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 2017

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 2017.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
REVENUE	4	**83,751**	120,749
Cost of sales		**(72,323)**	(108,442)
Gross profit		**11,428**	12,307
Other income and gains and loss	4	**5,752**	7,572
Selling and distribution costs		**(4,631)**	(10,591)
Administrative and other operating expenses		**(19,416)**	(25,645)
Other expenses	5	**(249)**	(593)
LOSS BEFORE TAX	6	**(7,116)**	(16,950)
Income tax (expenses)/credit	7	**(10,071)**	604
LOSS FOR THE YEAR		**(17,187)**	(16,346)
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(10)**	27
Net movement in fair value reserve for available-for-sale investment		**(1,850)**	8,629
OTHER COMPREHENSIVE INCOME		**(1,860)**	8,656
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(19,047)**	(7,690)
LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		**(17,187)**	(16,346)
Non-controlling interests		**–**	–
		(17,187)	(16,346)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the Company		**(19,047)**	(7,690)
Non-controlling interests		**–**	–
		(19,047)	(7,690)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
– Basic and diluted	8	**(2.6) cents**	(2.5) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2017

	Notes	**2017** **RMB'000**	2016 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**88,157**	95,382
Prepaid land lease payments		**63,406**	65,231
Available-for-sale investment		**7,041**	8,891
Deferred tax assets		**–**	7,031
Total non-current assets		**158,604**	176,535
CURRENT ASSETS			
Inventories		**36,665**	43,204
Trade and notes receivables	*9*	**55,158**	65,767
Prepayments, deposits and other receivables		**5,460**	7,787
Financial assets at fair value through profit or loss		**10,400**	59,000
Pledged deposits		**3,750**	–
Structured bank deposits		**54,000**	–
Cash and cash equivalents		**106,280**	95,818
Total current assets		**271,713**	271,576
CURRENT LIABILITIES			
Trade and bills payables	*10*	**25,976**	27,297
Other payables and accruals		**17,195**	15,881
Provisions		**1,627**	1,355
Government grants		**2,021**	2,021
Income tax payable		**401**	515
Total current liabilities		**47,220**	47,069
NET CURRENT ASSETS		**224,493**	224,507
TOTAL ASSETS LESS CURRENT LIABILITIES		**383,097**	401,042

	2017	2016
	RMB'000	*RMB'000*
NON-CURRENT LIABILITIES		
Government grants	**1,070**	3,091
Deferred tax liabilities	**3,700**	577
Total non-current liabilities	**4,770**	3,668
Net assets	**378,327**	397,374
EQUITY		
Equity attributable to owners of the Company		
Issued capital	**5,406**	5,406
Reserves	**231,832**	233,686
Retained earnings	**141,084**	158,277
	378,322	397,369
Non-controlling interests	**5**	5
Total equity	**378,327**	397,374

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

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.

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 2017. 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 Company 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.

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

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 7 – Disclosure Initiative

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

The adoption of the amendments has no impact on the consolidated statement of cash flows as the Group did not have any financing activities in this year.

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.

The adoption of the amendments has no impact on the financial statements as the clarified treatment is consistent with the manner in which the Group recognised deferred tax assets in the past.

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.

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[1]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HKFRS 16	Leases[2]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]

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

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").

2.3 NEW/REVISED HKFRSs NOT YET ADOPTED (CONTINUED)

HKFRS 9 – Financial Instruments (Continued)

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.

The adoption of HKFRS 9 might have an impact on the Group's financial performance and financial position, including the measurement of the financial assets and disclosures. In particular, the directors of the Company expect that the adoption of an expected credit losses impairment model will result in earlier recognition of credit losses of the Group's trade receivables.

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 (Clarifications 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.

The directors of the Company is now in the process of performing a detailed assessment of the impact resulting from the application of HKFRS 15. It is not practicable to provide a reasonable estimate of the effect until the Group completes this detailed review. The adoption of HKFRS 15 is also expected to require more disclosures on the Group's financial statements.

HK (IFRIC) – Int 22 – Foreign Currency Transactions and Advance Consideration

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretations specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The Group expects to adopt the interpretation on 1 January 2018 and does not expect its adoption will have significant impact on the Group's financial position and results of operations.

