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 2018

The board (the "Board") of directors (the "Directors") 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 2018.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2018

	Notes	**2018** **RMB'000**	2017 *RMB'000*
REVENUE	*5*	**55,166**	83,751
Cost of sales		**(44,313)**	(72,323)
Gross profit		**10,853**	11,428
Other income and gains	*5*	**9,688**	6,215
Selling and distribution expenses		**(4,788)**	(4,631)
Administrative expenses		**(21,726)**	(19,416)
Other expenses		**(7,742)**	(712)
Share of loss of a joint venture		**(231)**	–
LOSS BEFORE TAX	*6*	**(13,946)**	(7,116)
Income tax credit/(expense)	*7*	**701**	(10,071)
LOSS FOR THE YEAR		**(13,245)**	(17,187)
Attributable to:			
Owners of the parent		**(13,245)**	(17,187)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	*8*	**RMB(2.0) cents**	RMB(2.6) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2018

	2018	2017
	RMB'000	*RMB'000*
LOSS FOR THE YEAR	**(13,245)**	(17,187)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Changes in fair value of available-for-sale investments	**–**	(1,850)
Exchange differences on translation of foreign operations	**12**	(10)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	**12**	(1,860)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**12**	(1,860)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(13,233)**	(19,047)
Attributable to:		
Owners of the parent	**(13,233)**	(19,047)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	**2018** **RMB'000**	2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**75,816**	88,157
Prepaid land lease payments		**61,581**	63,406
Investment in a joint venture		**6,519**	–
Financial assets at fair value through profit or loss		**7,779**	–
Available-for-sale investments		**–**	7,041
Total non-current assets		**151,695**	158,604
CURRENT ASSETS			
Inventories		**37,491**	36,665
Trade and bills receivables	*9*	**40,069**	55,158
Prepayments, other receivables and other assets		**6,860**	5,460
Financial assets at fair value through profit or loss		**10,058**	10,400
Pledged deposits		**53,177**	57,750
Cash and cash equivalents		**109,825**	106,280
Total current assets		**257,480**	271,713
CURRENT LIABILITIES			
Trade and bills payables	*10*	**22,254**	25,976
Other payables and accruals		**14,853**	17,195
Provision		**2,212**	1,627
Government grants		**1,070**	2,021
Tax payable		**637**	401
Total current liabilities		**41,026**	47,220
NET CURRENT ASSETS		**216,454**	224,493
TOTAL ASSETS LESS CURRENT LIABILITIES		**368,149**	383,097

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
31 December 2018

	2018	2017
	RMB'000	*RMB'000*
TOTAL ASSETS LESS CURRENT LIABILITIES	**368,149**	383,097
NON-CURRENT LIABILITIES		
Government grants	**–**	1,070
Deferred tax liabilities	**3,342**	3,700
Total non-current liabilities	**3,342**	4,770
Net assets	**364,807**	378,327
EQUITY		
Equity attributable to owners of the parent		
Share capital	**5,406**	5,406
Reserves	**359,396**	372,916
	364,802	378,322
Non-controlling interests	**5**	5
Total equity	**364,807**	378,327

NOTES TO FINANCIAL STATEMENTS

31 December 2018

1. CORPORATE AND GROUP INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 19 November 2010. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business in China is located at Kegong Road, Fengxian District, Shanghai, People's Republic of China (the "PRC").

During the year, the Company and its subsidiaries (the "Group") was principally involved in the manufacture and sale of automobile air-conditioner parts and components.

In the opinion of the directors, the parent company and the ultimate holding company of the Company is Youshen International Group Limited, which is incorporated in British Virgin Islands.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss (2017: Available-for-sale investments) and debt instrument at fair value through other comprehensive income, which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

Except for the amendments to HKFRS 2, amendments to HKFRS 4, amendments to HKAS 40, HK(IFRIC)-Int 22 and *Annual Improvements 2014-2016 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

With the exception of hedge accounting, which is not relevant to the preparation of the Group's financial statements, the Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

Classification and measurement

The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("ECLs").

