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 2016

The board of directors (“the Board”) of Shuanghua Holdings Limited (“the Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively “the Group”) for the year ended 31 December 2016.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
REVENUE	4	**120,749**	143,076
Cost of sales		**(108,442)**	(130,497)
Gross profit		**12,307**	12,579
Other income and gains	4	**7,572**	10,026
Selling and distribution expenses		**(10,591)**	(9,846)
Administrative expenses		**(25,645)**	(28,136)
Other expenses	5	**(593)**	(28,001)
LOSS BEFORE TAX	6	**(16,950)**	(43,378)
Income tax credit	7	**604**	4,384
LOSS FOR THE YEAR		**(16,346)**	(38,994)
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**27**	16
Net movement in fair value reserve for available-for-sale investment		**8,629**	–
OTHER COMPREHENSIVE INCOME		**8,656**	16
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(7,690)**	(38,978)
LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		**(16,346)**	(38,994)
Non-controlling interests		**–**	–
		(16,346)	(38,994)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the Company		**(7,690)**	(38,978)
Non-controlling interests		**–**	–
		(7,690)	(38,978)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
– Basic and diluted	9	**(2.5) cents**	(6.0) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**95,382**	106,121
Prepaid land lease payments		**65,231**	67,056
Available-for-sale investment		**8,891**	262
Deferred tax assets		**7,031**	7,152
Total non-current assets		**176,535**	180,591
CURRENT ASSETS			
Inventories		**43,204**	55,041
Trade and notes receivables	*10*	**65,767**	84,793
Prepayments, deposits and other receivables		**7,787**	6,529
Financial assets at fair value through profit or loss		**59,000**	70,600
Pledged deposits		**–**	5,350
Cash and cash equivalents		**95,818**	76,209
Total current assets		**271,576**	298,522
CURRENT LIABILITIES			
Trade and bills payables	*11*	**27,297**	52,197
Other payables and accruals		**15,881**	12,462
Due to a related party		**–**	42
Provisions		**1,355**	803
Government grants		**2,021**	2,021
Income tax payable		**515**	851
Total current liabilities		**47,069**	68,376
NET CURRENT ASSETS		**224,507**	230,146
TOTAL ASSETS LESS CURRENT LIABILITIES		**401,042**	410,737

	2016	2015
	RMB'000	*RMB'000*
NON-CURRENT LIABILITIES		
Government grants	**3,091**	5,112
Deferred tax liabilities	**577**	561
Total non-current liabilities	**3,668**	5,673
Net assets	**397,374**	405,064
EQUITY		
Equity attributable to owners of the Company		
Issued capital	**5,406**	5,406
Reserves	**233,686**	224,934
Retained earnings	**158,277**	174,719
	397,369	405,059
Non-controlling interests	**5**	5
Total equity	**397,374**	405,064

NOTES TO FINANCIAL STATEMENTS

31 December 2016

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 automobile air-conditioner parts and components and sale of automotive lubricants and provision of express auto repairs and maintenance services.

2.1 BASIS OF PREPARATION

(a) Statement of compliance

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 disclosure requirements of the Hong Kong Companies Ordinance which concern the preparation of consolidated financial statements. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss and available-for-sale investment which have been measured at fair value.

(c) Functional and presentation currency

The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional and presentation currency. All values are rounded to the nearest thousand except when otherwise indicated.

(d) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (hereafter referred to as the "Group") for the year ended 31 December 2016. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of the 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 Company and 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.

2.1 BASIS OF PREPARATION (CONTINUED)

(d) Basis of consolidation (continued)

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 ADOPTION OF NEW/REVISED HKFRSs

The Group has adopted the following new/revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for the current accounting period.

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 27	Equity Method in Separate Financial Statements

The adoption of the new HKFRSs had no material effect on the results and financial position for the current or prior accounting periods which have been prepared and presented. Accordingly, no restatement has been recognised.

