98
Product warranty provision	**2,298**	1,696
Auditors' remuneration	**1,626**	2,284
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	**39,264**	41,109
Pension scheme contribution	**7,711**	6,287
Staff welfare expenses	**3,269**	3,752
	50,244	51,148
Foreign exchange differences, net	**(407)**	4,724
Impairment/(reversal of impairment) of inventories	**3,380**	(98)
Impairment of trade receivables	**269**	109
Bank interest income	**(941)**	(1,069)

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2012	2011
	RMB'000	*RMB'000*
Interest on bank loans wholly repayable within five years	**6,442**	8,140

7. 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 during the year are analysed as follows:

	2012	2011
	RMB'000	*RMB'000*
Current – charge for the year	**4,256**	8,894
Deferred	**32**	(1,240)
Total tax charge for the year	**4,288**	7,654

Incorporated in the Cayman Islands, the Company 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 the Cayman Islands.

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% (2011: 16.5%) in Hong Kong. No provision of income tax has been made for Automart Holdings Limited ("Hong Kong Automart") and Shuanghua Hong Kong Limited ("Hong Kong Shuanghua") as Hong Kong Automart and Hong Kong Shuanghua had no taxable income derived from Hong Kong during the year.

Shanghai Shuanghua Autoparts Co., Ltd. ("Shanghai Shuanghua") was accredited as a "Shanghai High and New Technology Enterprise" for three years starting from December 2008 and such qualification expired on 24 December 2011. In October 2011, Shanghai Shuanghua obtained the renewed "Hi-tech Enterprise" qualification for three years, effective on 2011 to enjoy a preferential CIT rate of 15%.

Shanghai Youshen Industry Co., Ltd. ("Youshen Industry") was located in Pudong New Area and was subject to a CIT at the preferential 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 was subject to CIT at the rate of 25% in 2012.

Shanghai Shuanghua Machinery Manufacturing Co., Ltd. ("Shuanghua Machinery"), Shanghai Shuanghua Auto Components Co., Ltd. ("Shuanghua Auto Components") and Shanghai Shuanghua Machinery Sales Co., Ltd. ("Shuanghua Machinery Sales") were subject to CIT at the rate of 25% during the year (2011: 25%).

7. INCOME TAX (CONTINUED)

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

	2012	2011
	RMB'000	*RMB'000*
Profit before tax	**26,128**	66,669
Tax at statutory tax rate 25% in Mainland China	**6,532**	16,667
Lower tax rates for specific provinces or enacted by local authority	**(2,550)**	(5,251)
Profits attributable to an associate	**(3,934)**	(5,914)
Income not subject to tax	**(28)**	(7)
Expenses not deductible for tax	**371**	243
Effect of withholding tax at 5% (2011: 10%) on the distributable profits of the Group's PRC subsidiaries and an associate	**(220)**	1,617
Tax losses utilised	**(56)**	(270)
Temporary differences not recognised	**714**	–
Tax losses not recognised	**3,459**	569
Tax charge at the Group's effective rate	**4,288**	7,654

The share of tax charge attributable to an associate amounting to RMB5,218,000 for the year ended 31 December 2012 (2011: RMB7,517,000) is included in "Share of profits of an associate" in the consolidated income statement.

8. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2012 includes a profit of RMB15,194,000 (2011: loss of RMB5,005,000) which has been dealt within the financial statements of the Company.

9. DIVIDENDS

	2012	2011
	RMB'000	*RMB'000*
Proposed final – Nil (2011: RMB2.72 cents) per ordinary share	**–**	17,680

The board does not recommend the payment of any dividend in respect of the year of 2012 (2011: RMB17,680,000).

10. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 650,000,000 (2011: 570,308,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the two years ended 31 December 2012 and 2011.

The calculation of basic earnings per share is based on:

	2012	2011
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent	**21,839**	59,015

	Number of shares	
	2012	2011
	'000	*'000*
Shares		
Weighted average number of ordinary shares in issue during the year	**650,000**	570,308

11. TRADE AND NOTES RECEIVABLES

	Group	
	2012	2011
	RMB'000	*RMB'000*
Trade receivables	**52,288**	65,729
Notes receivable	**10,160**	14,748
	62,448	80,477
Impairment	**(635)**	(366)
	61,813	80,111

The Group's trading terms with its customers are mainly on credit. The credit period for trade receivables 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 and notes receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade and notes receivable balances. Trade and notes receivables are non-interest-bearing.

