Interim Report 2013

Shuanghua Holdings Limited
雙 樺 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 1241

CONTENTS

CORPORATE INFORMATION

Company Name:	Shuanghua Holdings Limited
Registered Office:	Codan Trust Company (Cayman) Limited Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY-1111, Cayman Islands
Headquarters:	9/F, Tongsheng Building, No. 458 Fushan Road, Pudong, Shanghai, P.R.C.
Postal Code:	200122
Hong Kong Principal Business Address:	2/F Eton Tower, 8 Hysan Avenue, Causeway Bay, Hong Kong
Company Website:	http://www.shshuanghua.com
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Financial Year End:	31 December
Board of Directors:	*Executive Directors* Mr. ZHENG Ping Ms. TANG Lo Nar *Non-executive Director* Ms. KONG Xiaoling *Independent non-executive Directors* Mr. ZHAO Fenggao Mr. HE Binhui Mr. CHEN Lifan

Company Secretary:	Ms. TANG Lo Nar
Authorised Representatives:	Mr. ZHENG Ping Ms. TANG Lo Nar
Audit Committee:	Mr. HE Binhui *(Chairman)* Mr. ZHAO Fenggao Mr. CHEN Lifan
Remuneration Committee:	Mr. ZHAO Fenggao *(Chairman)* Mr. HE Binhui Mr. CHEN Lifan
Nomination Committee:	Mr. CHEN Lifan *(Chairman)* Mr. HE Binhui Mr. ZHAO Fenggao
Hong Kong Share Registrar:	Computershare Hong Kong Investor Services Limited Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Principal Banker:	China Construction Bank Corporation Shanghai Branch Fengxian Sub-branch No. 332 Jiefang Zhong Road, Nanqiao Town, Fengxian District, Shanghai, PRC
HKEx Stock Code:	1241.HK
Listing Date:	30 June 2011

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Shuanghua Holdings Limited ("Shuanghua" or the "Company"; collectively with its subsidiaries referred to as "the Group") achieved during the six months ended 30 June 2013 ("the period") a revenue of RMB150.8 million, representing a decrease of RMB81.7 million, or 35.2% from the same period of 2012. During the first half of 2013, the Group's net profit was RMB5.1 million, as compared to a net profit of RMB21.6 million during the same period of last year, representing a decrease of 76.4%.

The primary reasons for the decline in the Group's performance were (1) decrease in the share of profits attributable to us from Macs (Baoding) Auto A/C Systems Co., Ltd. ("Macs Baoding"), an associate of the Company; (2) unsatisfactory performance of the Group's operations in the compressor segment; (3) worsened domestic macroeconomic conditions in the People's Republic of China (the "PRC") and economies in Europe and North America, and (4) impact of RMB's appreciation.

SALES TO DOMESTIC MARKET

During the six months ended 30 June 2013, our sales volume to domestic market of condensers and heaters fell by approximately 27.0% and 47.8% respectively comparing with that of the corresponding period of 2012. Average selling prices also had a slight decrease as compared to the same period in 2012. Decrease in sales volume led to year-on-year decrease in revenue from sales to domestic market of condensers and heaters of approximately 31.3% and 48.4% respectively from the same period of 2012. The Group's revenue generated by sales of evaporators to domestic market recorded a slight decrease of 1.9% from the corresponding period of last year, with its sales volume increasing slightly by 1.5% as compared to the same period in 2012. The small decrease in average selling prices caused a slight decline in the revenue from sales of evaporators comparing to the corresponding period in 2012 as well. The decrease in our sales to domestic market was mainly due to lower sales to our associate, Macs Baoding.

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

SALES TO INTERNATIONAL MARKETS

Our sales to international markets are primarily to the North American and Asian markets. For the six months ended 30 June 2013, the Group's revenue from sales to international markets of self-manufactured evaporators, condensers and heaters rose by approximately 1.9%, 6.3% and 29.9%, respectively, from the same period of 2012. As unfavourable conditions continued to prevail in the international automotive markets, the Group sought to provide quality products for North American and Asian customers to enhance revenue from overseas, in a bid to prevent shrinking demand in the international markets. For the six months ended 30 June 2013, average selling prices of self-manufactured evaporators and condensers sold to international markets slightly increased as compared to the same period of 2012 with sales volume basically remaining flat as compared to the same period of last year. Therefore, revenue from international market sales of self-manufactured evaporators and condensers grew by approximately 1.9% and 6.3% respectively. In the meantime, in an attempt to gain greater market share for heaters sold to international markets, the Group lowered prices to promote sales volume. For the six months ended 30 June 2013, average selling prices of heaters dropped by 5.0% from the same period in 2012, while sales volume increased immensely by 36.6%.

For the six months ended 30 June 2013, the Group's revenue from sales to international markets of self-manufactured compressors went down significantly by approximately 91.3% from the same period of 2012. Since March 2013, the Group suspended production and sale of compressors due to the Group's adjustment to its compressor production. For the six months ended 30 June 2013, sales volume to international markets of our self-manufactured compressors recorded a steep decrease of approximately 90.7% from the same period of 2012.

For the six months ended 30 June 2013, the Group's revenue from sales to international markets of trading compressors fell significantly by approximately 97.4% from the same period of 2012. The Group maintained only a minimal amount of trading compressors sales in 2013. Sales of trading compressors substantially decreased mainly because the main trading compressors supplier of the Group has commenced its own compressors trading business since the second half of 2012, and hence the Group substantially reduced our purchase of compressors from this supplier. For the six months ended 30 June 2013, sales volume of the Group's trading compressors to international markets decreased by approximately 97.4% as compared to the corresponding period in 2012.

