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 2013

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 2013.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
REVENUE	4	**261,130**	379,596
Cost of sales		**(217,155)**	(314,676)
Gross profit		**43,975**	64,920
Other income and gains	4	**14,394**	3,105
Selling and distribution expenses		**(11,895)**	(16,210)
Administrative expenses		**(37,204)**	(34,379)
Other expenses		**(22,214)**	(603)
Finance costs	6	**(190)**	(6,442)
Share of profits of an associate		**6,932**	15,737
(LOSS)/PROFIT BEFORE TAX	5	**(6,202)**	26,128
Income tax expense	7	**(17,522)**	(4,288)
(LOSS)/PROFIT FOR THE YEAR		**(23,724)**	21,840
Attributable to:			
Owners of the parent	8	**(23,724)**	21,839
Non-controlling interests		**–**	1
		(23,724)	21,840
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
– For (loss)/profit for the year	10	**(3.6) cents**	3.4 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2013

	Note	2013 RMB'000	2012 RMB'000
(LOSS)/PROFIT FOR THE YEAR		**(23,724)**	21,840
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(34)**	(4)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods		**(34)**	(4)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(34)**	(4)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		**(23,758)**	21,836
Attributable to:			
Owners of the parent	*8*	**(23,758)**	21,835
Non-controlling interests		**–**	1
		(23,758)	21,836

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	31 December 2013 RMB'000	31 December 2012 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**146,242**	184,639
Prepaid land lease payments		**73,687**	74,872
Advance payments for property, plant and equipment		**101**	579
Investment in an associate		**–**	113,358
Available-for-sale investments		**262**	262
Deferred tax assets		**2,802**	12,503
Total non-current assets		**223,094**	386,213
CURRENT ASSETS			
Inventories		**83,304**	85,132
Trade and notes receivables	*11*	**105,421**	61,813
Prepayments, deposits and other receivables		**12,655**	6,291
Due from related parties		**–**	49,551
Financial assets at fair value through profit or loss		**26,000**	38,000
Pledged deposits		**5,459**	–
Cash and cash equivalents		**174,581**	62,081
Total current assets		**407,420**	302,868
CURRENT LIABILITIES			
Trade and bills payables	*12*	**66,279**	57,625
Other payables and accruals		**14,317**	35,505
Interest-bearing bank borrowings		**–**	20,000
Due to related parties		**1,970**	5,000
Provision		**2,335**	3,868
Government grants		**1,337**	1,170
Tax payable		**416**	400
Total current liabilities		**86,654**	123,568
NET CURRENT ASSETS		**320,766**	179,300
TOTAL ASSETS LESS CURRENT LIABILITIES		**543,860**	565,513

	31 December 2013 RMB'000	31 December 2012 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES	**543,860**	565,513
NON-CURRENT LIABILITIES		
Government grants	**11,214**	7,632
Deferred tax liabilities	**439**	1,916
Total non-current liabilities	**11,653**	9,548
Net assets	**532,207**	555,965
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**5,406**	5,406
Reserves	**223,203**	221,559
Retained earnings	**303,594**	328,996
	532,203	555,961
Non-controlling interests	**4**	4
Total equity	**532,207**	555,965

STATEMENT OF FINANCIAL POSITION
31 December 2013

	2013	2012
	RMB'000	*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	**126,439**	131,023
Cash and cash equivalents	**32**	675
Total current assets	**126,471**	131,698
CURRENT LIABILITIES		
Other payables and accruals	**–**	126
Total current liabilities	**–**	126
Net assets	**243,602**	248,703
EQUITY		
Issued capital	**5,406**	5,406
Reserves	**250,789**	250,789
Accumulated losses	**(12,593)**	(7,492)
Total equity	**243,602**	248,703

NOTES TO FINANCIAL STATEMENTS

31 December 2013

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 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 2013. 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 on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. 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, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and 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 – Government Loans*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 *– Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