11. TRADE AND NOTES RECEIVABLES (CONTINUED)

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 and net of provisions, is as follows:

	Group	
	2012	2011
	RMB'000	*RMB'000*
Within 1 month	**25,080**	39,429
1 to 2 months	**10,781**	16,901
2 to 3 months	**9,709**	9,251
3 to 12 months	**15,105**	14,328
Over 12 months	**1,138**	202
	61,813	80,111

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

	Group	
	2012	2011
	RMB'000	*RMB'000*
At beginning of year	**366**	257
Impairment losses recognised	**269**	109
At end of year	**635**	366

Included in the above provision for impairment of trade receivables is a provision assessed on an individual basis of RMB635,000 (2011: RMB366,000) with a carrying amount before provision of RMB635,000 (2011: RMB366,000).

The individually impaired trade receivables relate to customers that no longer have transactions with the Group, and none of the receivables is expected to be recovered.

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

	Group	
	2012	2011
	RMB'000	*RMB'000*
Neither past due nor impaired	**52,400**	67,759
Less than 1 month past due	**3,308**	8,091
1 to 2 months past due	**2,198**	2,150
2 to 3 months past due	**1,019**	1,141
3 to 12 months past due	**1,561**	819
Over 12 months past due	**1,327**	151
	61,813	80,111

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 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.

12. TRADE AND BILLS PAYABLES

	Group 2012 RMB'000	2011 RMB'000
Trade payables	**57,625**	63,887
Bills payable	**–**	3,000
	57,625	66,887

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 2012 RMB'000	2011 RMB'000
Within 1 month	**23,575**	33,343
1 to 2 months	**15,803**	17,799
2 to 3 months	**9,693**	10,131
3 to 6 months	**7,619**	5,234
6 to 12 months	**284**	134
12 to 24 months	**445**	80
Over 24 months	**206**	166
	57,625	66,887

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

As at 31 December 2012, none of the bills payable were secured by the Group's notes receivable from a related party. As at 31 December 2011, bills payable were secured by certain of the Group's notes receivable from a related party of RMB3,000,000.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In 2012, as the auto manufacturing industry experienced a slowdown in growth in tandem with the decline and slowdown in domestic demand amid generally lacklustre macro-economic conditions, upstream suppliers of auto parts and components were also subject to slower growth and a decline in results. As a result of the aforesaid and coupled with the impact of shrinking domestic and overseas markets as well as the pressure of RMB appreciation, the Company reported a substantial decrease in profit for 2012.

For the year ended 31 December 2012, the Group's operating revenue amounted to approximately RMB379.6 million, representing a decline of approximately RMB149.0 million or approximately 28.2% from that for the same period of last year. Net profit amounted to approximately RMB21.8 million, a decline of approximately RMB37.2 million or approximately 63.0% comparing to the same period of last year. In respective to product segments, the revenues of evaporators amounted to RMB126.7 million, condensers amounted to approximately RMB102.3 million and heaters amounted to approximately RMB24.1 million and compressors amounted to approximately RMB61.5 million. In respective to market segments, the total revenues are approximately RMB210.3 million and approximately RMB169.3 million for domestic and international markets respectively.

Sales to Domestic Market

For the year ended 31 December 2012, our sales volume to domestic market of evaporators, condensers and heaters fell by approximately 17.1%, 38.7% and 31.1%, respectively comparing with that of the corresponding period of 2011, owing to weak sentiments in the domestic automotive market and intense market competition. For the year ended 31 December 2012, average selling prices basically remained stable over the same period of 2011. Decrease in sales volume led to year-on-year decrease in revenue from sales to domestic market of evaporators, condensers and heaters of approximately 19.5%, 36.3% and 33.1% respectively.

Other products sold to the domestic market comprised primarily self-manufactured oil coolers, intercoolers and aluminium waste.

Sales to International Market

Our sales to international market are primarily sold to the North American market. For the year ended 31 December 2012, the Group's revenue from sales to international market of self-manufactured evaporators, condensers and heaters fell by approximately 9.7%, 23.0% and 22.3%, respectively, over the same period of 2011. As unfavourable conditions continued to prevail in the international automotive market, the Group sought to increase sales by lowering prices, in a bid to prevent shrinking demand in the international market. For the year ended 31 December 2012, average selling prices of self-manufactured evaporators sold to international market fell by 10.4%, over the same period of 2011 with sales volume basically remained flat as compared to the same period of 2011. There was a decrease by approximately 21.8% and a decrease by approximately 19.7%, respectively, over the same period of 2011, in the international sales volume of the Group's self-manufactured condensers and heaters with their selling prices in international market basically remained unchanged.