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 January 2018 is as follows:

		HKAS 39 measurement		Re-			HKFRS 9 measurement	
	Notes	**Category**	**Amount**	**classification**	**ECL**	**Others**	**Amount**	**Category**
			RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	
Financial assets								
Available-for-sale investments	*(i)*	AFS[1]	7,041	(7,041)	–	–	–	N/A
To: Financial assets at fair value through profit or loss	*(i)*			7,041	–	–		
Financial assets at fair value through profit or loss	*(i)*	N/A	–	7,041	–	–	7,041	FVPL[2]
From: Available-for-sale investments	*(i)*			(7,041)	–	–		
Debt instrument at fair value through other comprehensive income	*(ii)*	N/A	–	20,984	–	–	20,984	FVOCI[3]
From: Bills receivable	*(ii)*			(20,984)	–	–		
Bills receivable	*(ii)*	L&R[4]	20,984	(20,984)	–	–	–	N/A
To: Debt instrument at fair value through other comprehensive income	*(ii)*			20,984	–	–		
Trade receivables		L&R	34,174	–	(21)	–	34,153	AC[5]
			62,199	–	(21)	–	62,178	

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) (continued)

Classification and measurement (continued)

	HKAS 39 measurement		Re-			HKFRS 9 measurement	
	Category	Amount	classification	ECL	Others	Amount	Category
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	
Financial assets included in prepayments, other receivables and other assets	L&R	884	–	77	–	961	AC
Financial assets at fair value through profit or loss	FVPL	10,400	–	–	–	10,400	FVPL
Pledged deposits	L&R	57,750	–	–	–	57,750	AC
Cash and cash equivalents	L&R	106,280	–	–	–	106,280	AC
Total assets		237,513	–	56		237,569	
Financial liabilities							
Trade and bills payables	AC	25,976	–	–	–	25,976	AC
Financial liabilities included in other payables and accruals	AC	5,820	–	–	–	5,820	AC
		31,796	–	–	–	31,796	
Other liabilities							
Deferred tax liabilities		3,700	–	4	339	4,043	
Total liabilities		35,496	–	4	339	35,839	

1 AFS: Available-for-sale investments
2 FVPL: Financial assets at fair value through profit or loss
3 FVOCI: Financial assets at fair value through other comprehensive income
4 L&R: Loans and receivables
5 AC: Financial assets or financial liabilities at amortised cost

Notes:

(i) The Group has classified its listed investments previously classified as available-for-sale investments as financial assets measured at fair value through profit or loss in HKFRS 9.

(ii) The Group has classified its bills receivable previously classified as loans and receivables as financial assets measured at fair value through other comprehensive income as these bills receivable are held within a business model with the objective of both holding to collect contractual cash flows and selling, and the contractual terms of the bills receivable give rise on specified dates to cash flows that are solely payments of principal.

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) (continued)

Impairment

The following table reconciles the aggregate opening impairment allowances under HKAS 39 to the ECL allowances under HKFRS 9.

	Impairment allowances under HKAS 39 at 31 December 2017	**Re-measurement**	**ECL allowances under HKFRS 9 at 1 January 2018**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	3,214	21	3,235
Financial assets included in prepayments, other receivables and other assets	1,388	(77)	1,311
	4,602	(56)	4,546

Impact on reserves and retained profits

The impact of transition to HKFRS 9 on reserves and retained profits is as follows:

	Reserves and retained profits
	RMB'000
Fair value reserve under HKFRS 9 (available-for-sale investment revaluation reserve under HKAS 39)	6,779
Balance as at 31 December 2017 under HKAS 39	
Reclassification of financial assets from available-for-sale investments to financial assets at fair value through profit or loss	(6,779)
Balance as at 1 January 2018 under HKFRS 9	–
Retained profits	
Balance as at 31 December 2017 under HKAS 39	141,084
Recognition of expected credit losses for trade receivables under HKFRS 9	(21)
Recognition of expected credit losses for other receivables under HKFRS 9	77
Reclassification of available-for-sale investments to financial assets at fair value through profit or loss	6,779
Deferred tax in relation to the above	(343)
Balance as at 1 January 2018 under HKFRS 9	147,576

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(b) HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The disclosures are included in note 5 to the financial statements. The adoption of HKFRS 15 has had no significant financial effect on the financial statements except for the effect described below.

(i) Consideration received from customers in advance

Before the adoption of HKFRS 15, the Group recognised consideration received from customers in advance as advances from customers. Under HKFRS 15, the amount is classified as contract liabilities which are included in other payables and accruals.

Therefore, upon adoption of HKFRS 15, the Group reclassified RMB7,161,000 from advances from customers to contract liabilities as at 1 January 2018 in relation to the consideration received from customers in advance as at 1 January 2018.

As at 31 December 2018, under HKFRS 15, RMB6,020,000 was reclassified from advances from customers to contract liabilities in relation to the consideration received from customers in advance for the sale of products.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organised into business units based on their products and only has one reportable operating segment. Management monitors the operating results of the Group's operating segment as a whole for the purpose of making decisions about resource allocation and performance assessment.