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

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK

The Group will continue to focus its efforts on the Original Equipment Manufacturer ("OEM") market and the After-sale Maintenance ("AM") market, with special emphasis on building sales and services networks in the domestic after-sales market. In addition, the Group will expand its scope of business by diversifying range of automobile parts for sale as well as extending into automobile accessories and maintenance services sectors. As the performance of compressor projects is unsatisfactory, the Group is actively considering to shrink investment in compressor projects and implements such projects by way of joint venture, equity co-operation and other possible ways. The Group will continue to leverage its access to the capital market, actively identifying opportunities for acquisitions, investments, joint ventures or strategic alliances in a bid to drive its strategy of vertical as well as horizontal expansion.

As set out in the announcement of the Company dated 14 January 2013, Automart Holdings Limited ("Hong Kong Automart"), a wholly-owned subsidiary of the Company, had entered into a memorandum of understanding on 4 December 2012 with Great Wall Motor Co., Ltd. (長城汽車股份有限公司) containing, amongst others, their intention to discuss on certain business opportunities. Such business opportunities include the potential disposal (the "Potential Disposal") by Hong Kong Automart of its equity interest in Macs Baoding. Both parties agreed to proceed with the discussions and negotiations in respect of the Potential Disposal, and final terms and conditions will be confirmed upon signing of definitive agreement (if entered into). As at the date of this report, no legally binding agreement or whatsoever in relation to the Potential Disposal has been entered into and there is no assurance that any legally binding agreement will be entered into or the Potential Disposal will be proceeded at all.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2013, revenue was approximately RMB150.8 million, representing a decrease of RMB81.7 million, or 35.2%, from RMB232.5 million in the same period of 2012.

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

	For the six months ended 30 June			
	2013		2012	
Revenue	**RMB'000**	**% of revenue**	RMB'000	% of revenue
Domestic				
Evaporators	**52,459**	**34.8%**	53,463	23.0%
Condensers	**31,225**	**20.7%**	45,446	19.5%
Heaters	**5,643**	**3.7%**	10,946	4.7%
Others	**9,445**	**6.3%**	11,612	5.0%
Sub-total	**98,772**	**65.5%**	121,467	52.2%
International – self-manufactured				
Evaporators	**15,687**	**10.4%**	15,396	6.6%
Condensers	**15,665**	**10.4%**	14,742	6.3%
Heaters	**1,189**	**0.8%**	915	0.4%
Compressors	**1,797**	**1.2%**	20,626	8.9%
Others	**3,517**	**2.3%**	1,622	0.7%
Sub-total	**37,855**	**25.1%**	53,301	22.9%
International – trading				
Compressors	**722**	**0.5%**	27,776	11.9%
Others	**13,426**	**8.9%**	29,994	13.0%
Sub-total	**14,148**	**9.4%**	57,770	24.9%
Total	**150,775**	**100.0%**	232,538	100.0%

Gross profit and gross margin

For the six months ended 30 June 2013, overall gross profit was approximately RMB28.0 million (six months ended 30 June 2012: RMB42.7 million). Gross profit of the period dropped by 34.4%. Gross profit from sales to domestic market was approximately RMB21.4 million, representing a decrease of RMB4.9 million over the same period of last year. Gross profit from sales to international market was approximately RMB6.6 million, representing a decrease of approximately RMB9.8 million from the same period of last year. Decreases in sales to both domestic and international markets led to an overall decrease during the period in the Group's gross profit of RMB14.7 million from the same period of last year.

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

	For the six months ended 30 June	
Gross Profit	**2013 RMB'000**	2012 RMB'000
Domestic		
Evaporators	**17,070**	17,635
Condensers	**2,676**	5,610
Heaters	**1,160**	1,320
Others	**502**	1,709
Sub-total	**21,408**	26,274
International – self-manufactured		
Evaporators	**4,483**	3,667
Condensers	**2,221**	2,300
Heaters	**331**	225
Compressors	**(2,871)**	174
Others	**170**	389
Sub-total	**4,334**	6,755
International – trading		
Compressors	**86**	2,773
Others	**2,217**	6,928
Sub-total	**2,303**	9,701
Total	**28,045**	42,730

For the six months ended 30 June 2013, overall gross margin was 18.6%, remaining flat from last year's overall gross margin of 18.4% in the same period of 2012.

Other income and gains

During the period under review, other income and gains was approximately RMB2.4 million during the six months ended 30 June 2012, while other income and gains during the six months ended 30 June 2013 was approximately RMB2.3 million, remaining stable in comparison between the two periods. For the six months ended 30 June 2013, other income and gains mainly represents grants of approximately RMB0.8 million, gains on disposal of financial assets at fair value through profit or loss of approximately RMB0.7 million, gains on disposals of fixed assets of approximately RMB0.4 million and bank interest income of approximately RMB0.2 million.

Share of profits of an associate

Our share of profits of an associate decreased by approximately RMB6.0 million from approximately RMB9.9 million for the six months ended 30 June 2012 to approximately RMB3.9 million for the six months ended 30 June 2013. The decrease was primarily attributable to the decrease in profit resulting from a decline in operating results in 2013 compared to that of the corresponding period of last year of Macs Baoding (a 49% associate of the Group).