For the year ended 31 December 2012, the Group's revenue from sales to international markets of self-manufactured compressors went up by approximately 8.7% over the same period of 2011. We commenced production and sales of compressors in 2010, which were all sold to international markets. Our production and sales of compressors had been gradually increasing as we started large-scale production in 2011 and continued through 2012. For the year ended 31 December 2012, the international sales volume of our self-manufactured compressors recorded an increase of approximately 13.2% over the same period of 2011 and its average selling price in international market fell by 4% over the same period of last year.

For the year ended 31 December 2012, the Group's revenue from sales to international markets of trading compressors fell by approximately 65.6% over the same period of 2011. Our trading compressors were all sold to international markets. For the year ended 31 December 2012, international sales volume of our trading compressors recorded a decrease of approximately 67.6% over the same period of 2011. Sales of trading compressors substantially decreased mainly because the main trading compressors supplier of the Group, has started carrying out its own compressors selling business since 2012, and thereby we substantially reduced our purchase of compressors from this supplier.

Other revenue from sales to international market comprised primarily oil coolers, intercoolers, liquid-gas separators, evaporators and condenser cores, pipes and thermostats.

Outlook and Strategy

While the growth rate of China's auto manufacturing industry has declined substantially in recent years, the industry has remained in a growth cycle with untapped market potentials. China's auto manufacturing market is undergoing transformation and structural adjustment, as competition is increasingly based on services and brand competition. There is a growing trend of consumption for upgrade purposes in the auto industry, where market demands are dominated by high quality, customised and low-energy consumption models. According to the statistics of the National Bureau of Statistics, China's private automobile ownership in 2012 was in excess of 93 million vehicles, while increasing opportunities in the after-sales market are anticipated under the nation's macro-economic control measures, new laws on taxation for vehicles and vessels and the "Three Warranties" policy for automobiles were scheduled to come into effect on 1 October 2013.

To address changes in market demands, the Group will enhance its competitiveness in the three areas of products, R&D and business. The Group will make vigorous efforts to adjust its product mix and step up with product upgrades and the introduction of new-generation models, striving to expand its market and increase its profit. The Group will also secure higher added value for its products by increasing investment and enhancing its R&D capabilities to improve the quality of its products and the efficiency of its services, so as to facilitate sales to major international brands. The Group will focus its efforts on the Original Equipment Manufacturer ("OEM") market and the After-sale Maintenance ("AM") market, with special emphasis on building sales networks in the domestic after-sales market so that it will benefit from market-oriented, large-scale operations. The Group will continue to leverage its access to the capital market, actively identifying opportunities for acquisitions, investments, joint ventures or strategic alliances in a bid to drive its strategy of vertical as well as horizontal expansion.

As the Group's business of self-manufactured compressors with fixed discharge volume has been incurring losses amidst the dwindling markets in Europe and the North America and the overall doldrums for the industry, the Group has plans to modify the mode of operation of Shuanghua Machinery, a subsidiary engaged in the production and sales of compressors, with a view to profit turnaround in future. In response to market changes, Shuanghua Machinery will relocate with reduced fixed asset investments and downsize the excess production capacity of compressors with fixed discharge volume to save costs. Investment in compressors with variable discharge volume will also be slowed down and efforts are underway to identify an optimal model for its operations.

The Board announced that Hong Kong Automart, a wholly-owned subsidiary of the Company, had entered into a memorandum of understanding on 4 December 2012 with Great Wall Motor Co., Ltd. (長城汽車股份有限公司) containing, amongst others, their intention to discuss on certain business opportunities. Such business opportunities include the potential disposal (the "Potential Disposal") by Hong Kong Automart of its equity interest in Macs (Boading) Auto A/C Systems Co., Ltd. (麥克斯(保定)汽車空調系統有限公司). Both parties agreed to proceed with the discussions and negotiations in respect of the Potential Disposal, and final terms and conditions will be confirmed upon signing of definitive agreement (if entered into). As at the date of this report, no legally binding agreement or whatsoever in relation to the Potential Disposal has been entered into and there is no assurance that any legally binding agreement will be entered into or the Potential Disposal will be proceeded at all.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2012, the Group's revenue was approximately RMB379.6 million, a decline of approximately RMB149.0 million, a year-on-year decline of 28.2% with that of the corresponding period of 2011 of approximately RMB528.6 million.