The adoption of the new and 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 9	*Financial Instruments*[3]
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	*Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39*[3]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) *– Investment Entities*[1]
HKAS 19 Amendments	Amendments to HKAS 19 *Employee Benefits – Defined Benefit Plans: Employee Contributions*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[1]
HKAS 36 Amendments	Amendments to HKAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets*[1]
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*[1]
HK(IFRIC)-Int 21	*Levies*[1]

[1] Effective for annual periods beginning on or after 1 January 2014
[2] Effective for annual periods beginning on or after 1 July 2014
[3] No mandatory effective date yet determined but is available for adoption

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 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

	2013	2012
	RMB'000	*RMB'000*
Mainland China	**183,912**	210,261
United States of America	**28,136**	122,176
Canada	**27,647**	21,529
Asia	**13,379**	20,388
Others	**8,056**	5,242
	261,130	379,596

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 2013, revenue from one customer individually accounted for more than 10% of the Group's total revenue. Revenue from this customer was RMB58,789,000.

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.

4. REVENUE, OTHER INCOME AND GAINS

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

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

	2013	2012
	RMB'000	*RMB'000*
Revenue		
Sale of goods	**261,130**	379,596
Other income		
Bank interest income	**447**	941
Government grants	**1,374**	1,329
Others	**271**	328
	2,092	2,598
Gains		
Gain on disposal of investments at fair value through profit or loss	**812**	–
Foreign exchange gain, net	**–**	407
Gain on disposals of property, plant and equipment	**597**	100
Gain on disposal of an associate	**10,893**	–
	12,302	507
	14,394	3,105

5. (LOSS)/PROFIT BEFORE TAX

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

	Notes	**2013** **RMB'000**	2012 *RMB'000*
Cost of inventories sold		**217,155**	314,676
Depreciation		**17,027**	18,549
Amortisation of land lease payments		**1,737**	1,403
Research and development costs		**8,277**	3,525
Operating lease expenses		**2,284**	1,907
Product warranty provision		**959**	2,298
Auditors' remuneration		**1,076**	1,626
Employee benefit expense (including directors' and chief executive's remuneration):			
Wages and salaries		**34,404**	39,264
Pension scheme contributions		**7,348**	7,711
Staff welfare expenses		**1,908**	3,269
		43,660	50,244
Foreign exchange differences, net		**1,641**	(407)
Impairment of property, plant and equipment*		**19,997**	–
Impairment of inventories		**6,543**	3,380
Impairment of trade receivables		**488**	269
Impairment of other receivables		**85**	–
Gain on disposal of investments at fair value through profit or loss		**(812)**	–
Bank interest income		**(447)**	(941)
Gain on disposal of property, plant and equipment		**(597)**	(100)
Gain on disposal of an associate		**(10,893)**	–

* The impairment of property, plant and equipment is included in "Other expenses" in consolidated statement of profit or loss.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2013 **RMB'000**	2012 *RMB'000*
Interest on bank loans wholly repayable within five years	**190**	6,442

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:

	2013	2012
	RMB'000	*RMB'000*
Current		
– Corporate income tax	**2,176**	4,256
– Capital gain tax	**2,246**	–
Deferred	**13,100**	32
Total tax charge for the year	**17,522**	4,288

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% (2012: 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 from 2011 to 2013 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% from 2012.

Shanghai Shuanghua Machinery Manufacturing Co., Ltd. ("Shuanghua Machinery"), Shanghai Shuanghua Auto Components Co., Ltd. ("Shuanghua Auto Components"), Shanghai Shuanghua Machinery Sales Co., Ltd. ("Shuanghua Machinery Sales"), Guangzhou Shuanghua Automobile Parts Co., Ltd. ("Guangzhou Automobile") and Shanghai Eagle Automotive Service Ltd. ("Eagle Service") were subject to CIT at the rate of 25% during the year (2012: 25%).