The impact of adopting the new or amended HKFRSs is discussed below:

Amendments to HKAS 1 – Disclosure Initiative

The amendments are designed to encourage entities to use judgement in the application of HKAS 1 when considering the layout and content of their financial statements.

Included in the clarifications is that an entity's share of other comprehensive income from equity accounted interests in associates and joint ventures is split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as a single line item within those two groups.

The adoption of the amendments has no impact on the Group's financial statements.

Amendments to HKAS 16 and HKAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The amendments are applied prospectively.

The adoption of the amendments has no impact on the Group's financial statements as the Group has not previously used revenue-based depreciation methods.

2.2 ADOPTION OF NEW/REVISED HKFRSs (CONTINUED)

Amendments to HKAS 27 – Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements. The amendments are applied retrospectively in accordance with HKAS 8.

The adoption of the amendments has no impact on the financial statements as the Company has not elected to apply the equity method in its separate financial statements.

2.3 NEW/REVISED HKFRSs NOT YET ADOPTED

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions[2]
HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRS 15	Revenue from Contracts with Customer (Clarifications to HKFRS 15)[2]
HKFRS 16	Leases[3]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019

Amendments to HKAS 7 – Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Amendments to HKAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

Amendments to HKFRS 2 – Classification and Measurement of Share-Based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

2.3 NEW/REVISED HKFRSs NOT YET ADOPTED (CONTINUED)

HKFRS 9 – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to each performance obligation

Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

2.3 NEW/REVISED HKFRSs NOT YET ADOPTED (CONTINUED)

Amendments HKFRS 15 – Revenue from Contracts with Customers (Classifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

3. OPERATING SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

The Group has two reportable operating segments in 2016. The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

- Design, development, manufacture and sale of automobile air-conditioner parts and components
- Sale of automotive lubricants and provision of express auto repairs and maintenance services

Segment assets exclude available-for-sale investment, financial assets at fair value through profit or loss and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude unallocated head office and corporate liabilities.

(a) Business Segments

Inter-segment transactions are priced with reference to prices charged to external parties for similar items. Corporate revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' profit that is used by the chief operating decision-maker for assessment of segment performance.

	Design, development, manufacture and sale of auto air-conditioner parts and components		**Sale of automotive lubricants and provision of express auto repairs and maintenance services**		**Total**	
	2016	2015	**2016**	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue from external customers	**119,047**	142,919	**1,702**	157	**120,749**	143,076
Inter-segment revenue	**–**	–	**6**	4	**6**	4
Reportable segment revenue	**119,047**	142,919	**1,708**	161	**120,755**	143,080
Reportable segment loss	**(21,733)**	(50,422)	**(6,932)**	(4,701)	**(28,665)**	(55,123)
Bank interest income	**2,341**	172	**7**	15	**2,348**	187
Unallocated bank interest income					**382**	1,620
Total bank interest income					**2,730**	1,807
Foreign exchange loss, net	**(9,150)**	(5,312)	**–**	–	**(9,150)**	(5,312)
Unallocated foreign exchange gain, net					**10,062**	8,381
Total foreign exchange gain, net					**912**	3,069
Depreciation and amortisation	**(12,109)**	(14,251)	**(164)**	(183)	**(12,273)**	(14,434)
Impairment of property, plant and equipment	**–**	(24,563)	**–**	–	**–**	(24,563)
Impairment of inventories	**(458)**	(17,667)	**–**	–	**(458)**	(17,667)
Impairment of trade receivables	**(396)**	(1,689)	**–**	–	**(396)**	(1,689)
Write-off of inventories	**(7,093)**	–	**–**	(936)	**(7,093)**	(936)
Impairment of other receivables	**–**	(1,304)	**–**	–	**–**	(1,304)
Income tax credit	**604**	4,384	**–**	–	**604**	4,384
Reportable segment assets	**332,068**	362,595	**13,221**	11,671	**345,289**	374,266
Additions to non-current assets	**1,200**	880	**33**	41	**1,233**	921
Reportable segment liabilities	**(50,506)**	(73,868)	**(196)**	(181)	**(50,702)**	(74,049)