Geographical information

Revenue from external customers

	2018	2017
	RMB'000	*RMB'000*
Mainland China	**45,264**	65,633
Asia	**5,285**	5,376
United States of America	**3,715**	3,413
Canada	**202**	8,713
Others	**700**	616
	55,166	83,751

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

All of the non-current assets of the Group was located in Mainland China.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Information about major customers

For the year ended 31 December 2018, revenue from two customers (2017: three) accounted for more than 10% of the Group's total revenue individually.

	2018	2017
	RMB'000	*RMB'000*
Customer A	**6,499**	18,575
Customer B	**5,691**	14,394
Customer C	**–***	12,289
	12,190	45,258

* Less than 10%

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2018	2017
	RMB'000	*RMB'000*
Revenue from contracts with customers	**55,166**	–
Sale of goods	**–**	83,751
	55,166	83,751

(i) Disaggregated revenue information

For the year ended 31 December 2018

	RMB'000
Timing of revenue recognition	
Goods transferred at a point in time	55,166

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2018
	RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	
Sale of goods	3,319

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers

(ii) Performance obligation

At 31 December 2018, the remaining performance obligations (unsatisfied or partially unsatisfied) are expected to be recognised within one year. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

	2018	2017
	RMB'000	*RMB'000*
Other income		
Government grants	**2,021**	2,021
Interest income	**4,246**	2,413
Investment income from financial assets at fair value through profit or loss/ available-for-sale investments	**1,015**	1,588
Dividend income from financial assets at fair value through profit or loss/ available-for-sale investments	**253**	191
Foreign exchange gains, net	**1,067**	–
Gross rental income	**278**	–
	8,880	6,213
Gains		
Fair value gain on financial assets at fair value through profit or loss	**796**	–
Others	**12**	2
	808	2
	9,688	6,215

6. LOSS BEFORE TAX

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

	2018	2017
	RMB'000	*RMB'000*
Cost of inventories sold	**44,313**	72,323
Depreciation of items of property, plant and equipment	**8,977**	8,894
Impairment of items of property, plant and equipment	**6,665**	-
Amortisation of land lease payments	**1,825**	1,825
Impairment of trade receivables	**2,158**	55
Reversal of impairment of other receivables	**(1,293)**	–
Product warranty provision, net of reversal	**739**	552
Minimum lease payment under an operating lease	**1,231**	1,121
Auditor's remuneration	**811**	717
Loss on disposal of items of property, plant and equipment, net	**118**	8
Fair value gain on financial assets at fair value through profit or loss	**(796)**	–
Foreign exchange differences, net	**(1,067)**	463
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	**7,745**	9,003
Pension scheme contributions	**2,061**	2,399
Staff welfare expenses	**1,124**	1,144
	10,930	12,546

7. INCOME TAX

	2018	2017
	RMB'000	*RMB'000*
Current tax:		
Charge for the year	**–**	20
Overprovision in prior years	**–**	(103)
Deferred tax	**(701)**	10,154
Total tax (credit)/charge for the year	**(701)**	10,071

8. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent, and the number of ordinary shares of 65,000,000 (2017: 65,000,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2018 and 2017.

9. TRADE AND BILLS RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Trade receivables	**35,629**	37,388
Bills receivable	**9,833**	20,984
	45,462	58,372
Impairment	**(5,393)**	(3,214)
	40,069	55,158

The Group's trading terms with its customers are mainly on credit. The credit period for trade receivables is generally 30 to 90 days, extending up to one year for major customers. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

The Group's bills receivable of RMB3,700,000 (2017: RMB4,100,000) and pledged deposits of RMB3,177,000 (2017: RMB3,750,000) were pledged to secure bills payable of RMB6,857,000 (2017: RMB7,850,000).

As at 31 December 2018, bills receivable of RMB9,833,000 whose fair values approximate to their carrying values were classified as financial assets at fair value through other comprehensive income under HKFRS 9. The fair value changes of these bills receivable at fair value through other comprehensive income were insignificant during the year.