7. INCOME TAX (CONTINUED)

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

	2013	2012
	RMB'000	*RMB'000*
(Loss)/profit before tax	**(6,202)**	26,128
Tax at statutory tax rate 25% in Mainland China	**(1,551)**	6,532
Lower tax rates for specific provinces or enacted by local authority	**(2,532)**	(2,550)
Profits attributable to an associate	**(1,144)**	(3,934)
Income not subject to tax	**(2,442)**	(28)
Effect of tax concession and allowances	**(607)**	(264)
Expenses not deductible for tax	**221**	635
Effect of withholding tax at 5% (2012: 5%) on the distributable profits of the Group's PRC subsidiaries and an associate	**3,399**	(220)
Tax losses utilised	**–**	(56)
Temporary differences not recognised	**5,763**	714
Tax losses not recognised	**4,207**	3,459
Reversal of tax losses and temporary differences from previous years	**9,962**	–
Tax effect of capital gain	**2,246**	–
Tax charge at the Group's effective rate	**17,522**	4,288

The share of tax charge attributable to an associate amounting to RMB2,293,000 for the year ended 31 December 2013 (2012: RMB5,218,000) is included in "Share of profits of an associate" in the consolidated statement of profit or loss.

8. (LOSS)/PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2013 includes a loss of RMB5,101,000 (2012: profit of RMB15,194,000) which has been dealt within the financial statements of the Company.

9. DIVIDENDS

The Board does not recommend the payment of any dividend in respect of the year of 2013 (2012: Nil).

10. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

The calculation of the basic (loss)/earnings per share amount is based on the (loss)/profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 650,000,000 (2012: 650,000,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the two years ended 31 December 2013 and 2012.

The calculation of basic (loss)/earnings per share is based on:

	2013	2012
	RMB'000	*RMB'000*
(Loss)/earnings		
(Loss)/profit attributable to ordinary equity holders of the parent	**(23,724)**	21,839

	Number of shares	
	2013	2012
	'000	*'000*
Shares		
Weighted average number of ordinary shares in issue during the year	**650,000**	650,000

11. TRADE AND NOTES RECEIVABLES

	Group	
	2013	2012
	RMB'000	*RMB'000*
Trade receivables	**75,198**	52,288
Notes receivable	**31,346**	10,160
	106,544	62,448
Impairment	**(1,123)**	(635)
	105,421	61,813

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 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	
	2013	2012
	RMB'000	*RMB'000*
Within 1 month	**46,275**	25,080
1 to 2 months	**19,739**	10,781
2 to 3 months	**11,398**	9,709
3 to 12 months	**27,420**	15,105
Over 12 months	**589**	1,138
	105,421	61,813

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

	Group	
	2013	2012
	RMB'000	*RMB'000*
At beginning of year	**635**	366
Impairment losses recognised	**488**	269
At end of year	**1,123**	635

Included in the above provision for impairment of trade receivables is a provision assessed on an individual basis of RMB1,123,000 (2012: RMB635,000) with a carrying amount before provision of RMB1,123,000 (2012: RMB635,000).

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	
	2013	2012
	RMB'000	*RMB'000*
Neither past due nor impaired	**92,854**	52,400
Less than 1 month past due	**6,407**	3,308
1 to 2 months past due	**1,564**	2,198
2 to 3 months past due	**1,025**	1,019
3 to 12 months past due	**2,983**	1,561
Over 12 months past due	**588**	1,327
	105,421	61,813

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 Board is 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	
	2013	2012
	RMB'000	*RMB'000*
Trade payables	**50,979**	57,625
Bills payable	**15,300**	–
	66,279	57,625

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	
	2013	2012
	RMB'000	*RMB'000*
Within 1 month	**22,329**	23,575
1 to 2 months	**17,091**	15,803
2 to 3 months	**10,434**	9,693
3 to 6 months	**15,276**	7,619
6 to 12 months	**605**	284
12 to 24 months	**28**	445
Over 24 months	**516**	206
	66,279	57,625

