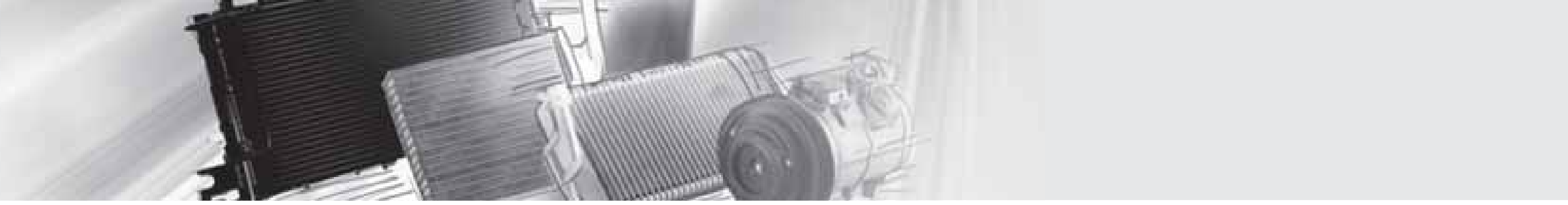
Shuanghua Holdings Limited
雙樺控股有限公司

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

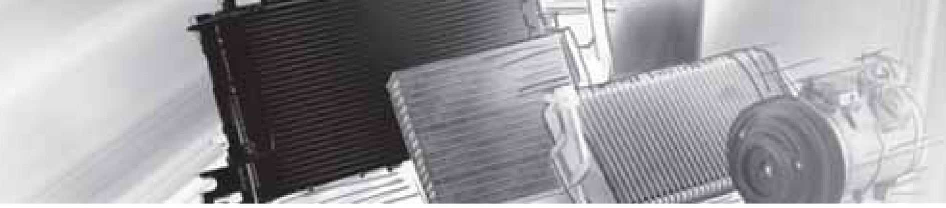
2013 ANNUAL REPORT



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
Telephone:	(86 21) 5058 9027
Fax:	(86 21) 5081 8591
Enquiry Email:	ir@shshuanghua.com
Financial Year End:	31 December
Board of Directors:	*Executive Directors* Mr. ZHENG Ping *(Chairman & Chief Executive Officer)* Ms. TANG Lo Nar *Non-executive Director* Ms. KONG Xiaoling *Independent non-executive Directors* Mr. ZHAO Fenggao Mr. HE Binhui Mr. CHEN Lifan



CORPORATE INFORMATION

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
Compliance Advisor:	GF Capital (Hong Kong) Limited (up to 22 April 2013) 29–30/F, Li Po Chun Chambers, 189 Des Voeux Road Central, 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

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of directors ("Board") of Shuanghua Holdings Limited ("Shuanghua" or the "Company"), I am pleased to present to the shareholders of the Company ("Shareholders") the annual report of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2013 (the "Year").

The Group was confronted with unprecedented challenges as it underwent a period of transition in 2013: the disposal of equity interests in Macs (Baoding) Auto A/C Systems Co., Ltd. ("Macs") has further reduced the Company's share of profits and scaled back its complementary operations in China. Overall Group results were dragged down by the aggravating loss sustained by the compressor project which turned in a less than satisfactory performance, while the Group's diversification to the sector of auto accessories and maintenance services has yet to generate positive results. Meanwhile, our international business dwindled further in the international market subject to the pressure of RMB appreciation. Furthermore, the Board has made impairment provisions for the Group's assets as well as reversal of deferred tax assets recognized in respect of tax losses of prior years in accordance with relevant Hong Kong Financial Reporting Standards. Affected by such unfavourable factors, the Group reported operating revenue of RMB261.1 million for the Year, decreasing by RMB118.5 million compared to the same period of 2012. Net loss for the Year amounted to RMB23.7 million, a decrease of RMB45.5 million compared to net profit of RMB21.8 million for the same period in 2012. The management of the Company will strive for a turnaround to profit in 2014.