9. TRADE AND BILLS RECEIVABLES (CONTINUED)

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2018	2017
	RMB'000	*RMB'000*
Less than 1 month	**4,803**	7,987
1 to 3 months	**11,763**	14,039
3 to 12 months	**12,049**	11,235
Over 12 months	**1,621**	913
	30,236	34,174

10. TRADE AND BILLS PAYABLES

	2018	2017
	RMB'000	*RMB'000*
Trade payables	**15,397**	18,126
Bills payable	**6,857**	7,850
	22,254	25,976

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

	2018	2017
	RMB'000	*RMB'000*
Less than 1 month	**2,769**	5,061
1 to 3 months	**3,840**	5,612
3 to 6 months	**3,419**	4,117
6 to 12 months	**504**	1,066
Over 12 months	**4,865**	2,270
	15,397	18,126

As at 31 December 2018, the Group's bills payable of RMB6,857,000 (2017: RMB7,850,000) were secured by certain of the Group's bills receivable of RMB3,700,000 (2017: RMB4,100,000) and pledged deposits of RMB3,177,000 (2017: RMB3,750,000), respectively.

The trade payables are non-interest-bearing and are normally settled in three months.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2018, affected by the slowdown of China's economic growth and the general decline in the auto industry, the Group's overall business volume reduced substantially compared to last year. As China's economic growth slowed to the auto upstream and downstream companies of the Group, our management actively adjusted the order structure and customer composition of automotive heat exchanger products, reduced orders with losses or low profits, consolidated and reinforced orders and customers with relatively high profits, and ensured the profitability of our products. At the same time, the Group increased its efforts in collecting account receivables, tracked inventory level in real time, adjusted production plan as appropriate, and streamlined personnel and expenses according to actual needs to reduce losses.

Although there were many uncertainties in the external environment, during the year, our managers focused on strengthening the internal management of the Group, optimized the Group's business model and structure, increased research and development of our technology, product and business, and actively explored and expanded in the fields of new energy vehicles, innovative technologies and financial services.

For the year ended 31 December 2018, the Group reported revenue of RMB55.2 million, a decrease of RMB28.6 million compared with the same period of last year, mainly due to the Group's initiative to adjust its order structure and customer composition, reduce or eliminate products with poor profitability, and concentrate on producing and selling products with relatively high profitability.

Analyzed by product segment, revenue from sales of evaporators, condensers and others for the year ended 31 December 2018 amounted to RMB42.6 million, RMB9.7 million and RMB2.9 million respectively.

Analyzed by market segment, our domestic business for the year ended 31 December 2018 reported sales revenue of RMB45.3 million, while our international business for the year ended 31 December 2018 reported sales revenue of RMB9.9 million.

In order to upgrade and promote transformation of the Group's business, the Group actively adjusted its order structure and customer composition and impaired assets, resulting in a net loss of RMB13.2 million for the year ended 31 December 2018, a decrease from the net loss of RMB17.2 million for the year ended 31 December 2017.

SALES OF AUTOMOTIVE HEAT EXCHANGER AND OTHER PRODUCTS

Both sales in the domestic market and international market decreased for the year ended 31 December 2018. Among which:

Sales to the Domestic Market

Revenue from sales of evaporators amounted to RMB34.8 million, decreased by 25.5% as compared to the same period last year. Revenue from sales of condensers amounted to RMB8.1 million, decreased by 33.2%, as compared to the same period last year. The decline in sales was mainly attributable to the intense competition in the market and the Group's initiative to adjust the order structure and customer composition of our products.

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

Sales to the International Market

Revenue from sales of evaporators amounted to RMB7.8 million, decreased by 1.3% as compared to the same period last year. Revenue from sales of condensers amounted to RMB1.6 million, decreased by 78.2% as compared to the same period last year. The decline in sales was primarily affected by the Group's initiative to adjust its sales policies to curtail orders of low or negative profitability.

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

OUTLOOK AND STRATEGY

With the increasing number of traditional vehicles and the increasing demand for new energy vehicles, the automotive aftermarket and new energy auto parts market will continue to grow, and the aftermarket and new energy auto parts market will outperform the traditional vehicle market. It will bring huge market space and development opportunities for automotive after-sales products and new energy auto parts suppliers. Our management will continue to optimize the Group's business model and structure, enhance the Group's core technology and competitiveness, fully tap the market potential and demand, and expand sales network and efforts. At the same time, the Group will continue to optimize its cost structure, increase its efforts in collecting account receivables, revitalize idle stocks and assets, improve cash flow management, and budget in advance for the Group's future development needs. The Group will endeavour to train and recruit various talents with technology, management, investment and financing backgrounds, in order to promote an all-round development and transformation of the Group business, and turn losses into profits soon.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2018, revenue was approximately RMB55.2 million, a decline of approximately RMB28.6 million or 34.1% from that of the corresponding period of 2017 which was approximately RMB83.8 million.