3. **OPERATING SEGMENT INFORMATION (CONTINUED)**

(b) **Reconciliation of reportable segment revenues, profit or loss, assets and liabilities**

	2016	2015
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**120,755**	143,080
Elimination of inter-segment revenue	**(6)**	(4)
Consolidated revenue	**120,749**	143,076

	2016	2015
	RMB'000	*RMB'000*
Loss before tax		
Reportable segment loss	**(28,665)**	(55,123)
Unallocated other income and gains	**12,346**	12,345
Corporate and other unallocated expenses	**(631)**	(600)
Consolidated loss before tax	**(16,950)**	(43,378)

	2016	2015
	RMB'000	*RMB'000*
Assets		
Reportable segment assets	**345,289**	374,266
Available-for-sale investment	**8,891**	262
Financial assets at fair value through profit or loss	**59,000**	70,600
Unallocated corporate assets	**34,931**	33,985
Consolidated total assets	**448,111**	479,113

	2016	2015
	RMB'000	*RMB'000*
Liabilities		
Reportable segment liabilities	**(50,702)**	(74,049)
Unallocated corporate liabilities	**(35)**	–
Consolidated total liabilities	**(50,737)**	(74,049)

3. OPERATING SEGMENT INFORMATION (CONTINUED)

(c) Geographical information

Revenue from external customers

	2016	2015
	RMB'000	*RMB'000*
The PRC (country of domicile)	**95,787**	111,201
The United States of America	**4,923**	7,031
Canada	**14,040**	16,848
Asia	**5,296**	7,088
Others	**703**	908
	120,749	143,076

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

The Company's country of domicile is the PRC where most of the Group's operations are located.

All non-current assets of the Group are located in the PRC (country of domicile).

Information about major customers

For the year ended 31 December 2016, revenues from two customers in the design, development, manufacture and sale of automobile air-conditioner parts and components segment amounted to RMB23,417,000 (2015: RMB16,848,000) and RMB18,593,000 (2015: RMB28,739,000) respectively and each contributed to more than 10% of the Group's total revenue.

4. REVENUE, OTHER INCOME AND GAINS

Revenue 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:

	2016	2015
	RMB'000	*RMB'000*
Revenue		
Sale of goods	**120,749**	143,076
Other income and gains		
Bank interest income	**2,730**	1,807
Government grants	**2,021**	2,022
Interest income from investments at fair value through profit or loss	**1,902**	2,344
Foreign exchange gain, net	**912**	3,069
Gain on disposal of a subsidiary	**–**	368
Others	**7**	416
	7,572	10,026

5. OTHER EXPENSES

		2016	2015
	Note	***RMB'000***	*RMB'000*
Impairment of property, plant and equipment		**–**	24,563
Impairment of trade receivables	*10*	**396**	1,689
Impairment of prepayments, deposits and other receivables		**–**	1,304
(Gain)/loss on disposal of property, plant and equipment		**(548)**	75
Others		**745**	370
		593	28,001

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	2016	2015
	RMB'000	*RMB'000*
Cost of inventories sold *(Note)*	**108,442**	130,497
Depreciation	**10,448**	12,609
Amortisation of land lease payments	**1,825**	1,825
Research and development costs	**3,697**	6,090
Operating lease expenses	**1,157**	1,287
Product warranty provision	**760**	1,065
Auditor's remuneration	**729**	753
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	**21,085**	28,116
Pension scheme contributions	**5,079**	6,958
Staff welfare expenses	**1,538**	1,981
	27,702	37,055

Note: Cost of inventories sold includes impairment and write-off inventories of RMB458,000 (2015: RMB17,667,000) and RMB7,093,000 (2015: RMB936,000) respectively.