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 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 does not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in a significant impact on Group's results but it is expected that certain portion of lease commitments will be required to be recognised in the consolidated statements of financial position as right-of-use assets and lease liabilities.

2.3 NEW/REVISED HKFRSs NOT YET ADOPTED (CONTINUED)

HK (IFRIC) – Int 23 – Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

The Group does not expect the adoption of this interpretation will result in a significant impact on Group's financial position and results of operations.

3. OPERATING SEGMENT INFORMATION

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

Management regularly reviews the operating results of the Group from a product and service based perspective. During the year, in view of the slow progress in the development of the trading business of automotive lubricants and the Group's primary business of design, development, manufacture and sales of automobile air-conditioner parts and components continues to account for over 98.5% of the Group's revenue, the CODM is of the view that it is no longer meaningful to include an analysis of segment results in the financial statements and such information is not useful to the users of the financial statements.

(a) Geographical information

Revenue from external customers

	2017	2016
	RMB'000	*RMB'000*
The PRC (country of domicile)	**65,633**	95,787
The United States of America	**3,413**	4,923
Canada	**8,713**	14,040
Asia	**5,376**	5,296
Others	**616**	703
	83,751	120,749

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).

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

(a) **Geographical information (Continued)**

Information about major customers

For the year ended 31 December 2017, revenues from three customers (2016: two) in the design, development, manufacture and sale of automobile air-conditioner parts and components segment amounted to RMB18,575,000 (2016: RMB23,417,000); RMB14,394,000 (2016: RMB18,593,000) and RMB12,289,000 (2016: N/A) respectively and each contributed to more than 10% of the Group's total revenue.

4. **REVENUE, OTHER INCOME AND GAINS AND LOSS**

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 and loss is as follows:

	2017	2016
	RMB'000	*RMB'000*
Revenue		
Sale of goods	**83,751**	120,749
Other income and gains and loss		
Bank interest income	**2,413**	2,730
Government grants	**2,021**	2,021
Interest income from investments at fair value through profit or loss	**1,588**	1,902
Foreign exchange (loss)/gain, net	**(463)**	912
Dividend income on available-for-sale financial assets	**191**	–
Others	**2**	7
	5,752	7,572

5. **OTHER EXPENSES**

		2017	2016
	Note	***RMB'000***	*RMB'000*
Impairment of trade receivables	*9*	**55**	396
Loss/(gain) on disposal of property, plant and equipment		**8**	(548)
Others		**186**	745
		249	593

6. LOSS BEFORE TAX

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

	2017	2016
	RMB'000	*RMB'000*
Cost of inventories sold *(Note)*	**52,622**	85,693
Depreciation	**8,894**	10,448
Amortisation of land lease payments	**1,825**	1,825
Research and development costs	**–**	3,697
Operating lease expenses	**1,121**	1,157
Product warranty provision	**552**	760
Auditors' remuneration	**717**	729
Employee benefit expense (including directors' and chief executive's remuneration)		
Wages and salaries	**14,224**	21,085
Pension scheme contributions	**3,113**	5,079
Staff welfare expenses	**1,102**	1,538
	18,439	27,702

Note: Cost of inventories sold includes reversal of impairment on, provision and write-off of inventories of RMB5,335,000, RMB2,300,000 and RMB955,000 (2016: Nil, RMB458,000 and RMB7,093,000) respectively.

7. INCOME TAX (EXPENSES)/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 (expenses)/credit of the Group during the year are analysed as follows:

	2017	2016
	RMB'000	*RMB'000*
Current tax		
– Corporate income tax	**(20)**	(105)
– Over-provision in prior year	**103**	846
	83	741
Deferred tax		
– Charge for the year	**(10,154)**	(137)
Total income tax (charge)/credit for the year	**(10,071)**	604

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% (2016: 16.5%) in Hong Kong. No provision of Profits Tax has been made for Automart Holdings Limited, Shuanghua Hong Kong Limited and Eagle Holdings Group Limited as they had not derived any taxable income from Hong Kong during the year.

Shanghai Shuanghua Autoparts Co., Ltd. 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%. However, such qualification expired on 23 October 2017 and had not renewed, then Shanghai Shuanghua ceased to continue to enjoy a preferential CIT rate of 15%. This subsidiary is subject to CIT at the rate of 25% in 2017.

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 (2016: 25%).