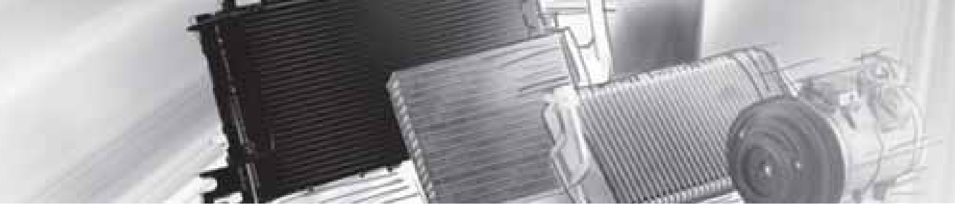
In the future, we will carry on with our work to complete the business transformation of our Group, with a constant drive to expand into the sector of auto accessories and maintenance services focusing on demands in the market for after-sales automobile services as we seek new niches for profit growth. We will also actively adjust our current product structure by accelerating product upgrades and the introduction of new-generation models, with a view to broadening our market reach and enhancing our profitability. We will continue to actively identify opportunities for joint ventures in the compressor business which will help to alleviate our losses. Meanwhile, we will continue to seek improvements in corporate group management, cost-savings, production efficiency and Group profitability.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express sincere gratitude to our Directors, business partners, management and the rest of our staff team. Thanks are also due to our Shareholders for their trust and support. With their backing and support, I am confident that the Group will steer through this period of transition, overcoming any difficulties and reverting to profitability to deliver greater and more sustainable value to Shareholders.

Zheng Ping
Chairman and CEO

Hong Kong
31 March 2014



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

SALES IN THE DOMESTIC ORIGINAL EQUIPMENT MANUFACTURING ("OEM") MARKET

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

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

SALES IN THE DOMESTIC AFTER-SALE MAINTENANCE ("AM") MARKET

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

MANAGEMENT DISCUSSION AND ANALYSIS

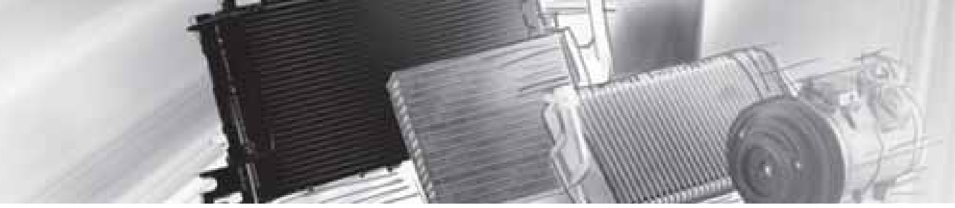
SALES TO INTERNATIONAL MARKETS

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

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

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

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



MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK AND STRATEGY

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

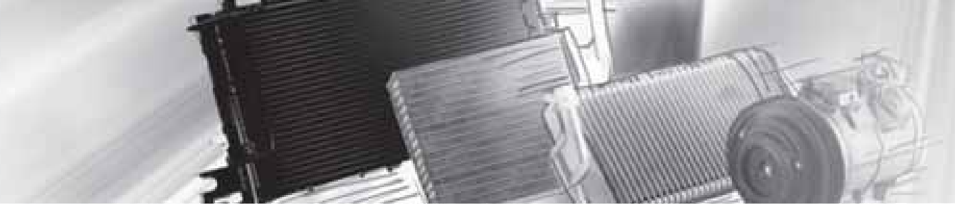
FINANCIAL REVIEW

Revenue

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

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

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



MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit and gross margin

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Other income and gains

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

Share of profits of an associate

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

Selling and distribution costs

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

Administrative and other expenses

Administrative and other expenses comprised primarily staff-related costs, various local taxes and education surcharges, depreciation, amortization of land use rights, operating lease rental payments, agency service fees, research and development expenses and miscellaneous expenses. Increases in administrative and other expenses for the year ended 31 December 2013 were mainly attributable to the Group's concentrated focus on research and development of new products during the year, lifting up research and development expenses accordingly.

Finance costs

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

MANAGEMENT DISCUSSION AND ANALYSIS

Income tax

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

(Loss)/profit for the year

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

LIQUIDITY AND FINANCIAL RESOURCES

Net current assets

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

Financial position and bank borrowings

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

Save as aforesaid or otherwise disclosed in the notes to the financial statements, and apart from intra-group liabilities, as at the close of business on 31 December 2013, we did not have any outstanding mortgages, charges, debentures, debt securities or other loan capital or bank overdrafts or loans or other similar indebtedness or finance lease commitments, liabilities under acceptances or acceptance credits or hire purchase commitments, guarantees or other material contingent liabilities.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Working capital

As at 31 December 2013, our gross inventories, mainly comprising raw materials, work-in progress and finished products, amounted to approximately RMB83.3 million, and approximately RMB85.1 million as at 31 December 2012. Our marketing team reviews and monitors our inventory level on a regular basis. For the year ended 31 December 2013, the average inventory turnover days was 141.6 days (for the year ended 31 December 2012: 98.3 days). Inventory turnover days are arrived at by dividing the arithmetic means of the opening and ending balances of inventory for the relevant period by cost of sales of the same period and multiplying the quotient by 365 days. The increase in inventory turnover was mainly attributable to the fact that sales declined amidst weak market sentiments.