7. INCOME TAX CREDIT

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 credit of the Group during the year are analysed as follows:

	2016	2015
	RMB'000	*RMB'000*
Current		
– Corporate income tax	**(105)**	(1,021)
– Over-provision in prior year	**846**	290
	741	(731)
Deferred	**(137)**	5,115
Total tax credit for the year	**604**	4,384

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

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

Pursuant to the relevant tax law of the Hong Kong Special Administrative Region, Hong Kong sourced profits are subject to Profits Tax at the rate of 16.5% (2015: 16.5%) in Hong Kong. No provision of Profits Tax has been made for Automart Holdings Limited and Shuanghua Hong Kong Limited as they had not derived any taxable income 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 enjoy a preferential CIT rate of 15%. Such qualification expired and was renewed on 23 October 2014 for another three years and Shanghai Shuanghua can continue to enjoy a preferential CIT rate of 15%.

Shanghai Shuanghua Machinery Manufacturing Co., Ltd., Shanghai Shuanghua Auto Components Co., Ltd., Shanghai Shuanghua Machinery Sales Co., Ltd., Shanghai Eagle Investment Limited, Shanghai Citgo Petroleum Co., Ltd, Shanghai Eagle Petrochemical Co. Ltd., Shanghai Xcel Lubricants Co., Ltd., Shanghai Eagle Network Technology Co., Ltd. and Shanghai Youshen Industry Co., Ltd. were subject to CIT at the rate of 25% during the year (2015: 25%).

7. INCOME TAX CREDIT (CONTINUED)

A reconciliation of the income tax credit applicable to loss before tax at the statutory rate in PRC to the tax expense at the effective tax rate is as follows:

	2016	2015
	RMB'000	*RMB'000*
Loss before tax	**(16,950)**	(43,378)
Income tax credit at statutory tax rate 25% in the PRC	**(4,237)**	(10,845)
Lower tax rates for specific provinces or enacted by local authority	**(1,517)**	1,530
Income not subject to tax	**(402)**	(2,640)
Additional deduction on research and effect of tax concession and allowances	**(277)**	(457)
Expenses not deductible for tax	**2,289**	10,638
Effect of withholding tax at 10% (2015: 10%) on the distributable profits of the Group's PRC subsidiaries	**16**	–
Temporary differences not recognised	**2,613**	1,983
Tax losses not recognised	**1,636**	812
Reversal of tax losses and temporary differences from previous years	**121**	(5,115)
Over-provision in prior year	**(846)**	(290)
Income tax credit at the Group's effective rate	**(604)**	(4,384)

8. DIVIDENDS

	2016	2015
	RMB'000	*RMB'000*
Interim dividend declared and paid in current year at RMB Nil cents (2015: RMB15 cents) per share	**–**	97,500

The Company had not declared or paid any interim dividend during the year. The Board also recommends that no final dividend be paid in respect of the year ended 31 December 2016 (2015: Nil). In 2015, the Board resolved to declare an interim dividend at RMB15 cents (equivalent to Hong Kong 18 cents per share at the exchange rate of HK$1: RMB0.8248 as published by the People's Bank of China) which was paid on 18 September 2015.

9. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic and diluted loss per share is based on the loss for the year attributable to owners of the Company of RMB16,346,000 (2015: loss of RMB38,994,000), and the weighted average number of ordinary shares of 650,000,000 (2015: 650,000,000) in issue during the year.

Diluted loss per share for the years ended 31 December 2016 and 2015 are the same as the basic loss earnings per share as there were no dilutive potential ordinary shares in issue in both years.