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

As at 31 December 2013, the bills payable of RMB15,300,000 (2012: Nil) were secured by the Group's pledged deposits with a carrying amount of RMB5,459,000 (2012: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group was confronted by various challenges as it underwent a phase of transition during the year: the disposal of equity interests of Macs (Baoding) Auto A/C Systems Co., Ltd. ("Macs") has further reduced the Company's share of profits and scaled back its complementary operations in China. Overall Group results were dragged down by the aggravating loss sustained by the compressor project which turned in a less than satisfactory performance, while the Group's diversification to the sector of auto accessories and maintenance services has yet to generate positive results. Meanwhile, our international business dwindled further in the international market which was subject to the pressure of RMB appreciation. Furthermore, the Board has made impairment provisions for the Group's assets as well as reversal of deferred tax assets recognized in respect of tax losses of prior years in accordance with relevant Hong Kong Financial Reporting Standards. Affected by such unfavourable factors, the Group reported operating revenue of RMB261.1 million for the year ended 31 December 2013, decreasing by RMB118.5 million compared to the same period of 2012. Net loss for the year ended 31 December 2013 amounted to RMB23.7 million, a decrease of RMB45.5 million compared to net profit of RMB21.8 million for the same period in 2012. Analyzed by product segment, revenue from sales of evaporators, condensers, heaters, compressors and others for the year ended 31 December 2013 amounted to RMB123.5 million, RMB80.5 million, RMB13.8 million, RMB2.5 million and RMB40.8 million respectively. Analyzed by market segment, our domestic business for the year ended 31 December 2013 reported sales revenue of RMB183.9 million, while our international business for the year ended 31 December 2013 reported sales revenue of RMB77.2 million.

Sales in the domestic Original Equipment Manufacturing ("OEM") market

For the year ended 31 December 2013, the volume of the Group's evaporators sold in the domestic OEM market Group increased modestly by 5.1% as compared to the same period in 2012, while the sales volumes of condensers and heaters decreased by approximately 31.0% and 49.3% respectively, as compared to the same period in 2012. The notable decline in the sales volumes of condensers and heaters in 2013 was attributable mainly to significantly reduced transactions with Macs and Dantherm Suzhou Co., Ltd, two customers of the Group. Lower average selling prices for the year ended 31 December 2013 as compared to the same period in 2012, coupled with the significant decrease in sales volume, resulted in the decline of revenue from sales of condensers and heaters in the domestic market for the year ended 31 December 2013 by approximately 36.4% and 51.7%, respectively, as compared to the same period in 2012. Revenue from sales of evaporators in the domestic market for the year ended 31 December 2013 remained much of the same as the year ended 31 December 2012.

Other revenue from sales to the domestic market comprised primarily the sales of self-manufactured oil coolers, intercoolers and aluminium waste.

Sales in the domestic After-sale Maintenance ("AM") market

For the year ended 31 December 2013, the volume of the Group's evaporators and condensers sold in the domestic AM market increased by 18.7% and 13.6%, respectively, as compared to the same period in 2012, while the average selling prices of evaporators and condensers also increased by 9.1% and 3.8% respectively. The improvement was attributable to the Group's effort to enhance sales in the domestic AM market in compensation of dwindled sales in the domestic OEM market. As a result, revenue from sales of evaporators and condensers in the domestic AM market for the year ended 31 December 2013 increased by 29.7% and 18.0% respectively, as compared to the same period in 2012.

Sales to international markets

Our sales to international markets comprised primarily sales to the North American market. For the year ended 31 December 2013, the Group's revenue from sales of self-manufactured evaporators, condensers and heaters to international markets decreased by approximately 11.9%, 13.4% and 15.6%, respectively, as compared to the same period in 2012. For the year ended 31 December 2013, the unit selling prices of the Group's self-manufactured evaporators, condensers and heaters in international markets decreased by 2.3%, 6.4% and 5.9% respectively, as compared to the same period in 2012, while sales volume of these products also decreased by 9.8%, 7.5% and 10.4% respectively, as compared to the same period in 2012, reflecting the adverse conditions prevailing in the international automobile market and the impact of RMB appreciation.