7. INCOME TAX (EXPENSES)/CREDIT (CONTINUED)

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

	2017	2016
	RMB'000	*RMB'000*
Loss before tax	**(7,116)**	(16,950)
Tax credit at statutory tax rate 25% in PRC	**(1,779)**	(4,237)
Lower tax rates for specific provinces or enacted by local authority	**1,075**	(1,517)
Profits attributable to an associate		–
Income not subject to tax	**(2,707)**	(402)
Additional deduction on research and effect of tax concession and allowances	**–**	(277)
Expenses not deductible for tax	**225**	2,289
Effect of withholding tax at 5% (2016: 5%) on the distributable profits of the Group's PRC subsidiaries	**3,123**	16
Temporary differences not recognised	**101**	2,613
Tax losses not recognised	**3,105**	1,636
Reversal of deferred tax on tax losses and temporary differences recognised in previous years	**7,031**	121
Over-provision in prior year	**(103)**	(846)
Income tax charge/(credit) at the Group's effective rate	**10,071**	(604)

8. 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 RMB17,187,000 (2016: loss of RMB16,346,000), and the weighted average number of ordinary shares of 650,000,000 (2016: 650,000,000) in issue during the year.

Diluted loss per share for the years ended 31 December 2017 and 2016 are the same as the basic loss earnings per share as there were no dilutive potential ordinary shares in issue in both years.

9. TRADE AND NOTES RECEIVABLES

	2017 *RMB'000*	2016 *RMB'000*
Trade receivables	**37,388**	41,631
Notes receivable	**20,984**	27,295
	58,372	68,926
Provision of impairment	**(3,214)**	(3,159)
	55,158	65,767

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 receivables of RMB4,100,000 (2016: RMB3,600,000) and pledged deposits of RMB3,750,000 (2016: Nil) were pledged to secure bills payables of RMB7,850,000 (2016: RMB3,488,000) (Note 10). Trade and notes receivables are non-interest-bearing.

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

	2017 *RMB'000*	2016 *RMB'000*
Within 1 month	**19,429**	19,469
1 to 3 months	**16,170**	13,232
3 to 12 months	**18,646**	32,351
Over 12 months	**913**	715
	55,158	65,767

9. TRADE AND NOTES RECEIVABLES (CONTINUED)

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

	Notes	2017 RMB'000	2016 RMB'000
At beginning of the year		**3,159**	2,763
Impairment loss recognised	5	**476**	1,060
Reversal of impairment loss	5	**(421)**	(664)
At end of year		**3,214**	3,159

At 31 December 2017, the Group's trade receivables of RMB3,214,000 (2016: RMB3,159,000) 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:

	2017 RMB'000	2016 RMB'000
Neither past due nor impaired	**29,478**	27,472
Less than 1 month past due	**5,187**	6,723
1 to 3 months past due	**10,370**	19,140
3 to 12 months past due	**9,779**	12,228
Over 12 months past due	**344**	204
	55,158	65,767

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.

10. TRADE AND BILLS PAYABLES

	2017	2016
	RMB'000	*RMB'000*
Trade payables	**18,126**	23,809
Bills payables	**7,850**	3,488
	25,976	27,297

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

	2017	2016
	RMB'000	*RMB'000*
Within 1 month	**10,553**	6,711
1 to 3 months	**5,016**	7,073
3 to 6 months	**3,783**	3,986
6 to 12 months	**4,341**	6,719
Over 12 months	**2,283**	2,808
	25,976	27,297

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

As at 31 December 2017, bills payables were secured by certain of the Group's notes receivable of RMB4,100,000 and short term deposits with a carrying amount of RMB3,750,000 (2016: Notes receivables of RMB3,600,000) (Note 9).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group remained in a phase of transition during 2017. The existing automobile air-conditioners and heat exchangers business shrunk continuously with a significant decrease in both sales volume and manpower resources as compared to last year. The Group reported revenue of RMB83.8 million for the year ended 31 December 2017, decreased by RMB36.9 million as compared to the same period last year. In addition, due to the inventory provisions, foreign exchange loss, reduction of deferred tax asset, increase of deferred tax liabilities and other factors during the year, the Group recorded a loss in 2017 with a net loss amounting to RMB17.2 million. The loss for the year is higher than the loss of the year ended 31 December 2016, which was RMB16.3 million.