10. TRADE AND NOTES RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Trade receivables	**41,631**	53,375
Notes receivable	**27,295**	34,181
	68,926	87,556
Provision of impairment	**(3,159)**	(2,763)
	65,767	84,793

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. The Group's notes receivable of RMB3,600,000 (2015: notes receivables of RMB5,010,000 and short term deposits of RMB5,350,000) are pledged to secure bills payable which amounted to RMB3,488,000 (2015: RMB10,260,000) as at 31 December 2016. Trade and notes receivables are non-interest-bearing.

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

	2016	2015
	RMB'000	*RMB'000*
Within 1 month	**19,469**	25,572
1 to 3 months	**13,232**	15,590
3 to 12 months	**32,351**	43,141
Over 12 months	**715**	490
	65,767	84,793

10. TRADE AND NOTES RECEIVABLES (CONTINUED)

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

	Notes	**2016** **_RMB'000_**	2015 *RMB'000*
At beginning of year		**2,763**	1,074
Impairment loss recognised	*5*	**1,060**	1,737
Reversal of impairment loss	*5*	**(664)**	(48)
At end of year		**3,159**	2,763

At 31 December 2016, the Group's trade receivables of RMB3,159,000 (2015: RMB2,763,000) were individually determined to be impaired. These receivables have been long outstanding and management accessed them to be irrecoverable.

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

	2016 **_RMB'000_**	2015 *RMB'000*
Neither past due nor impaired	**27,472**	43,797
Less than 1 month past due	**6,723**	6,592
1 to 3 months past due	**19,140**	12,027
3 to 12 months past due	**12,228**	22,279
Over 12 months past due	**204**	98
	65,767	84,793

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.

11. TRADE AND BILLS PAYABLES

	2016	2015
	RMB'000	*RMB'000*
Trade payables	**23,809**	41,937
Bills payable	**3,488**	10,260
	27,297	52,197

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

	2016	2015
	RMB'000	*RMB'000*
Within 1 month	**6,711**	12,738
1 to 3 months	**7,073**	12,601
3 to 6 months	**3,986**	12,679
6 to 12 months	**6,719**	11,652
Over 12 months	**2,808**	2,527
	27,297	52,197

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

As at 31 December 2016, bills payable of RMB3,488,000 (2015: RMB10,260,000) were secured by certain of the Group's notes receivable of RMB3,600,000 (2015: Notes receivables of RMB5,010,000 and short term deposits with a carrying amount of RMB5,350,000).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group remained in a phase of transition during 2016. The existing automobile air-conditioners and heat exchangers business shrunk continuously with a dramatic decrease in both sales volume and manpower resources as compared to last year. At the same time, the new after-sales auto service market was still in the stage of investment and preliminary expansion and the current economic benefits are low. The Group reported revenue of RMB120.7 million for the year ended 31 December 2016, decreased by RMB22.3 million compared to the same period of 2015. Due to the write off of obsolete inventories of RMB7.1 million during the year, together with the investment in new businesses of sale of automobile lubricants and provision of express auto repairs and maintenance services, the Group recorded a loss in 2016 with net loss amounting to RMB16.3 million. The loss for the year is less than the loss of the year ended 31 December 2015, which was RMB39.0 million.

Analyzed by product segment, revenue from sales of evaporators, condensers, automobile lubricants and others for the year ended 31 December 2016 amounted to RMB56.1 million, RMB43.3 million, RMB1.7 million and RMB19.6 million respectively. Analyzed by domestic and international market segment, our domestic business for the year ended 31 December 2016 reported sales revenue of RMB92.4 million, while our international business for the year ended 31 December 2016 reported sales revenue of RMB28.3 million.

Automobile heat exchanger business

Both sales in the domestic market and international market decreased for the year ended 31 December 2016. Among which:

Sales in the Domestic Market

Revenue from sales of evaporators amounted to RMB49.9 million, decreased by 16.8%, as compared to the same period in 2015. The sales volume amounted to 56.7 million, decreased by 20.8% as compared to the same period in 2015. The unit price increased by 5.1% as compared to the same period in 2015.