Selling and distribution costs

Selling and distribution costs comprised primarily staff-related costs, transportation fees, operating lease rental expenses, travelling expenses and other miscellaneous expenses. Selling and distribution costs decreased during the six months ended 30 June 2013 mainly because the drastic decrease of sales revenue has caused a substantial decrease in sales-related transportation expenses.

Administrative and other expenses

Administrative and other expenses comprised primarily staff-related costs, various local taxes and education surcharges, depreciation, amortization of land use rights, operating lease rental payments, agency service fees, research and development expenses and miscellaneous expenses. The increase in administrative and other expenses during the six months ended 30 June 2013 was mainly attributable to the Group's concentrated focus on research and development of new products during the period, lifting up research and development expenses substantially.

Finance costs

We provide funds required for our working capital and procurement by raising loans from banking institutions in Mainland China. Finance costs amounted to approximately RMB0.2 million for the six months ended 30 June 2013 and RMB4.9 million for the corresponding period in 2012. The significant decrease in finance costs was mainly because the Group did not have any new bank loans after repaying the bank loans due this year. The Group greatly reduced bank borrowings to economise on finance costs.

Income tax expense

For the six months ended 30 June 2013, our overall income tax expense was approximately RMB5.0 million, including the withheld and remitted Enterprise Income Tax made for the dividends declared by Macs Baoding in 2013 amounting to approximately RMB3.2 million. Excluding its impact, the overall income tax expense was 17.6% of the profit before tax for the six months ended 30 June 2013. For the six months ended 30 June 2012, our overall income tax expense was RMB4.4 million or 16.9% of the profit before tax.

Profit for the period

Profit attributable to the owners of the parent of the Group was approximately RMB5.1 million for the six months ended 30 June 2013, and approximately RMB21.6 million for the corresponding period of last year.

LIQUIDITY AND FINANCIAL RESOURCES

Net current assets

Our net current assets increased from approximately RMB179.3 million as at 31 December 2012 to approximately RMB286.9 million as at 30 June 2013. The increase in net current assets was mainly because there were no substantial bank loans in 2013, and the remaining balance of interest-bearing bank borrowings decreased by approximately RMB20.0 million from the balance as at 31 December 2012, whilst as at 30 June 2013, net current assets included dividends receivables of approximately RMB91.5 million, which increased our net current assets.

Financial position and bank borrowings

As at 30 June 2013, the Group's total cash and bank balances, most of which were denominated in RMB, amounted to approximately RMB95.1 million. As at 31 December 2012, the Group's total cash and bank balances, most of which were denominated in RMB, amounted to approximately RMB62.1 million. As at 30 June 2013, the Group's total interest-bearing bank borrowings were nil (31 December 2012: approximately RMB20.0 million). Please refer to note 11 to the consolidated financial statements for details of such borrowings and related asset charges. As at 30 June 2013, our gearing ratio, presented as a percentage of total interest-bearing liabilities divided by total assets, was 0% (31 December 2012: 2.9%). Since the Group did not have any new bank loans after repaying bank loans due in 2013, there was a decrease in the total interest-bearing bank borrowings and the gearing ratio.

Save as aforesaid or otherwise disclosed in the notes to the financial statements, and apart from intra-group liabilities, as at the close of business on 30 June 2013, we did not have any outstanding mortgages, charges, debentures, debt securities or other loan capital or bank overdrafts or loans or similar indebtedness or finance lease commitments, liabilities under acceptances or acceptance credits or hire purchase commitments, guarantees or other material contingent liabilities.

Our directors of the Company (the "Directors") have confirmed that there has not been any material change in the indebtedness and contingent liabilities of our Group since 31 December 2012.

Working capital

As at 30 June 2013, our gross inventories, mainly comprising raw materials, work-in progress and finished products, amounted to approximately RMB74.3 million, as compared to approximately RMB85.1 million as at 31 December 2012. Our marketing team reviews and monitors our inventory level on a regular basis. For the six months ended 30 June 2013, the average inventory turnover days were 116.9 days (for the year ended 31 December 2012: 98.3 days). Inventory turnover days are arrived at by dividing the arithmetic means of the opening and ending balances of inventory for the relevant period by cost of sales of the same period and multiplying the quotient by 180 days (for the year ended 31 December 2012: 365 days). The increase in inventory turnover days was mainly attributable to the fact that sales declined amidst weak market sentiments.

For the six months ended 30 June 2013, average turnover days of trade and notes receivables were 132.7 days (for the year ended 31 December 2012: 132.5 days). Average turnover days of trade and notes receivables generally remained flat.

For the six months ended 30 June 2013, average turnover days of trade and bills payables were 90.0 days (for the year ended 31 December 2012: 72.2 days). The actual payment period for our purchases was extended, as the Group settled its payments to its suppliers by bills payables during the period in order to maintain a sound level of cash flow.

CAPITAL EXPENDITURES, CAPITAL COMMITMENTS AND HUMAN RESOURCES

For the six months ended 30 June 2013, capital expenditures were approximately RMB6.4 million, as compared to approximately RMB3.6 million in the same period in 2012. The Group's capital expenditures are primarily related to acquisition of land use rights, construction of production facilities and expenditures for plant, machinery and equipment for business expansion at our Shanghai production base.

As at 30 June 2013, the Group had approximately 688 full-time employees including the management, sales, logistics supports and other ancillary personnel. The Group's total wages and salaries of employees amounted to approximately RMB16.5 million for the six months ended 30 June 2013. Our remuneration policy of employees is primarily based on the job responsibilities, work performance and number of years of services of each employee and the current market conditions.