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

	Year ended 31 December 2018 *RMB'000*	**% of revenue**	**Year ended 31 December 2017** *RMB'000*	**% of revenue**
Domestic				
Evaporators	34,835	63.1%	46,773	55.9%
Condensers	8,128	14.7%	12,174	14.5%
Others	2,301	4.2%	5,042	6.0%
Sub-total	45,264	82.0%	63,989	76.4%
International				
Evaporators	7,752	14.1%	7,853	9.4%
Condensers	1,552	2.8%	7,111	8.5%
Others	598	1.1%	4,798	5.7%
Sub-total	9,902	18.0%	19,762	23.6%
Total	55,166	100.0%	83,751	100.0%

Gross profit and gross margin

For the year ended 31 December 2018, overall gross profit decreased to approximately RMB10.9 million from RMB11.4 million for the year ended 31 December 2017. Gross profit from sales to domestic market was approximately RMB8.5 million for the year ended 31 December 2018 representing a decrease of approximately RMB2.2 million over the same period of last year. Gross profit from sales to international market was approximately RMB2.4 million for the year ended 31 December 2018, representing an increase of approximately RMB1.7 million over the same period of last year. Confronted with economic downturn, recession in industry, increase in labor costs and raw material prices and other unfavorable conditions, the Group's overall gross profit decreased slightly by approximately RMB0.5 million as compared to the same period last year.

For the year ended 31 December 2018, overall gross margin increased to 19.7% from 13.6% for the year ended 31 December 2017. The increase in overall gross margin of the Group was mainly attributable to the Group's initiative to adjust sales policies to reduce orders with losses or low profits, consolidate and reinforce orders and customers with relatively high profits.

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

Gross Profit	**Year ended 31 December 2018** *RMB'000*	Year ended 31 December 2017 *RMB'000*
Domestic		
Evaporators	**7,568**	9,894
Condensers	**959**	355
Others	**(80)**	458
Sub-total	**8,447**	10,707
International		
Evaporators	**2,066**	846
Condensers	**182**	808
Others	**158**	(933)
Sub-total	**2,406**	721
Total	**10,853**	11,428

Other income and gains

Other income and gains increased by approximately RMB3.5 million from approximately RMB6.2 million for the year ended 31 December 2017 to approximately RMB9.7 million for the year ended 31 December 2018. This was mainly caused by the increase in interest income and foreign exchange gains.

Selling and distribution costs

Selling and distribution costs primarily comprised of 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 2018 mainly due to the increase in sales-related travelling and entertainment expenses in order to develop new customers and businesses.

Administrative expenses

Administrative expenses primarily comprised of staff-related costs, various local taxes and education surcharges, depreciation, amortization of land use rights, operating lease rental payments, research and development expenses and miscellaneous expenses. Administrative expenses increased for the year ended 31 December 2018 mainly because of the increase in office and entertainment expenses. The increase in office expenses was due to renovations of the property. The increase in entertainment expenses was due to expansion into new markets and businesses.

Other expenses

Other expenses primarily comprised of impairment on assets and miscellaneous expenses. Other expenses increased mainly because the Group recognized an impairment of assets in an effort to upgrade and transform the Group's business into high-end business with high profitability.

Share of loss of a joint venture

On 28 December 2017, the Group entered into agreements to invest a 45% of interests in Anhui Shuanghua Heat Exchange System Co. Ltd. ("Anhui Shuanghua") at a consideration of RMB6,750,000 which was fully paid in 2018. Anhui Shuanghua was established in 31 May 2018 and is currently under construction. Due to the start-up expenses of Anhui Shuanghua, the Group will bear the shared loss of Anhui Shuanghua, amounted to approximately RMB0.2 million for the year ended 31 December 2018 (for the year ended 31 December 2017: nil).

Income tax

For the year ended 31 December 2018, the Group's overall income tax credit was approximately RMB0.7 million, while there was an income tax expense of RMB10.0 million in the year ended 31 December 2017.

Loss for the year

Loss attributable to the owners of the Company was approximately RMB13.2 million for the year ended 31 December 2018, while loss attributable to the owners of the Company over the same period last year was approximately RMB17.2 million.

LIQUIDITY AND FINANCIAL RESOURCES

Net current assets

Our net current assets decreased from approximately RMB224.5 million as at 31 December 2017 to approximately RMB216.5 million as at 31 December 2018.