For the year ended 31 December 2013, revenue from sales of the Group's self-manufactured compressors to international markets decreased significantly by approximately 94.1% compared to the same period in 2012. Following adjustments to the compressor projects, the Group has terminated the production and sales of self-manufactured compressors as from March 2013. For the year ended 31 December 2013, sales volume of the Group's self-manufactured compressors to international markets decreased significantly by approximately 93.3%, as compared to the same period in 2012.

For the year ended 31 December 2013, revenue from the sales of the Group's traded compressors in international markets decreased by approximately 97.6%, as compared to the same period in 2012. The Group's traded compressors were entirely sold to international markets. In 2013, the Group only recorded a minimal amount of sales in traded compressors. The substantial decline in the sales of traded compressors was mainly attributable to the move of the major supplier of the Group's traded compressors to operate its own compressor trading and sales business since the latter half of 2012, resulting in the significantly reduced quantity of compressors purchased by the Group from this supplier. For the year ended 31 December 2013, sales volume of the Group's traded compressors to international markets decreased by approximately 97.5% as compared to the same period in 2012.

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

Outlook and Strategy

With the continued growth of private automobile ownership in China, the segment of auto parts and components is expected to account for an increasing share of the country's overall automobile market. In a mature automobile market, the after-sales segment, namely the market for maintenance and repair, could generate greater profit than the auto manufacturing market. At the moment, domestic enterprises engaged in auto parts and components are mulling enormous growth opportunities presented by huge demands in the after-sales market. As profit contribution from the after-sales market segment continues to grow in the future, more business opportunities will be generated in China's auto parts and components industry.

To address changes in market demands, the Group is actively adjusting its development strategy. We will continue to strengthen our principal businesses to enhance our competitiveness in the OEM and AM markets, as our current product structure will be actively adjusted with faster product upgrades and introduction of new-generation models in a bid to enlarge market shares and increase profit. Meanwhile, we will continue to drive expansion into the sector of auto accessories and maintenance services with a strong focus on demands in the market for after-sales automobile services, as we seek new niches for profit growth.

In the future, the Group will be focused on building a domestic sales network for after-sales services, which are expected to include chain express repair services, dealerships for lubricants and other auto parts and components and sales of auto accessories through a model of online sales and offline distribution. Being strongly focused on the market, we will seek transformation into a provider of after-sales auto services, while continuing to identify joint venture opportunities for the compressor project to alleviate our loss. The Group will continue to seek improvements in corporate group management, cost-savings, production efficiency and Group profitability, while leveraging its access to the capital market to identify opportunities for acquisitions, investments, joint ventures or strategic alliances in a bid to drive its strategy of vertical as well as horizontal expansion.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2013, revenue was approximately RMB261.1 million, a decline of approximately RMB118.5 million, representing a year-on-year decline of 31.2% with that of the corresponding period of 2012 of approximately RMB379.6 million.

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

Revenue	**For the year end 31 December 2013** *RMB'000*	**% of revenue**	For the year end 31 December 2012 *RMB'000*	% of revenue
Domestic-OEM – self-manufactured				
Evaporators	**83,317**	**31.9%**	86,360	22.8%
Condensers	**37,697**	**14.4%**	59,308	15.6%
Heaters	**8,688**	**3.3%**	18,002	4.7%
Others	**13,925**	**5.4%**	14,823	3.9%
Sub-total	**143,627**	**55.0%**	178,493	47.0%
Domestic-AM – self-manufactured				
Evaporators	**14,377**	**5.5%**	11,086	2.9%
Condensers	**20,978**	**8.0%**	17,781	4.7%
Heaters	**622**	**0.2%**	745	0.2%
Others	**4,304**	**1.6%**	2,156	0.6%
	40,281	**15.3%**	31,768	8.4%
International-AM – self-manufactured				
Evaporators	**25,765**	**9.9%**	29,247	7.7%
Condensers	**21,816**	**8.4%**	25,194	6.6%
Heaters	**4,518**	**1.7%**	5,351	1.4%
Compressors	**1,802**	**0.7%**	30,511	8.0%
Others	**5,907**	**2.3%**	3,614	1.0%
Sub-total	**59,808**	**23.0%**	93,917	24.7%
International-AM – trading				
Compressors	**751**	**0.3%**	31,023	8.2%
Others	**16,663**	**6.4%**	44,395	11.7%
Sub-total	**17,414**	**6.7%**	75,418	19.9%
Total	**261,130**	**100.0%**	379,596	100.0%