Revenue from sales of condensers amounted to RMB27.4 million, increased by 35.3%, as compared to the same period last year. The sales volume amounted to 17.4 million, increased by 11.7% as compared to the same period in 2015. The unit price increased by 21.1% as compared to the same period in 2015.

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

Sales to the International Market

Revenue from sales of evaporators amounted to RMB6.3 million, decreased by 31.6% as compared to the same period last year. The sales volume decreased by 35.5%, while unit price increased by 12.1% as compared to the same period last year.

Revenue from sales of condensers amounted to RMB15.9 million, increased by 37.9% as compared to the same period last year. The sales volume increased by 44.3%, while unit price decreased by 5.7% as compared to the same period last year.

Other revenue from sales to the international market comprise primary sales of self-manufactured oil coolers, intercoolers, liquid-gas separators, evaporators and condenser cores, pipes and thermostats.

Sale of automobile lubricants and provision of express auto repairs and maintenance services

The new business is still in the stage of investment and preliminary expansion and has achieved a small amount of sales in 2016. The current economic benefit is low.

Outlook and Strategy

In the future, apart from maximizing the shareholders' value, the Group will also endeavor to maintain the profitability of its old businesses and at the same time fully utilize its existing resources including assets, technologies and manpower to establish its presence in the capital market. We will also actively explore new development opportunities and profit growth points through acquisition, investment or joint venture, or entering into strategic alliances in order to identify the best development strategy for Shuanghua based on its own conditions.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2016, revenue was approximately RMB120.7 million, a decline of approximately RMB22.4 million or 15.7% from that of the corresponding period of 2015 which was approximately RMB143.1 million.

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

	For the year end 31 December 2016 *RMB'000*	**% of revenue**	For the year end 31 December 2015 *RMB'000*	% of revenue
Domestic				
Evaporators	**49,853**	**41.3%**	59,928	41.9%
Condensers	**27,370**	**22.7%**	20,266	14.2%
Automobile lubricants	**1,702**	**1.4%**	157	0.1%
Others	**13,477**	**11.1%**	32,196	22.6%
Sub-total	**92,402**	**76.5%**	112,547	78.8%
International				
Evaporators	**6,291**	**5.2%**	9,196	6.4%
Condensers	**15,942**	**13.2%**	11,560	8.1%
Others	**6,114**	**5.1%**	9,773	6.7%
Sub-total	**28,347**	**23.5%**	30,529	21.2%
Total	**120,749**	**100.0%**	143,076	100.0%

Gross profit and gross margin
(All amounts in this section were before impairment and write off of inventories)

For the year ended 31 December 2016, overall gross profit decreased significantly by RMB11.3 million to approximately RMB19.9 million from RMB31.2 million for the year ended 31 December 2015. Gross profit from sales to domestic market was approximately RMB14.3 million for the year ended 31 December 2016 representing a decrease of approximately RMB7.6 million over the same period of last year. Gross profit from sales to international market was approximately RMB5.6 million for the year ended 31 December 2016, representing a decrease of approximately RMB3.7 million over the same period of last year.

For the year ended 31 December 2016, overall gross margin decreased significantly to 16.5% from 21.8% for 2015.

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 2016** *RMB'000*	For the year end 31 December 2015 *RMB'000*
Domestic		
Evaporators	**11,765**	11,842
Condensers	**119**	2,450
Automobile lubricants	**436**	77
Others	**1,928**	7,490
Sub-total	**14,248**	21,859
International		
Evaporators	**62**	3,735
Condensers	**6,138**	2,536
Others	**(590)**	3,052
Sub-total	**5,610**	9,323
Total	**19,858**	31,182

Other income and gains

Other income and gains decreased by approximately RMB2.4 million from approximately RMB10.0 million for the year ended 31 December 2015 to approximately RMB7.6 million for the year ended 31 December 2016. This was mainly caused by the decrease in foreign exchange net gain.