Analyzed by product segment, revenue from sales of evaporators, condensers, automobile lubricants and others for the year ended 31 December 2017 amounted to RMB54.7 million, RMB19.3 million, RMB0.9 million and RMB8.9 million respectively. Analyzed by domestic and international market segment, our domestic business for the year ended 31 December 2017 reported sales revenue of RMB64.0 million, while our international business for the year ended 31 December 2017 reported sales revenue of RMB19.8 million.

Automobile heat exchanger business

Both sales in the domestic market and international market decreased for the year ended 31 December 2017. Among which:

Sales in the Domestic Market

Revenue from sales of evaporators amounted to RMB46.8 million, decreased by 6.2% as compared to the same period last year. The sales volume and the unit price are about the same or down sightly from the year before.

Revenue from sales of condensers amounted to RMB12.2 million, decreased by 55.5%, as compared to the same period last year. The sales volume amounted to 88 thousand, decreased by 49.6% as compared to the same period last year. The unit price decreased by 11.7% as compared to the same period last year.

Other revenue from sales to the domestic market comprised primarily the sales of self-manufactured heaters and intercoolers.

Sales to the International Market

Revenue from sales of evaporators amounted to RMB7.9 million, increased by 24.8% as compared to the same period last year. The sales volume increased by 9.6%, while unit price increased by 13.9% as compared to the same period last year.

Revenue from sales of condensers amounted to RMB7.1 million, decreased by 55.4% as compared to the same period last year. The sales volume decreased by 52.1%, while unit price decreased by 7% as compared to the same period last year.

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

Outlook and Strategy

In future, apart from maximizing 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 the field of innovative technology, energy and financial services.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2017, revenue was approximately RMB83.8 million, a decline of approximately RMB36.9 million or 30.6% from that of the corresponding period of 2016 which was approximately RMB120.7 million.

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

	For the year end 31 December 2017 *RMB'000*	**% of revenue**	For the year end 31 December 2016 *RMB'000*	% of revenue
Domestic				
Evaporators	**46,773**	**55.9%**	49,853	41.3%
Condensers	**12,174**	**14.5%**	27,370	22.7%
Automobile lubricants	**943**	**1.1%**	1,702	1.4%
Others	**4,099**	**4.9%**	13,477	11.1%
Sub-total	**63,989**	**76.4%**	92,402	76.5%
International				
Evaporators	**7,853**	**9.4%**	6,291	5.2%
Condensers	**7,111**	**8.5%**	15,942	13.2%
Others	**4,798**	**5.7%**	6,114	5.1%
Sub-total	**19,762**	**23.6%**	28,347	23.5%
Total	**83,751**	**100.0%**	120,749	100.0%

Gross profit and gross margin

(All amounts in this section were before impairment and write off on inventories)

For the year ended 31 December 2017, overall gross profit decreased significantly by RMB10.6 million to approximately RMB9.3 million from RMB19.9 million for the year ended 31 December 2016. Gross profit from sales to domestic market was approximately RMB9.1 million for the year ended 31 December 2017 representing a decrease of approximately RMB5.1 million over the same period of last year. Gross profit from sales to international market was approximately RMB0.2 million for the year ended 31 December 2017, representing a decrease of approximately RMB5.4 million over the same period of last year.

For the year ended 31 December 2017, overall gross margin decreased significantly to 11.2% from 16.5% of the year ended 31 December 2016.

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 2017** *RMB'000*	For the year end 31 December 2016 *RMB'000*
Domestic		
Evaporators	**8,732**	11,765
Condensers	**52**	119
Automobile lubricants	**323**	436
Others	**10**	1,928
Sub-total	**9,117**	14,248
International		
Evaporators	**651**	62
Condensers	**631**	6,138
Others	**(1,052)**	(590)
Sub-total	**230**	5,610
Total	**9,347**	19,858

Other income and gains and loss

Other income and gains and loss decreased by approximately RMB1.8 million from approximately RMB7.6 million for the year ended 31 December 2016 to approximately RMB5.8 million for the year ended 31 December 2017. 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 decreased for the year ended 31 December 2017 mainly because of the decrease in sales of the Group, causing 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, research and development expenses, impairment on assets and miscellaneous expenses. Administrative expenses decreased for the year ended 31 December 2017 mainly because of decrease in headcounts leading to decrease in staff-related costs.