Gross profit and gross margin

For the year ended 31 December 2013, overall gross profit decreased to approximately RMB44.0 million from RMB64.9 million for 2012. Gross profit from sales to domestic market was approximately RMB39.8 million, representing a decrease of RMB5.5 million over the same period of last year. Gross profit from sales to international market was approximately RMB4.2 million, representing a decrease of approximately RMB15.5 million over the same period of last year. Decreases in sales to both domestic and international markets led to an overall decrease during the period in the Group's gross profit of RMB21.0 million over the same period of last year.

For the year ended 31 December 2013, overall gross margin was 16.8%, remaining flat from last year's overall gross margin of 17.1% in the same period of 2012.

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

Gross Profit	**For the year end 31 December 2013 RMB '000**	For the year end 31 December 2012 RMB '000
Domestic-OEM – self-manufactured		
Evaporators	**30,273**	28,329
Condensers	**4,744**	12,424
Heaters	**2,126**	2,773
Others	**272**	1,334
Sub-total	**37,415**	44,860
Domestic-AM – self-manufactured		
Evaporators	**3,894**	2,055
Condensers	**(2,460)**	(1,875)
Heaters	**(11)**	(243)
Others	**946**	446
Sub-total	**2,369**	383
International-AM – self-manufactured		
Evaporators	**7,557**	5,837
Condensers	**4,464**	4,452
Heaters	**714**	1,305
Compressors	**(11,603)**	(4,937)
Others	**177**	189
Sub-total	**1,309**	6,846
International-AM – trading		
Compressors	**(168)**	3,000
Others	**3,050**	9,831
	2,882	12,831
Total	**43,975**	64,920

Other income and gains

Other income and gains increased substantially by approximately RMB11.3 million from approximately RMB3.1 million for the year ended 31 December 2012 to approximately RMB14.4 million for the year ended 31 December 2013. This was primarily attributable to the Group disposed of all of its 49% equity interest of Macs on 31 October 2013 to the other shareholder of Macs, Great Wall Motor Co., Ltd. ("Great Wall Motor"), and its wholly-owned subsidiary, Billion Sunny Development Limited ("Billion Sunny"), resulting in gains on disposal of an associate of approximately RMB10.9 million.

Share of profits of an associate

Our share of profits of an associate decreased by approximately RMB8.8 million from approximately RMB15.7 million for the year ended 31 December 2012 to approximately RMB6.9 million for the year ended 31 December 2013. The decrease was on one hand attributable to the decrease in profit resulting from a decline in operating results of Macs in 2013 as compared with that of the corresponding period of last year, on the other hand attributable to the Group disposed of all of its 49% equity interest of Macs on 31 October 2013 to the other shareholder of Macs, Great Wall Motor, and its wholly-owned subsidiary, Billion Sunny. Thus in 2013, the Group only recognised 49% of the net profit of an associate for the first ten months in 2013, and twelve months for the corresponding period of 2012. The combined effects of both caused the Group's share of profits of an associate showing a substantial decline in 2013.

Selling and distribution costs

Selling and distribution costs comprised primarily staff-related costs, sales transportation fees, operating lease rental expenses, entertainment and travelling expenses. Selling and distribution costs decreased for the year ended 31 December 2013 mainly because the decrease in sales of the Group caused a decrease in sales-related transportation expenses.

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, agency service fees, research and development expenses and miscellaneous expenses. Increases in administrative and other expenses for the year ended 31 December 2013 were mainly attributable to the Group's concentrated focus on research and development of new products during the year, lifting up research and development expenses accordingly.