For the year ended 31 December 2013, average turnover days of trade and notes receivables was 151.5 days (for the year ended 31 December 2012: 132.5 days). Trade and notes receivable turnover days are arrived at by dividing the arithmetic means of the opening and ending balances of trade and notes receivable and due from an related party for the relevant period by revenue of the same period and multiplying the quotient by 365 days. Increase in turnover days of trade and notes receivables was primarily attributable to increase in the percentage of sales to local customers, which generally requested for longer credit periods from us and more customers used notes receivables with maturity period of 6 months to settle their outstanding amounts.

For the year ended 31 December 2013, average turnover days of trade and bills payables was 104.1 days (for the year ended 31 December 2012: 72.1 days). The actual payment period for our purchases was extended, as the Group slowed down its payment to suppliers in tandem with the slowdown of the Group's collection from customers, in order to maintain a sound level of cash flow.

CAPITAL EXPENDITURES, CAPITAL COMMITMENTS AND HUMAN RESOURCES

For the year ended 31 December 2013, capital expenditures were approximately RMB24.3 million, and approximately RMB4.6 million for the year ended 31 December 2012. Our capital expenditures are primarily related to acquisition of land use rights, construction of production facilities and expenditures for plant, machinery and equipment for business expansion at our Shanghai production base. Capital expenditures increased approximately RMB19.7 million as compared to the same period of 2012 because the Group paid additional RMB20.6 million for the land use right in 2013.

As at 31 December 2013, the Group had approximately 642 full-time employees including the management, sales, logistics supports and other ancillary personnel. The Group's total wages and salaries amounted to approximately RMB34.4 million for the year ended 31 December 2013. Our remuneration policy is primarily based on the job responsibilities, work performance and number of years of services of each employee and the current market conditions.

Pursuant to the relevant PRC labour laws and regulations, the Group has to pay contributions to a number of staff social insurance schemes (including medical, maternity, work injury, unemployment and pension insurances) and staff housing reserve funds. We provide social insurances and pay contributions to housing reserve funds for our employees in accordance with the interpretations to the relevant PRC labour laws and regulations given, and policies and measures executed by local government departments. We have established various welfare plans including the provision of pension funds, medical insurance, unemployment insurance and other relevant insurance for employees who are employed by our Group pursuant to the PRC rules and regulations and the existing policy requirements of the local government. Welfare benefits expenses for the year ended 31 December 2013 amounted to approximately RMB7.3 million. We have complied, in all material respects, with all statutory requirements on retirement contribution in the jurisdictions where our Group operates. The basic salary of each of our executive and non-executive Directors will be reviewed by the Audit Committee of the Board at the end of each financial year.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Material acquisitions and disposals

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

Foreign exchange risk

The Group's operations are located in the PRC with RMB as the functional and presentation currency. The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the unit's functional currency. The currency exposure of the Group mainly comes from the appreciation of RMB against USD for overseas sales transactions denominated in USD. For the year ended 31 December 2013, approximately 29.6% of the Group's sales and 0.4% of costs were denominated in currencies other than the functional currency of operating units making the sales and purchases. At present, the Group does not intend to hedge its exposure to foreign exchange fluctuations. However, the management constantly monitors the economic situation and the Group's foreign exchange risk profile and will consider appropriate hedging measures in the future should the need arise.

Contingent liabilities

As at 31 December 2013, the Group did not have any material contingent liabilities.

Pledge of assets

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

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

SHARE OPTION SCHEME

A share option scheme was adopted on 8 June 2011 (the "Share Option Scheme") to provide incentives to eligible participants (including employees, executives or officers, directors including non-executive directors and independent non-executive directors, advisers, consultants, suppliers, customers and agents of the Company or any of its subsidiaries) for their contribution to the long term growth of the Group and to enable the Company to attract and retain high calibre employees.

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFER

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

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

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

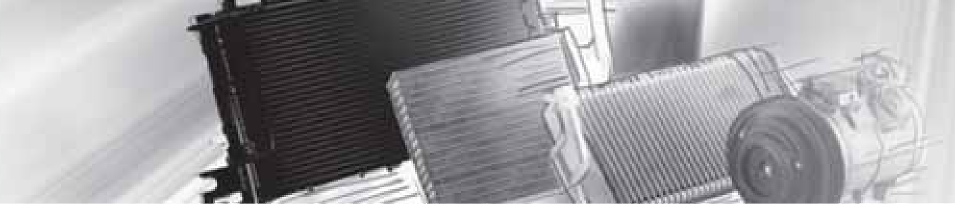
(b) approximately RMB20 million to be used in the compressor production, including relocation to the new factory and seeking new business partners.