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 increased for the year ended 31 December 2016 mainly because of the development of the sale of automobile lubricants and provision of express auto repairs and maintenance services of the Group in 2016.

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, research and development expenses, impairment on assets and miscellaneous expenses. Administrative expenses decreased for the year ended 31 December 2016 mainly because of decrease in headcounts lead to decrease in staff-related costs.

Other expenses decreased because the Group had recognised an impairment loss of property, plant and equipment of RMB24.5 million in an effort to reduce or eliminate unprofitable operations or products last year.

Income tax

For the year ended 31 December 2016, the Group's overall income tax credit was approximately RMB0.6 million, while there was an income tax credit of RMB4.4 million in the year ended 31 December 2015. Income tax credit decreased because the Group recognised an addition on deferred tax assets by our subsidiaries, namely Shanghai Shuanghua Autoparts Co., Ltd. and Shanghai Shuanghua Auto Components Co., Ltd. of RMB4.2 million and RMB0.9 million in 2015 respectively, while there is no such recognition in current year.

Loss for the year

Loss attributable to the owners of the Company was approximately RMB16.3 million for the year ended 31 December 2016, while loss attributable to the owners of the Company over the same period last year was approximately RMB39.0 million.

LIQUIDITY AND FINANCIAL RESOURCES

Net current assets

Our net current assets decreased from approximately RMB230.1 million as at 31 December 2015 to approximately RMB224.5 million as at 31 December 2016. The decrease in net current assets was primarily attributed to decrease in trade and notes receivables and inventories compared to last year.

Financial position and bank borrowings

As at 31 December 2016, the Group's cash and cash equivalents amounted to approximately RMB95.8 million. As at 31 December 2015, the Group's cash and cash equivalents amounted to approximately RMB76.2 million. The increase in cash and cash equivalents is primarily attributed to the decrease in purchase of financial assets at fair value through profit or loss. As at 31 December 2016, the Group had no interest – bearing bank borrowings (31 December 2015: nil). As at 31 December 2015 and 2016, our gearing ratio, presented as a percentage of total interest – bearing liabilities divided by capital of the Group, was 0.0%.

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 2016, we did not have any outstanding mortgages, charges, debentures, debt securities or other loan capitals 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 2015.

Working capital

As at 31 December 2016, total inventories, mainly comprising raw materials, work-in-progress and finished products (after impairment), amounted to approximately RMB43.2 million, and approximately RMB55.0 million as at 31 December 2015. Our marketing team reviews and monitors our inventory level on a regular basis. For the year ended 31 December 2016, the average inventory turnover days was 165.3 days (for the year ended 31 December 2015: 185.5 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 decrease in inventory turnover was mainly attributable to depression of current market, the Group's management adjusted their production and sales strategy, reduced production capacity, recognised impairment losses where necessary and utilised the inventories on hands.

For the year ended 31 December 2016, average turnover days of trade and notes receivables was 227.5 days (for the year ended 31 December 2015: 255.1 days). Trade and notes receivables turnover days are arrived at by dividing the arithmetic means of the opening and ending balances of trade and notes receivables for the relevant period by revenue of the same period and multiplying the quotient by 365 days. The decrease in turnover days of trade and notes receivables was primarily attributable to management has maintained a better control over its outstanding receivables to further minimise the credit risk.

For the year ended 31 December 2016, average turnover days of trade and bills payables was 133.8 days (for the year ended 31 December 2015: 158.5 days). The decrease in turnover days of trade and bills payables was caused by management speeded up the repayment process to improve liquidity.

CAPITAL EXPENDITURES, CAPITAL COMMITMENTS AND HUMAN RESOURCES

For the year ended 31 December 2016, capital expenditures were approximately RMB1.2 million, and approximately RMB0.9 million was paid for capital expenditures incurred for the year ended 31 December 2015. Payment of capital expenditures increased by approximately RMB0.3 million as compared to the same period of 2015.