CAPITAL EXPENDITURES, CAPITAL COMMITMENTS AND HUMAN RESOURCES (Continued)

Pursuant to the relevant PRC labour laws and regulations, the Group has to pay contributions to a number of staff social insurance schemes (including medical, maternity, work injury, unemployment and pension insurances) and staff housing reserve funds. We provide social insurances and pay contributions to housing reserve funds for our employees in accordance with the interpretations to the relevant PRC labour laws and regulations given, and policies and measures executed by local government departments. We have established various welfare plans including the provision of pension funds, medical insurance, unemployment insurance and other relevant insurance for employees who are employed by our Group pursuant to the PRC rules and regulations and the existing policy requirements of the local government. Welfare benefits expenses for the six months ended 30 June 2013 amounted to approximately RMB4.7 million. We have complied, in all material respects, with all statutory requirements on retirement contribution in the jurisdictions where our Group operates.

The determination of the remuneration to our Directors will be based on remuneration of directors of comparable companies in the industry, time commitment, duties and responsibilities of our Directors in our Group and our operational and financial performance.

Under their respective service contracts, each of our executive Directors is entitled to a discretionary year-end bonus of an amount to be determined by the Board or the remuneration committee. Each of our executive Directors will also be entitled to reimbursements of reasonable travelling, hotel, entertainment and other expenses properly incurred in the performance of his/her duties under the relevant service contract.

The basic salary of each of our executive and non-executive Directors will be reviewed by the Nomination Committee at the end of each financial year.

Significant Investment, Material acquisitions and disposals

We did not have any significant investment, material acquisitions or disposals relating to our subsidiaries and associates for the six months ended 30 June 2013. The Group has no plan to make any substantial investment in or acquisition of capital assets save as disclosed in the section headed “Use of Proceeds From the Initial Public Offering by the Company” below.

Foreign exchange risk

The Group’s operations are located in the PRC with RMB as the functional and presentation currency. The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the unit’s functional currency. The main currency exposure of the Group comes from the appreciation of RMB against USD for overseas sales transactions denominated in USD. For the six months ended 30 June 2013, approximately 34.5% of the Group’s sales and 0.4% of costs were denominated in currencies other than the functional currency of operating units making the sales and purchases. At present, the Group does not intend to hedge its exposure to foreign exchange fluctuations. However, the management of the Group constantly monitors the economic situation and the Group’s foreign exchange risk profile and will consider appropriate hedging measures in the future should the need arise.

Contingent liabilities

As at 30 June 2013, the Group did not have any material contingent liabilities.

Pledge of assets

As at 30 June 2013, certain of the Group's amounts due from a related party of RMB5,000,000 and bank balances of RMB5,000,000 were pledged to secure bills payables of RMB10,000,000. As at 31 December 2012, the Group had no outstanding pledge in respect of the said bills payables.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFER BY THE COMPANY

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

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

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

As at 30 June 2013, the unused proceeds from the Initial Public Offer were approximately RMB83.9 million. In view of the declining performance of the compressor segment, the Company has slowed down its investment in the compressor production, and is actively considering running this product in the forms of joint venture, equity co-operation and other possible ways, and as a result the proceeds from the Initial Public Offer were not utilized during the reporting period. The Company will comply strictly to the amended use of proceeds in its deployment.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2013 (for the six months ended 30 June 2012: Nil).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE SHARES

At 30 June 2013, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (a) which have to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO or (b) as recorded in the register required to be kept under Section 352 of SFO or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long positions in shares of the Company

Ordinary shares with nominal value of HK$0.01 per share of the Company

Name of directors	Capacity	Number of shares held	Percentage of issued share capital of the Company (Note b)
Zheng Ping	Controlled corporation interest	282,750,000 (Note a)	43.5%
Kong Xiaoling (Note c)	Interest of Spouse	282,750,000	43.5%

Note a: Mr. Zheng Ping is the executive Director and holds 100% interest in Youshen International Group Limited ("Youshen Group") and he is deemed to be interested in 282,750,000 shares of the Company held by Youshen Group.

Note b: Calculated on the basis of the 650,000,000 shares issued by the Company as at 30 June 2013.

Note c: Ms. Kong Xiaoling is the non-executive Director and is the spouse of Mr. Zheng Ping.

Save as disclosed above, as at 30 June 2013, none of the Directors nor the chief executives of the Company had or was deemed to have any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or (b) which were required to be recorded in the register under Section 352 of the SFO, or (c) otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTEREST IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

At 30 June 2013, to the knowledge of any directors of the Company, the interests of the shareholders in the shares or underlying shares of the Company recorded in the register which the Company is required to maintain pursuant to Section 336 of the SFO (except for the above disclosed interests of the Company's directors) were as follows:

Long positions in shares of the Company

Ordinary shares with nominal value of HK$0.01 per share of the Company

Name of shareholders	Capacity	Number of ordinary shares	Percentage of issued share capital of the Company
Zheng Ping (note 1)	Controlled corporation interest	282,750,000	43.5%
Dong Zongde (note 2)	Controlled corporation interest	169,876,000	26.13%
Youshen Group	Beneficial interest and controlled corporation interest	282,750,000	43.5%
Shuanghua International	Beneficial interest and controlled corporation interest	169,876,000	26.13%
Kong Xiaoling (Note 3)	Interest of Spouse	282,750,000	43.5%

Notes:

1. Mr. Zheng Ping holds 100% interest in Youshen Group and he is deemed to be interested in 282,750,000 shares of the Company held by Youshen Group.