Finance costs

We provided funds required for our working capital and procurement by raising loans from bank institutions in Mainland China. Finance costs amounted to approximately RMB0.2 million for the year ended 31 December 2013 and RMB6.4 million for the corresponding period in 2012. The significant decrease in finance costs was mainly because the Group did not have any new bank borrowings after repaying the bank loans due this year. The Group greatly reduced bank borrowings to economise finance costs.

Income tax

For the year ended 31 December 2013, our overall income tax expense was approximately RMB17.5 million. We recorded a higher income tax expense in 2013 because the Group disposed of its 49% equity interest of Macs in 2013, incurring a capital gain tax of RMB2.2 million. Deferred income tax assets of prior years recognised by our subsidiaries, namely Shanghai Shuanghua Machinery Manufacturing Co., Ltd. and Shuanghua Hong Kong Limited, were reversed, recording deferred income tax expense of RMB10.0 million for the year ended 31 December 2013. The Group reversed deferred income tax assets of prior years because we expected that taxable profits were unlikely to be generated by these two subsidiaries to utilize the deferred income tax assets. For the year ended 31 December 2012, the income tax expense was RMB4.3 million or 16.4% of profit before tax.

(Loss)/profit for the year

Loss attributable to the owners of the parent of the Group was approximately RMB23.7 million for the year ended 31 December 2013, while the profit attributable to the owners of the parent over the same period of last year was approximately RMB21.8 million.

LIQUIDITY AND FINANCIAL RESOURCES

Net current assets

Our net current assets increased from approximately RMB179.3 million as at 31 December 2012 to approximately RMB320.8 million as at 31 December 2013. The increase in net current assets was primarily attributed to the increase in cash and bank balances as at 31 December 2013. In 2013, the Group received dividends amounted to approximately RMB101.3 million declared from Macs, and proceeds from disposal of 49% equity interest of Macs amounted to approximately RMB29.9 million, resulting larger cash and bank balances as at 31 December 2013.

Financial position and bank borrowings

As at 31 December 2013, the Group's cash and bank balances, most of which were denominated in RMB, amounted to approximately RMB174.6 million. As at 31 December 2012, the Group's cash and bank balances, most of which were denominated in RMB, amounted to approximately RMB62.1 million. As at 31 December 2013, the Group had no interest-bearing bank borrowings balance (31 December 2012: RMB20.0 million). As at 31 December 2013, our gearing ratio, presented as a percentage of total interest-bearing liabilities divided by total assets, was 0.0% (31 December 2012: 2.9%). In 2013, the Group received dividends declared from Macs and proceeds from disposal of 49% equity interest of Macs resulted in a relatively sufficient amount of cash and bank balances, therefore, after the repayment of interest-bearing borrowings when they became due, the Group did not have any new interest-bearing borrowings. As a result, there was a decrease in interest-bearing bank borrowings and the gearing ratio.

Save as aforesaid or otherwise disclosed in the notes to the financial statements, and apart from intra-group liabilities, as at the close of business on 31 December 2013, 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 31 December 2012.

Working capital

As at 31 December 2013, our gross inventories, mainly comprising raw materials, work-in progress and finished products, amounted to approximately RMB83.3 million, and approximately RMB85.1 million as at 31 December 2012. Our marketing team reviews and monitors our inventory level on a regular basis. For the year ended 31 December 2013, the average inventory turnover days was 141.6 days (for the year ended 31 December 2012: 98.3 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 2013, average turnover days of trade and notes receivables was 151.5 days (for the year ended 31 December 2012: 132.5 days). Trade and notes receivable turnover days are arrived at by dividing the arithmetic means of the opening and ending balances of trade and notes receivable and due from an related party for the relevant period by revenue of the same period and multiplying the quotient by 365 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 maturity period of 6 months to settle their outstanding amounts.

For the year ended 31 December 2013, average turnover days of trade and bills payables was 104.1 days (for the year ended 31 December 2012: 72.1 days). The actual payment period for our purchases was extended, as the Group slowed down its payment to suppliers in tandem with the slowdown of the Group's collection 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 2013, capital expenditures were approximately RMB24.3 million, and approximately RMB4.6 million for the year ended 31 December 2012. 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. Capital expenditures increased approximately RMB19.7 million as compared to the same period of 2012 because the Group paid additional RMB20.6 million for the land use right in 2013.