The following table sets forth the breakdown of our revenue by products during the reporting period:

Revenue	**For the year ended 31 December 2012** *RMB'000*	**% of revenue**	For the year ended 31 December 2011 *RMB'000*	% of revenue
Domestic				
Evaporators	**97,446**	**25.7%**	121,049	22.9%
Condensers	**77,089**	**20.3%**	121,107	22.9%
Heaters	**18,747**	**4.9%**	28,041	5.3%
Others	**16,979**	**4.5%**	18,154	3.4%
Sub-total	**210,261**	**55.4%**	288,351	54.5%
International-self-manufactured				
Evaporators	**29,247**	**7.7%**	32,372	6.1%
Condensers	**25,194**	**6.6%**	32,716	6.2%
Heaters	**5,351**	**1.4%**	6,883	1.3%
Compressors	**30,511**	**8.0%**	28,065	5.3%
Others	**3,614**	**1.0%**	2,418	0.5%
Sub-total	**93,917**	**24.7%**	102,454	19.4%
International-trading				
Compressors	**31,023**	**8.2%**	90,230	17.1%
Others	**44,395**	**11.7%**	47,582	9.0%
Sub-total	**75,418**	**19.9%**	137,812	26.1%
Total	**379,596**	**100.0%**	528,617	100.0%

Gross profit and gross margin

For the year ended 31 December 2012, overall gross profit decreased to approximately RMB64.9 million from RMB112.9 million for 2011. Gross profit from sales to domestic market was approximately RMB45.2 million, a decrease of RMB32.8 million over the same period of last year. Gross profit from sales to international market was approximately RMB19.7 million, a decrease of approximately RMB15.2 million over the same period of last year. Decreases in sales to both domestic and international markets led to an overall decrease in the Group's gross profit of RMB48.0 million this period.

The following table sets forth the breakdown of our gross profit by products during the reporting period:

Gross Profit	**For the year ended 31 December 2012** *RMB'000*	For the year ended 31 December 2011 *RMB'000*
Domestic		
Evaporators	**30,385**	44,919
Condensers	**10,549**	25,310
Heaters	**2,529**	5,534
Others	**1,780**	2,197
Sub-total	**45,243**	77,960
International-self-manufactured		
Evaporators	**5,837**	8,683
Condensers	**4,452**	5,417
Heaters	**1,305**	1,421
Compressors	**(4,937)**	(2,318)
Others	**189**	713
Sub-total	**6,846**	13,916
International-trading		
Compressors	**3,000**	8,765
Others	**9,831**	12,234
Sub-total	**12,831**	20,999
Total	**64,920**	112,875

For the year ended 31 December 2012, overall gross margin was 17.1%, which has declined 4.3 percentage points from 21.4% of the corresponding period of 2011. Decline in gross margin for the year was primarily attributable to the downturn of the overall market environment and intense market competition. The Group slightly reduced the selling prices of evaporators and heaters for the domestic market by 2.9% and 3.0%, respectively. Meanwhile, selling prices of evaporators and compressors for the international market declined by 10.4% and 4.0%, respectively.

Other income and gains

Other income and gains decreased by approximately RMB1.7 million from approximately RMB4.8 million for the year ended 31 December 2011 to approximately RMB3.1 million for the year ended 31 December 2012. This was primarily attributable to one subsidy of RMB1.0 million from the People's Government of Zhelin Town, Fengxian District, Shanghai Municipality and another subsidy of RMB1.0 million from the Office for the Promotion of Conversion and Listing of Enterprises of Fengxian District, Shanghai Municipality as an award for the Group's successful listing on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in 2011, whereas no such award was reported for the year 2012. Meanwhile, the Group recorded exchange gains of approximately RMB400,000, as compared to exchange losses recorded for last year.

Share of profits of an associate

Our share of profits of an associate decreased by approximately RMB7.9 million from approximately RMB23.7 million for the year ended 31 December 2011 to approximately RMB15.8 million for the year ended 31 December 2012. The decrease was primarily attributable to the decrease in profit resulting from a decline in operating results compared with that of the corresponding period of last year of Macs (Baoding) Auto A/C System Co., Ltd. (a 49% associate of the Group) in 2012.

Administrative and other expenses

Administrative and other expenses comprised primarily staff-related costs, various local taxes and education surcharges, depreciation, amortization of land use rights, operating lease rental payments, listing expenses, agency service fees, research and development expenses and miscellaneous expenses. Decreases in administrative and other expenses for the year ended 31 December 2012 were mainly attributable to the decrease in listing fees of the Group during the year. The Group's shares were successfully listed on the Main Board of the Stock Exchange on 30 June 2011 and most of the listing expenses were incurred during preparation in 2011.