2. Mr. Dong Zongde holds 100% interest in Shuanghua International Limited ("Shuanghua International") and he is deemed to be interested in 169,876,000 shares of the Company held by Shuanghua International.

3. Ms. Kong Xiaoling is the spouse of Mr. Zheng and she is deemed to be interested in 282,750,000 shares of the Company held by Youshen Group.

Save as disclosed above, as at 30 June 2013, no persons had any interests or short positions in the shares or underlying shares of the Company as recorded in the register which the Company is required to maintain pursuant to Section 336 of the SFO.

SHARE OPTIONS

No share options were granted or exercised pursuant to the share option scheme during the interim period and no share options were outstanding as at 30 June 2013.

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

Neither the Company nor its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2013.

CORPORATE GOVERNANCE CODE

The Company had complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2013 except for the followings:

Under the code provision A.2.1, the roles of chairman and chief executive officer ("CEO") of the Group should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and CEO of the Group should be clearly established and set out in writing. The roles of the chairman and the CEO of the Group were not separated and were performed by the same individual. Mr. Zheng Ping acted as both the chairman and CEO throughout the period under review. The Directors meet regularly to consider major matters affecting the operations of the Group. The Directors consider that this structure will not impair the balance of power and authority between the Directors and the management of Group and believe that this structure will enable the Group to make and implement decisions promptly and efficiently.

Under the code provision A.4.1, all independent non-executive Directors are appointed for a specific term of not more than 3 years. Under the Company's Bye-laws, one-third of the Directors must retire and be eligible for re-election at each annual general meeting. As at 30 June 2013, Ms. Tang Lo Nar, executive Director, Mr. He Binhui, independent non-executive Director, and Mr. Chen Lifan, independent non-executive Director, retired from office at the annual general meeting on 2 June 2013, at which Ms. Tang Lo Nar was re-elected as executive Director and Mr. He Binhui and Mr. Chen Lifan were re-elected as independent non-executive Directors.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding directors' securities transactions. The Company, having made specific enquiry of all Directors, confirms that its Directors have complied with the required standard set out in the Model Code during the six months ended 30 June 2013 regarding directors' securities transactions.

NOMINATION COMMITTEE

The Company established a Nomination Committee which is primarily responsible for making recommendations to the Board regarding the Group's engagement of appropriate directors and managerial personnel (including the skills, knowledge and experience) to complement the Company's corporate strategies. The Nomination Committee comprises Mr. Zhao Fenggao, Mr. He Binhui and Mr. Chen Lifan, and is chaired by Mr. Chen Lifan.

REMUNERATION COMMITTEE

The Company established a Remuneration Committee which is primarily responsible for making recommendations to the Board regarding the Group's policy and structure for remuneration of Directors and senior management and determining the specific remuneration packages of all executive Directors and senior management of the Company. The Remuneration Committee comprises Mr. Zhao Fenggao, Mr. He Binhui and Mr. Chen Lifan, and is chaired by Mr. Zhao Fenggao.

AUDIT COMMITTEE

The Company established an Audit Committee (the "Audit Committee") comprising three independent non-executive Directors, namely Mr. Zhao Fenggao, Mr. He Binhui 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 auditors 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed the unaudited consolidated results of the Company for the six months ended 30 June 2013. In particular, the Audit Committee has reviewed with the management of the Company on the accounting principles and practices adopted by the Group and held meetings to discuss the internal controls and financial reporting matters regarding the Group's unaudited consolidated financial statements for the six months ended 30 June 2013.

By Order of the Board
Zheng Ping
Chairman and CEO

Hong Kong, 23 August 2013

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2013

	Notes	For the six months ended 30 June 2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
REVENUE	4	**150,775**	232,538
Cost of sales		**(122,730)**	(189,808)
Gross profit		**28,045**	42,730
Other income and gains	4	**2,272**	2,368
Selling and distribution costs		**(5,928)**	(8,016)
Administrative expenses		**(16,949)**	(15,754)
Other expenses		**(1,054)**	(392)
Finance costs		**(190)**	(4,872)
Share of profits of an associate		**3,898**	9,922
PROFIT BEFORE TAX	5	**10,094**	25,986
Income tax expense	6	**(4,954)**	(4,404)
PROFIT FOR THE PERIOD		**5,140**	21,582
Attributable to:			
Owners of the parent		**5,140**	21,581
Non-controlling interests		**–**	1
		5,140	21,582
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT			
Basic and diluted	7	**0.79 cents**	3.3 cents

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	For the six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**5,140**	21,582
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(26)**	6
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	**(26)**	6
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**5,114**	21,588
Attributable to:		
Owners of the parent	**5,114**	21,587
Non-controlling interests	**–**	1
	5,114	21,588

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	Notes	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	**179,196**	184,639
Prepaid land lease payments	10	**73,216**	74,872
Advance payments for property, plant and equipment		**662**	579
Investment in an associate		**15,982**	113,358
Available-for-sale investments		**262**	262
Deferred tax assets		**12,313**	12,503
Total non-current assets		**281,631**	386,213
CURRENT ASSETS			
Inventories	11	**74,283**	85,132
Trade and notes receivables	12	**75,757**	61,813
Prepayments, deposits and other receivables		**10,538**	6,291
Due from related parties	19(b)	**126,687**	49,551
Financial assets at fair value through profit or loss	13	**3,000**	38,000
Pledged deposits	14	**5,000**	–
Cash and cash equivalents	14	**95,112**	62,081
Total current assets		**390,377**	302,868
CURRENT LIABILITIES			
Trade and bills payables	15	**64,762**	57,625
Other payables and accruals		**28,905**	35,505
Interest-bearing bank borrowings	16	**–**	20,000
Due to related parties	19(b)	**3,350**	5,000
Provision		**4,163**	3,868
Government grants		**1,170**	1,170
Tax payable		**1,091**	400
Total current liabilities		**103,441**	123,568
NET CURRENT ASSETS		**286,936**	179,300
TOTAL ASSETS LESS CURRENT LIABILITIES		**568,567**	565,513