As at 31 December 2016, the Group had approximately 224 full-time employees including management, sales, logistics supports and other ancillary personnels. The Group's total wages and salaries amounted to approximately RMB21.1 million for the year ended 31 December 2016. Our remuneration policy is primarily based on the job responsibilities, work performance and number of years of service 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 2016 amounted to approximately RMB6.6 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 Remuneration Committee of the Board at the end of each financial year.

The determination of the remuneration to our Directors is 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.

The Group had capital commitments of RMB120 million on investment in the sale of automobile lubricants and provision of express auto repairs and maintenance services business through subsidiaries as at 31 December 2016.

Material acquisitions and disposals

For the year ended 31 December 2016, the Group had no capital acquisition or disposal.

Significant investments

For the year ended 31 December 2016, the Group had no significant investment.

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 depreciation of RMB against USD for overseas sales transactions denominated in USD. For the year ended 31 December 2016, approximately 24.1% and 0.0% of the Group's sales and cost of sales respectively were denominated in currencies other than the functional currency of the 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 when necessary.

Contingent liabilities

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

Pledge of assets

As at 31 December 2016 and 31 December 2015, the Group had not pledged any land or buildings to secure our banking facilities granted.

As at 31 December 2016, notes receivable of RMB3,600,000 (2015: RMB5,010,000 and short term deposits of RMB5,350,000) were pledged to secure bills payable of RMB3,488,000 (2015: RMB10,260,000).

SHARE OPTION SCHEME

As at 31 December 2016, no share options were granted or exercised pursuant to the share option scheme adopted.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2016 have been agreed by the Company's auditor, BDO Limited, to the amounts set out in the Company's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

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

As at 31 December 2016, a balance of approximately RMB10.0 million of the proceeds from the Initial Public Offer of the Company remained unutilised.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2016 (31 December 2015: 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 2016, 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 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 management of the Group and believe that this structure will enable the Group to make and implement decisions promptly and efficiently.

AUDIT COMMITTEE

Pursuant to the Listing Rules, an audit committee was established on 8 June 2011, comprising three Independent Non-executive Directors, namely Mr. He Binhui, Mr. Chen Ke and Mr. Chen Lifan, and is chaired by Mr. He Binhui.

The written terms of reference which describe the authorities and duties of the audit committee were prepared and adopted with reference to "A Guide for the Formation of an Audit Committee" published by the Hong Kong Institute of Certified Public Accountants. The audit committee provides an important link between the board of directors and the Company's auditor in matters coming within the scope of the Group audit. It also reviews the financial reporting process and the adequacy and effectiveness of the Group's internal control system.

To comply with the requirement under the CG Code in respect of the responsibilities for performing the corporate governance duties, the Board has delegated its responsibilities to the Audit Committee to develop and review the policies and practices of the Company on corporate governance and make recommendations to the Board; to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; to develop, review and monitor the code of conduct applicable to the directors and employees; to review and monitor the training and continuous professional development of directors and senior management and to review the Company's compliance with the code provisions set out in the CG Code contained in the Listing Rules and disclosures in the corporate governance report.

During the financial year ended 31 December 2016, the audit committee held four meetings for the purpose of reviewing the Company's reports and accounts, and providing advice and recommendations to the Board of Directors. The Audit Committee also reviewed the internal control procedures of the Group. The minutes of the audit committee meeting are kept by the Company Secretary.

The Audit Committee also reviewed the Company's progress in implementing the corporate governance requirements as set out in the CG Code.

	Attendance
Mr. He Binhui	4/4
Mr. Chen Ke	4/4
Mr. Chen Lifan	4/4

The Group's results for the year ended 31 December 2016 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards.

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 with them, all Directors confirmed that they have complied with the required standards of the Model Code during the year ended 31 December 2016.

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.

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 2017

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. Chen Ke, Mr. He Binhui and Mr. Chen Lifan, independent non-executive Directors.