Other expenses decreased because of the reducing of impairment of trade receivables last year.

Income tax

For the year ended 31 December 2017, the Group's overall income tax expense was approximately RMB10 million, while there was an income tax credit of RMB0.6 million in the year ended 31 December 2016. Income tax credit decreased because of the reduction of deferred tax assets and increase of deferred tax liabilities in 2017.

Loss for the year

Loss attributable to the owners of the Company was approximately RMB17.2 million for the year ended 31 December 2017, while loss attributable to the owners of the Company over the same period last year was approximately RMB16.3 million.

LIQUIDITY AND FINANCIAL RESOURCES

Net current assets

Our net current assets at 31 December 2017 was approximately RMB224.5 million, remaining basically stable compared with the same period of last year.

Financial position and bank borrowings

As at 31 December 2017, the Group's cash and cash equivalents amounted to approximately RMB106.3 million. As at 31 December 2016, the Group's cash and cash equivalents amounted to approximately RMB95.8 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 and 2017, the Group did not have any borrowings.

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 2017, 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.

Directors have confirmed that there has not been any material change in the indebtedness and contingent liabilities of Group since 31 December 2016.

Working capital

As at 31 December 2017, total inventories, mainly comprising raw materials, work-in-progress and finished products (after impairment), amounted to approximately RMB36.7 million, and approximately RMB43.2 million as at 31 December 2016. Our marketing team reviews and monitors our inventory level on a regular basis. For the year ended 31 December 2017, the average inventory turnover days was 201.5 days (for the year ended 31 December 2016: 165.3 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 2017, average turnover days of trade and notes receivables was 263.5 days (for the year ended 31 December 2016: 227.5 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. Increase in turnover days of trade and notes receivables was primarily attributable to depressions on market condition, customers generally requested for longer credit periods for settlement.

For the year ended 31 December 2017, average turnover days of trade and bills payables was 134.4 days (for the year ended 31 December 2016: 133.8 days). There was no significant changes in average turnover days compared with 2016.

CAPITAL EXPENDITURES, CAPITAL COMMITMENTS AND HUMAN RESOURCES

For the year ended 31 December 2017 capital expenditures were approximately RMB1.7 million. Payment of capital expenditures increased by approximately RMB0.5 million as compared to the same period of 2016.

As at 31 December 2017, the Group had approximately 165 full-time employees including management, sales, logistics supports and other ancillary personnels. The Group's total wages and salaries amounted to approximately RMB14.2 million for the year ended 31 December 2017. 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 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 2017 amounted to approximately RMB4.2 million. We have complied, in all material respects, with all statutory requirements on retirement contribution in the jurisdictions where 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 Directors is based on remuneration of directors of comparable companies in the industry, time commitment, duties and responsibilities of Directors in Group and our operational and financial performance.

Material acquisitions and disposals

For the year ended 31 December 2017, the Group had no capital acquisition or disposal.

Significant investments

For the year ended 31 December 2017, 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 2017, approximately 22.2% of the Group's sales and none of the Group's cost of sales 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 2017 and 31 December 2016, the Group had not pledged any land or buildings to secure our banking facilities granted.

As at 31 December 2017, notes receivable of RMB4,100,000 (2016: RMB36,600,000) and short term deposits of RMB3,750,000 (2016: Nil) were pledged to secure bills payable of RMB7,850,000 (2016: RMB3,488,000).

SHARE OPTION SCHEME

As at 31 December 2017, 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 2017 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 2017, 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 2017 (2016: 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 2017, 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 (resigned on 19 July 2017), Ms. Guo Ying (appointed on 19 July 2017) 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 2017, 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 (resigned on 19 July 2017)	1/1
Ms. Guo Ying (Appointed on 19 July 2017)	2/2
Mr. Chen Lifan	4/4

The Group's results for the year ended 31 December 2017 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 2017.

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, 29 March 2018

As at the date of this announcement, the Board consists of three executive Directors, Mr. Zheng Ping, Ms. Zheng Fei and Ms. Tang Lo Nar Luler, one non-executive Director, Ms. Kong Xiaoling and three independent non-executive Directors, Ms. Guo Ying, Mr. He Binhui and Mr. Chen Lifan.