Finance costs

We provide funds required for our working capital and procurement by raising loans from bank institutions in Mainland China. Finance costs amounted to approximately RMB6.4 million for the year ended 31 December 2012 and RMB8.1 million for the corresponding period in 2011. The decrease was primarily due to the fact that both of our average balances of interest-bearing bank borrowings for 2012 were substantially lower than those in the same period of 2011.

Income tax

For the year ended 31 December 2012, our overall income tax expense was approximately RMB4.3 million or 16.4% of the profit before tax, and approximately RMB7.7 million or 11.5% of the profit before tax for the year ended 31 December 2011. The income tax rate was higher as Shuanghua Machinery, a subsidiary of the Group, continually incurred losses and did not confirm that there would be taxable profit to offset the additonal tax losses incurred in 2012, thus, it did not recognize any additional deferred tax for 2012.

Profit for the period

Profit attributable to the owners of the parent of the Company was approximately RMB21.8 million for the year ended 31 December 2012, and approximately RMB59.0 million for the year ended 31 December 2011.

LIQUIDITY AND FINANCIAL RESOURCES

Net current assets

Our net current assets decreased from approximately RMB192.9 million as at 31 December 2011 to approximately RMB179.3 million as at 31 December 2012. The decrease in net current assets mainly reflected the decline in current assets as a result of the decrease in revenue for 2012 as compared to the same period of last year.

Financial position and bank borrowings

As at 31 December 2012, the Group's total cash and bank balances, most of which were denominated in RMB, amounted to approximately RMB62.1 million. As at 31 December 2011, the Group's total cash and bank balances, most of which were denominated in HKD and RMB, amounted to approximately RMB151.6 million. As at 31 December 2012, the Group's total interest-bearing bank borrowings amounted to approximately RMB20.0 million (31 December 2011: approximately RMB120.0 million). As at 31 December 2012, our gearing ratio, presented as a percentage of total interest-bearing liabilities divided by total assets, was 2.9% (31 December 2011: 15.1%). In view of the decrease in the Group's working capital requirements as a result of the downsizing of its trade business, the Group has applied surplus working capital towards loan repayments so as to lower its finance costs. As a result, there was a decrease in interest-bearing bank loans and the gearing ratio.

Apart from intra-group liabilities, as at the close of business on 31 December 2012, we did not have any outstanding mortgages, charges, debentures, debt securities or other loan capital or bank overdrafts or loans or 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 31 December 2012.

Working capital

As at 31 December 2012, our gross inventories, mainly comprising raw materials, work-in progress and finished products, amounted to approximately RMB85.1 million, and approximately RMB84.4 million as at 31 December 2011. Our marketing team reviews and monitors our inventory level on a regular basis. For the year ended 31 December 2012, the average inventory turnover days were 98.3 days (for the year ended 31 December 2011: 73.9 days). Inventory turnover days are arrived at by dividing the arithmetic means of the opening and ending balances of inventory for the relevant period by cost of sales of the same period and multiplying the quotient by 365 days. The increase in inventory turnover was mainly attributable to the fact that sales declined amidst weak market sentiments.

For the year ended 31 December 2012, average turnover days of trade and notes receivables were 132.5 days (for the year ended 31 December 2011: 121.6 days). Increase in turnover days of trade and notes receivables was primarily attributable to increase in the percentage of sales to local customers, which generally requested for longer credit periods from us and more customers used notes receivables with 6 month maturity to settle their outstanding amounts.

For the year ended 31 December 2012, average turnover days of trade and bills payables were 72.1 days (for the year ended 31 December 2011: 67.1 days). The actual payment period for our purchases was extended, as the Company slowed down its payment to suppliers in tandem with the slowdown of the Group's collection of payment from customers, in order to maintain a sound level of cash flow.

CAPITAL EXPENDITURES, CAPITAL COMMITMENTS AND HUMAN RESOURCES

For the year ended 31 December 2012, capital expenditures were approximately RMB4.6 million, and approximately RMB19.4 million for the year ended 31 December 2011. We have been financing our capital expenditures primarily through 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.

As at 31 December 2012, the Group had approximately 752 full-time employees including the management, sales, logistics supports and other ancillary personnel. The Group's total wages and salaries amounted to approximately RMB39.3 million for the year ended 31 December 2012. 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 year ended 31 December 2012 amounted to approximately RMB11.0 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 Nomination Committee 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 industry, time commitment, duties and responsibilities of our Directors in our Group and our operational and financial performance.