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 June 2013

	Notes	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
TOTAL ASSETS LESS CURRENT LIABILITIES		**568,567**	565,513
NON-CURRENT LIABILITIES			
Government grants		**7,047**	7,632
Deferred tax liabilities		**441**	1,916
Total non-current liabilities		**7,488**	9,548
Net assets		**561,079**	555,965
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**5,406**	5,406
Reserves		**221,533**	221,559
Retained earnings		**334,136**	328,996
		561,075	555,961
Non-controlling interests		**4**	4
Total equity		**561,079**	555,965

Director: **Zheng Ping** *Director:* **Tang Lo Nar**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

	Attributable to owners of the parent										
	Issued capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Merger reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained earnings RMB'000	Proposed final dividend RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2013 (audited)	5,406	133,658	168,183	39,369	(119,378)	(273)	328,996	-	555,961	4	555,965
Profit for the period	-	-	-	-	-	-	5,140	-	5,140	-	5,140
Other comprehensive loss for the period:											
Exchange differences on translation of foreign operations	-	-	-	-	-	(26)	-	-	(26)	-	(26)
Total comprehensive income for the period	-	-	-	-	-	(26)	5,140	-	5,114	-	5,114
At 30 June 2013 (unaudited)	5,406	133,658	168,183	39,369	(119,378)	(299)	334,136	-	561,075	4	561,079

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the six months ended 30 June 2013

	Attributable to owners of the parent										
	Issued capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Merger reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained earnings RMB'000	Proposed final dividend RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2012 (audited)	5,406	133,658	168,183	36,766	(119,378)	(269)	309,760	17,680	551,806	3	551,809
Profit for the period	–	–	–	–	–	–	21,581	–	21,581	1	21,582
Other comprehensive income for the period:											
Exchange differences on translation of foreign operations	–	–	–	–	–	6	–	–	6	–	6
Total comprehensive income for the period	–	–	–	–	–	6	21,581	–	21,587	1	21,588
Dividend approved and paid for previous year	–	–	–	–	–	–	–	(17,680)	(17,680)	–	(17,680)
At 30 June 2012 (unaudited)	5,406	133,658	168,183	36,766	(119,378)	(263)	331,341	–	555,713	4	555,717

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

	For the six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
NET CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES	**29,232**	(50,747)
NET CASH FLOW FROM INVESTING ACTIVITIES	**24,766**	11,425
NET CASH FLOW USED IN FINANCING ACTIVITIES	**(20,090)**	(48,752)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**33,908**	(88,074)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**62,081**	151,620
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET	**(877)**	743
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**95,112**	64,289

1. CORPORATE INFORMATION

Shuanghua Holdings Limited (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, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The shares of the Company were listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 30 June 2011.

The Company is an investment holding company. The Group is principally engaged in design, development, manufacture and sale of parts of auto air-conditioner.

2. BASIS OF PRESENTATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

2.1 Basis of presentation

The interim condensed consolidated financial statements for the six months ended 30 June 2013 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2012.

2.2 Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012, except for the adoption of new and revised standards, interpretations and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA as of 1 January 2013 as disclosed in note 2.3 below.

2. BASIS OF PRESENTATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (Continued)

2.3 Impact of new and revised HKFRSs

The following new and revised HKFRSs, amendments and interpretations ("New HKFRSs") are adopted for the first time for the current period's condensed interim financial statements:

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangement*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012
HKAS 1	Amendments to HKAS 1 *Clarification of the requirement for comparative information*
HKAS 32	Amendments to HKAS 32 *Tax effects of distributions to holders of equity instruments*
HKAS 34	Amendments to HKAS 34 *Interim financial reporting and segment information for total assets and liabilities*

2. BASIS OF PRESENTATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (Continued)

2.3 Impact of new and revised HKFRSs (Continued)

The adoption of these new and revised HKFRSs has had no significant financial effect on these interim condensed financial statements.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organised into business units based on their products and services and the Group has only one reportable operating segment which is engaged in design, development, manufacture and sale of parts of auto air-conditioner. Management monitors the operating results of operating segment as a whole for the purpose of making decisions about resource allocation and performance assessment.

Geographical information

(a) *Revenue from external customers*

	For the six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Mainland China	**98,772**	121,467
United States of America	**20,876**	81,883
Canada	**15,748**	13,448
Asia	**10,093**	11,735
Others	**5,286**	4,005
	150,775	232,538

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

3. OPERATING SEGMENT INFORMATION (Continued)

Geographical information (Continued)

(b) *Non-current assets*

All non-current assets of the Group are located in Mainland China during the six months ended 30 June 2012 and 2013.

Information about major customers

For the six months ended 30 June 2013, revenue from three customers accounted for more than 10% of the Group's total revenue individually. Revenue from these three customers was RMB29,643,000, RMB18,030,000 and RMB15,474,000, respectively.