As at 31 December 2013, the Group had approximately 642 full-time employees including the management, sales, logistics supports and other ancillary personnel. The Group's total wages and salaries amounted to approximately RMB34.4 million for the year ended 31 December 2013. 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 2013 amounted to approximately RMB7.3 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 Audit Committee of 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 industry, time commitment, duties and responsibilities of our Directors in our Group and our operational and financial performance.

Material acquisitions and disposals

For the year ended 31 December 2013, the Group disposed of all of its 49% equity interest of Macs on 31 October 2013 to the other shareholder of Macs, Great Wall Motor, and its wholly-owned subsidiary, Billion Sunny.

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 currency exposure of the Group mainly comes from the appreciation of RMB against USD for overseas sales transactions denominated in USD. For the year ended 31 December 2013, approximately 29.6% of the Group's sales and 0.4% 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 2013, the Group did not have any material contingent liabilities.

Pledge of assets

As at 31 December 2013 and 31 December 2012, the Group did not pledge any buildings or lands to secure our banking facilities granted.

As at 31 December 2013, the Group's cash and bank balances of RMB5,459,000 were pledged to secure bills payable of RMB15,300,000. As at 31 December 2012, the Group had no outstanding pledge in respect of the said bills payable.

SHARE OPTIONS

No share options were granted or exercised pursuant to the share option scheme during the year and no share options had not been exercised as at 31 December 2013.

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

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

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFER

The Group was listed on the Stock Exchange on 30 June 2011. Net proceeds from the initial public offer ("Initial Public Offer") amounted to RMB126.8 million, and the use of proceeds have been set out in the prospectus of the Company dated 17 June 2011. A balance of approximately RMB83.9 million remained unutilised as at 31 December 2012.

An announcement regarding change in use of proceeds from the Initial Public Offer of the Company was published by the Board on 18 June 2013. The Board resolved to change the application of the remaining proceeds from the Initial Public Offer of the Company of approximately RMB83.9 million to the following purposes:

(a) approximately RMB63.9 million to be used to increase the production capacity of evaporators and condensers, including purchase of equipment, and as working capital; and

(b) approximately RMB20 million to be used in the compressor production, including relocation to the new factory and seeking new business partners.

For the year ended 31 December 2013, the balance of the proceeds had been used in accordance with the above purposes, except for approximately RMB20.0 million to be used in compressor production remained unutilised.

In view of the declining performance of the compressor project, the Group has slowed down its investment in the compressor production, and is actively considering running this product in the forms of joint venture, co-operation or other possible ways, and as a result the proceeds from the Initial Public Offer to be used in the compressor project were not utilised during the reporting period. Regarding the proceeds which were not utilised from the Initial Public Offer, the Group will comply strictly to the amended use of proceeds in its deployment.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2013 (31 December 2012: nil).

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 was not in compliance with the Corporate Governance Code during the year ended 31 December 2013, except the deviation from provision A.2.1 as explained below.

Under provision A.2.1 of the Corporate Governance Code, the roles of the chairman and the 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 the 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 met 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 the 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 "Audit Committee") comprises three independent non-executive Directors, Mr. He Binhui, Mr. Zhao Fenggao and Mr. Chen Lifan. The primary duties of the Audit Committee are to review and supervise the Group's financial reporting process and internal control systems.

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 (i) review of the accounting policies and matters relating to accounting practices adopted by the Company; (ii) review of nature and scope of the audit; and (iii) discussion with the external auditors and the management in respect of possible accounting exposures. In addition, the Audit Committee also reviewed the audited consolidated financial statements for the year ended 31 December 2013.

This annual results announcement of the Group for the year ended 31 December 2013 has 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 have complied with the required standards of the Model Code during the year ended 31 December 2013.

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 2013.

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, 31 March 2014

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.