Financial position and bank borrowings

As at 31 December 2018, the Group's cash and cash equivalents amounted to approximately RMB109.8 million. As at 31 December 2017, the Group's cash and cash equivalents amounted to approximately RMB106.3 million. As at 31 December 2017 and 2018, the Group did not have any borrowings. The gearing ratio was not applicable to the Group (for the year ended 31 December 2017: nil).

Save as aforesaid or otherwise disclosed in the notes to the financial statements, and apart from intra-group liabilities, as at 31 December 2018, 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.

The directors have confirmed that there has not been any material change in the indebtedness and contingent liabilities of the Group since 31 December 2017.

Working capital

As at 31 December 2018, total inventories, mainly comprising raw materials, work-in-progress and finished products (after impairment), amounted to approximately RMB37.5 million, and approximately RMB36.7 million as at 31 December 2017. Our marketing team reviews and monitors our inventory level on a regular basis. For the year ended 31 December 2018, the average inventory turnover days was 520.0 days (for the year ended 31 December 2017: 201.5 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 increase in inventory turnover was mainly attributable to the fact that sales and related costs declined amidst weak market conditions.

For the year ended 31 December 2018, average turnover days of trade and bills receivables was 338.8 days (for the year ended 31 December 2017: 263.5 days). Trade and bills receivables turnover days are arrived at by dividing the arithmetic means of the opening and ending balances of trade and bills receivables for the relevant period by revenue of the same period and multiplying the quotient by 365 days. The increase in turnover days of trade and bills receivables was primarily attributable to increase in the percentage of sales to local customers, which generally requested for longer credit periods from us and used bills receivables with maturity period of 6 months to settle their outstanding amounts.

For the year ended 31 December 2018, average turnover days of trade and bills payables was 195.9 days (for the year ended 31 December 2017: 134.4 days). The actual payment period for our purchases was extended, as the Group slowed down its payment to suppliers in tandem with the slowdown of the Group's collection from customers, in order to maintain a sound level of cash flow.

CAPITAL EXPENDITURES, CAPITAL COMMITMENTS AND HUMAN RESOURCES

For the year ended 31 December 2018, capital expenditures were approximately RMB3.5 million. Payment of capital expenditures increased by approximately RMB1.8 million as compared to the same period of 2017, mainly attributed to renovations of the property.

As at 31 December 2018, the Group had approximately 131 full-time employees including management, sales, logistics supports and other ancillary personnels. The Group's total wages and salaries for the year ended 31 December 2018 amounted to approximately RMB7.7 million (for the year ended 31 December 2017: approximately RMB9.0 million). 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 People's Republic of China ("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 the 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 2018 amounted to approximately RMB3.2 million (for the year ended 31 December 2017: approximately RMB3.5 million). We have complied, in all material respects, with all statutory requirements on retirement contribution in the jurisdictions where the 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 the Directors is based on remuneration of directors of comparable companies in the industry, time commitment, duties and responsibilities of the Directors in the Group and our operational and financial performance.

Material acquisitions and disposals

For the year ended 31 December 2018, the Group had no capital acquisition or disposal.

Significant investments

On 28 December 2017, the Group entered into agreements to invest a 45% of interests in Anhui Shuanghua at a consideration of RMB6,750,000 which was fully paid in 2018. Anhui Shuanghua was established in 31 May 2018 and is currently under construction.

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 fluctuations in the exchange rates of HKD to RMB and USD to RMB. 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 2018, bills receivable of RMB3,700,000 and pledged deposits of RMB3,177,000 were pledged to secure bills payable of RMB6,857,000. As at 31 December 2017, bills receivable of RMB4,100,000 and pledged deposits of RMB3,750,000 were pledged to secure bills payable of RMB7,850,000.

SHARE OPTION SCHEME

As at 31 December 2018, no share options were granted or exercised pursuant to the share option scheme adopted.

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 OFFERING

As at 31 December 2018, a balance of approximately RMB10.0 million of the proceeds from the initial public offering of the Company remained unutilised.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2018 (31 December 2017: nil).

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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 2018, 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, Ms. Guo Ying 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 requirements under the Corporate Governance 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 Corporate Governance Code contained in the Listing Rules and disclosures in the corporate governance report.

During the financial year ended 31 December 2018, 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 Corporate Governance Code.

The Group's results for the year ended 31 December 2018 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards.

COMPLIANCE WITH THE MODEL CODE

The Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to 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 2018.

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 dispatched 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 2019

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, one non-executive Director, Ms. Kong Xiaoling and three independent non-executive Directors, Ms. Guo Ying, Mr. He Binhui and Mr. Chen Lifan.