For the six months ended 30 June 2012, revenue from two customers accounted for more than 10% of the Group's total revenue individually. Revenue from these two customers was RMB77,212,000 and RMB50,371,000, respectively.

4. REVENUE, OTHER INCOME AND GAINS

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

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

	Notes	For the six months ended 30 June 2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Revenue			
Sale of goods		**150,775**	232,538
Other income			
Government grants		**777**	664
Bank interest income		**195**	633
Others		**229**	233
		1,201	1,530
Gains			
Gain on disposal of financial assets at fair value through profit or loss		**674**	–
Gain on disposal of items of property, plant and equipment	9	**397**	101
Foreign exchange gain, net		**–**	737
		2,272	2,368

5. PROFIT BEFORE TAX

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

	Notes	For the six months ended 30 June 2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Cost of inventories sold		**122,730**	189,808
Depreciation		**5,770**	8,868
Amortisation of prepaid land lease payments		**849**	702
Research and development costs		**3,536**	873
Operating lease expenses		**818**	1,124
Gain on disposal of items of property, plant and equipment	9	**(397)**	(101)
Product warranty provision		**658**	946
Auditors' remuneration		**430**	65
Employee benefit expense (including directors' remuneration):			
Wages and salaries		**16,540**	20,501
Pension scheme contribution		**3,630**	3,825
Staff welfare expenses		**1,064**	1,918
		21,234	26,244
Foreign exchange differences, net		**851**	(737)
Impairment/(reversal of impairment) of inventories		**1,297**	(432)
Impairment of trade receivables		**163**	270
Bank interest income		**(195)**	(633)

6. INCOME TAX EXPENSE

The major components of income tax expense are:

	For the six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current – charge for the period	**4,535**	3,270
Deferred	**419**	1,134
Total tax charge for the period	**4,954**	4,404

7. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

The calculation of basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the period. The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2013.

7. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT (Continued)

The calculations of basic earnings per share are based on:

	For the six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to owners of the parent	**5,140**	21,581

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

8. DIVIDENDS PAID AND PROPOSED

	For the six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Dividends on ordinary shares declared and paid during the six-month period:		
Final dividend – Nil (2011: RMB2.72 cents per ordinary share)	**–**	17,680

The board does not recommend the payment of any interim dividend in respect of the six months ended 30 June 2013 (30 June 2012: Nil).

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2013, the Group acquired assets with a cost of RMB388,000 (30 June 2012: RMB8,330,000).

During the six months ended 30 June 2013, assets with a net book value of RMB61,000 (30 June 2012: RMB197,000) were disposed of by the Group, resulting in a net gain on disposal of RMB397,000 (30 June 2012: RMB101,000).

None of the Group's buildings were pledged as at 30 June 2013 and 31 December 2012.

As at 30 June 2013, the Group has not obtained certificates of ownership in respect of certain buildings of the Group in the PRC with a net carrying amount of RMB16,959,000 (31 December 2012: RMB17,503,000). The Directors are of the view that the Group is entitled to lawfully and validly occupy and use the above mentioned buildings. The Directors are also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at 30 June 2013.

10. PREPAID LAND LEASE PAYMENTS

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Carrying amount at beginning of period/year	**76,590**	64,095
(Reductions)/additions	**(826)**	13,898
Recognised during the period/year	**(849)**	(1,403)
Carrying amount at end of period/year	**74,915**	76,590
Current portion included in prepayments, deposits and other receivables	**(1,699)**	(1,718)
Non-current portion	**73,216**	74,872

The Group's leasehold lands are situated in Mainland China and held under long term leases.

10. PREPAID LAND LEASE PAYMENTS (Continued)

None of the Group's leasehold lands were pledged as at 30 June 2013 and 31 December 2012.

As at 30 June 2013, the Group has not obtained the land use right certificate in respect of a piece of leasehold land in the PRC with a net carrying amount of RMB18,231,000 (31 December 2012: RMB19,267,000). The Directors are of the view that the Group is entitled to awfully and validly occupy and use the above mentioned leasehold lands. The Directors are also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at 30 June 2013.

11. INVENTORIES

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Raw materials	**23,916**	26,565
Work in progress	**19,278**	19,370
Finished goods	**39,748**	46,559
	82,942	92,494
Impairment	**(8,659)**	(7,362)
	74,283	85,132

12. TRADE AND NOTES RECEIVABLES

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Trade receivables	68,943	52,288
Notes receivable	7,612	10,160
	76,555	62,448
Impairment	(798)	(635)
	75,757	61,813

The Group's trading terms with its customers are mainly on credit. The credit period for trade receivables is generally 30 to 90 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

12. TRADE AND NOTES RECEIVABLES (Continued)

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

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Within 1 month	**35,244**	25,080
1 to 2 months	**14,007**	10,781
2 to 3 months	**11,751**	9,709
3 to 12 months	**14,471**	15,105
Over 12 months	**284**	1,138
	75,757	61,813

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Investment in financial products, at fair value	**3,000**	38,000

As at 30 June 2013, the balance represented investment in bank principle-protect product, the maturity date of the investment is 10 July 2013. As at 31 December 2012, the balance represented investments in foreign currency contract of RMB38,000,000, the maturity date of the investment is 2 April 2013. These products were designated by the Group as financial assets at fair value through profit or loss upon initial recognition.

14. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Note	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Cash and bank balances		**100,112**	62,081
Less: Pledged deposits for bills payable	15	**(5,000)**	–
Cash and cash equivalents		**95,112**	62,081

As at 30 June 2013, the Group's cash and cash equivalents denominated in RMB were RMB79,679,000 (31 December 2012: RMB47,036,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for seven days and earn interest at seven-day short term time deposit rate. The bank balances are deposited with creditworthy banks with no recent history of default.

15. TRADE AND BILLS PAYABLES

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Trade payables	**54,762**	57,625
Bills payable	**10,000**	–
	64,762	57,625

15. TRADE AND BILLS PAYABLES (Continued)

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

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Within 1 month	**19,590**	23,575
1 to 2 months	**16,644**	15,803
2 to 3 months	**16,572**	9,693
3 to 6 months	**10,377**	7,619
6 to 12 months	**1,039**	284
12 to 24 months	**34**	445
Over 24 months	**506**	206
	64,762	57,625

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

As at 30 June 2013, the Group's bills payable of RMB10,000,000 were secured by certain of the Group's cash and bank balances of RMB5,000,000 along with certain of the Group's due from related party balance of RMB5,000,000. (31 December 2012: none) (note 14 and note 19(b)).

16. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate (%)	Maturity	**30 June 2013 RMB'000 (Unaudited)**	31 December 2012 RMB'000 (Audited)
Current				
Bank loans – unsecured	6.00-6.56	Within 1 year	**–**	20,000
Analysed into:				
Bank loans				
Within one year or on demand			**–**	20,000

Notes:

At the end of the reporting period, there were no bank borrowings secured by mortgages over the Group's buildings and leasehold lands situated in Mainland China.

17. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to fifteen years.

At 30 June 2013, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Within one year	**1,116**	1,660
In the second to fifth years, inclusive	**333**	244
	1,449	1,904

18. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Contracted, but not provided for:		
Property, plant and machinery	**238**	138

19. RELATED PARTY TRANSACTIONS

(a) The Group had the following transactions with related parties during the period:

	Notes	**For the six months ended 30 June**	
		2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Associate			
Sales of products to:			
Macs Baoding	(i)	**29,643**	50,371
Dividend from:			
Macs Baoding		**101,274**	–
Companies of which the shareholder is a shareholder of the Company			
Rental expense to:			
Shanghai Automart Investment Co., Ltd. ("Shanghai Automart")*	(iii)	**606**	818
Purchase of goods from:			
Shanghai Youchen Aluminium Materials Co., Ltd. ("Shanghai Youchen")*	(ii)	**2,514**	9,060

19. RELATED PARTY TRANSACTIONS (Continued)

(a) The Group had the following transactions with related parties during the period: (Continued)

Notes:

(i) The sales to the related parties were made according to the published prices and conditions offered to the major customers of the Group.

(ii) The purchases from the related parties were made at terms agreed between the parties.

(iii) The rental expenses to the related parties were based on prices mutually agreed between the parties.

* The related party transactions denoted with * also constitute connected transaction or continuing connected transactions as defined in Chapter 14A of Listing Rules.

(b) Outstanding balances with related parties:

	Notes	**30 June 2013 RMB'000 (Unaudited)**	31 December 2012 RMB'000 (Audited)
Due from related parties:			
Macs Baoding	(i)	**126,687**	49,551
Due to related parties:			
Shanghai Automart	(ii)	**2,303**	4,132
Shanghai Youchen	(ii)	**1,047**	868
		3,350	5,000

19. RELATED PARTY TRANSACTIONS (Continued)

(b) Outstanding balances with related parties: (Continued)

Notes:

(i) The balances due from Macs Baoding included dividend receivable of RMB91,522,000 as at 30 June 2013. The remaining balances were trade in nature, unsecured, interest-free and have fixed terms of repayment. The balances due from Macs Baoding of RMB5,000,000 as at 30 June 2013 was pledged to secure the Group's bills payables of RMB5,000,000 (31 December 2012: none) (note 15).

(ii) The balances are unsecured, non-interest-bearing and have no fixed terms of repayment.

(c) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short term employee benefits	**843**	1,611
Pension scheme contributions	**–**	54
Total compensation paid to key management personnel	**843**	1,665

20. FINANCIAL INSTRUMENTS

Set out below is an overview of financial instruments, other than cash and short-term deposits, held by the Group at the end of the reporting period:

Financial assets – loans and receivables

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Trade and notes receivables	75,757	61,813
Financial assets included in prepayments, deposits and other receivables	7,364	3,222
Due from related parties	126,687	49,551
Pledged deposits	5,000	–
Cash and cash equivalents	95,112	62,081
	309,920	176,667

Financial assets – available-for-sale financial assets

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Available-for-sale investments	262	262

20. FINANCIAL INSTRUMENTS (Continued)

Financial assets – at fair value through profit or loss

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Investments at fair value through profit or loss	**3,000**	38,000

Financial liabilities – at amortised cost

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Trade and bills payables	**64,762**	57,625
Financial liabilities included in other payables and accruals	**17,783**	24,295
Interest-bearing bank borrowings	**–**	20,000
Due to related parties	**3,350**	5,000
	85,895	106,920

Fair values

The fair values of financial assets and liabilities approximate to their carrying amounts largely due to the short term maturities of these instruments.

20. FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable)

Level 3 – Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable)

The financial assets at fair value through profit or loss balance of RMB3,000,000 as at 30 June 2013 is categorised within fair value hierarchy as Level 2.

During the six-month period ended 30 June 2013, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements (30 June 2012: nil).

21. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 23 August 2013.