Material acquisitions and disposals

We did not have any material acquisitions or disposals relating to our subsidiaries and associates for the year ended 31 December 2012.

Foreign exchange risk

The Group's operations are located in the PRC with RMB as the functional and presentation currency. The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the unit's functional currency. The main currency exposure of the Group comes from the appreciation of RMB against USD for overseas sales transactions denominated in USD. For the year ended 31 December 2012, approximately 44.6% of the Group's sales and 2.5% of costs were denominated in currencies other than the functional currency of operating units making the sales and purchases. At present, the Group does not intend to hedge its exposure to foreign exchange fluctuations. However, the management 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 31 December 2012, the Group and the Company did not have any material contingent liabilities.

Pledge of assets

As at 31 December 2012, the Group did not pledge any buildings to secure our banking facilities granted (31 December 2011: RMB64,484,000).

As at 31 December 2012, the Group did not pledge any land to secure our banking facilities granted (31 December 2011: RMB58,623,000).

As at 31 December 2011, certain of the Group's notes receivables from a related party of RMB3,000,000 were pledged to secure bills payables of RMB3,000,000. As at 31 December 2012, the Group had no outstanding pledge in respect of the said bills payables.

CHANGE OF DIRECTORSHIP

The followings are changes of directorship in the Company during the year:

– Mr. Dong Zongde, the executive director of the Company, was re-designated as non-executive director of the Company with effect from 12 April 2012, who then resigned with effect from 2 May 2012.

– Mr. Jia Weiren, the non-executive director of the Company, resigned with effect from 12 April 2012.

– Ms. Tang Lo Nar, the chief financial officer and the company secretary of the Company was appointed as executive director with effect from 13 April 2012.

SHARE OPTIONS

No share options were granted or exercised pursuant to the share option scheme during the reporting period and no share options had not been exercised as at 31 December 2012.

USE OF PROCEEDS FROM THE LISTING

The Group was listed on the Stock Exchange on 30 June 2011. Net proceeds from the listing amounted to RMB126.8 million, and the proposed use of proceeds have been set out in the prospectus of the Company dated 17 June 2011.

Such proceeds were utilized in the following manner during the year ended 31 December 2012, and a balance of approximately RMB83.9 million remained unutilised as at 31 December 2012:

– Approximately RMB0.7 million for preliminary development of the swash plate compressor with variable discharge volume;

– Approximately RMB29.4 million as research and development expenditure to fund the research of different types of compressors and other automotive HVAC components and the purchase of state-of-the-art laboratory equipment, moulds and cutting tools; and

– Approximately RMB12.8 million as working capital to fund the increase in the volume and scale of the production of two-way swash plate compressors with fixed discharge volume.

As the market conditions changed and the Group's business of self-manufactured compressors with fixed discharge volume has been incurring losses, investment in compressors with variable discharge volume has been slowed down. Accordingly, most of the proceeds from the listing is not utilised.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2012 (31 December 2011: RMB2.72 cents per share).

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICE

The Company has adopted all the requirements of the code provisions of the Corporate Governance Code and Corporate Governance Report (the "Corporate Governance Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

None of the Directors is aware of any information which would reasonably indicate that the Company's not, was not during the year ended 31 December 2012, in compliance with the Corporate Governance Code, except the deviation from provision A.2.1 as explained below.

Under provision A.2.1 of the Corporate Governance Code, 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 are not separated and are 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

The audit committee of the Company (the "Committee") comprises three independent non-executive Directors, Mr. He Binhui, Mr. Zhao Fenggao and Mr. Chen Lifan. The primary duties of the Committee are to review and supervise the Group's financial reporting process and internal control systems.

A meeting of the 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 Committee also review the audited financial statements for the year ended 31 December 2012.

The preliminary annual results announcement of the Group for the year ended 31 December 2012 have been reviewed by the Audit Committee.

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 year ended 31 December 2012.

COMPETITION AND CONFLICT OF INTERESTS

None of the Directors or any of their respective associates (as defined under the Listing Rules) has interest in any business that competes or may compete, either directly or indirectly, with the businesses of the Group, or has any other conflict of interests with the Group as at the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2012.

ANNUAL GENERAL MEETING

The date of annual general meeting of the Company will be announced shortly, notice of which will be published and despatched to the shareholders as soon as practicable in accordance with the Company's articles of association and the Listing Rules.

By order of the Board
Shuanghua Holdings Limited
Zheng Ping
Chairman

Hong Kong, 28 March 2013

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