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

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

FINAL DIVIDEND

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



REPORT OF THE DIRECTORS

The directors have pleasure in submitting their report together with the audited financial statements of the Group for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of its subsidiaries are set out in Note 15 to the financial statements. There was no significant change in its activities during the year.

SEGMENT INFORMATION

An analysis of the Group's performance for the year by business and geographical segments is set out in Note 4 to the financial statements.

RESULTS AND APPROPRIATION

The results of the Group for the year ended 31 December 2013 and the state of affairs of the Group and the Company at that date are set out in the financial statements on pages 34 to 95.

The directors do not recommend payment of any dividend in respect of the year ended 31 December 2013 (2012: NIL).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in Note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the Company's share capital during the year are set out in Note 29 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2013, the Company's distributable reserves calculated under Companies Law of the Cayman Islands comprise the share premium and retained earnings amounting to RMB437,252,000.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in Note 30 to the consolidated financial statements and in the consolidated statement of changes in the equity, respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles and there was no restriction against such rights under the laws of Cayman Islands.

REPORT OF THE DIRECTORS

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

The Company has not redeemed any of its listed securities during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the year (2012: Nil).

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive Directors
Mr. Zheng Ping *(Chairman & Chief Executive Officer)*
Ms. Tang Lo Nar

Non-executive Director
Ms. Kong Xiaoling

Independent Non-executive Directors
Mr. Zhao Fenggao
Mr. He Binhui
Mr. Chen Lifan

In accordance with the article 84 of the Articles of the Company, Mr. Zheng Ping, Ms. Kong Xiaoling and Mr. Zhao Fenggao will retire by rotation at the forthcoming annual general meeting and, being eligible, had offered themselves for re-election as Directors of the Company.

DIRECTORS' SERVICES CONTRACTS

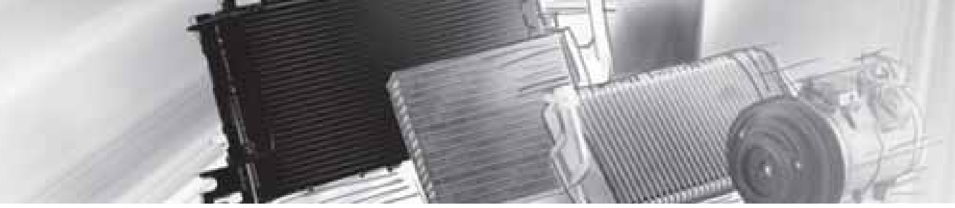
None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than the statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

The directors' interests in contracts are set out in Note 35 to the consolidated financial statements. Apart from the foregoing, no other contracts of significance in relation to the Group's business to which the Company, its holding companies or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.



REPORT OF THE DIRECTORS

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Details of biological details of directors and senior management are set out on pages 22 to 24 of this annual report.

CONNECTED TRANSACTIONS

For the year ended 31 December 2013, the following connected transactions were, and will be continued to be, carried out by our Group in the ordinary and usual course of business, on either normal commercial terms or terms no less favorable to our Group than those available from independent third parties, and are expected to continue in the foreseeable future.

Continuing connected transactions

Since 1 January 2011, the Group has leased its three office premises located in Shanghai from Shanghai Automart Investment Co., Ltd ("Shanghai Automart"), where 58% of its equity interest is held by Ms. Kong Xiaoling ("Ms. Kong"), our non-executive Director, the other 42% of its equity interest is held by Mr. Dong Zongde ("Mr. Dong"), one of our shareholders for a term of 3 years from 1 January 2011 to 31 December 2013. Please refer to the section headed "Biography of Directors and Senior Management" of this annual report for the particulars of Ms. Kong. During the year, the Group has paid rental of RMB1,153,000 (2012: RMB1,314,000) to Shanghai Automart. According to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), Shanghai Automart is an associate of Ms. Kong and Mr. Dong and thus a connected person. As Shanghai Automart is a connected person, the above office lease rentals paid constitute continuing connected transactions of our Company under Rule 14A.14 of the Listing Rules.

In addition, pursuant to a supply agreement entered on 23 May 2011 for a term of 3 years from 1 January 2011 to 31 December 2013, the Group has purchased certain goods of RMB2,817,000 (2012: RMB12,129,000) during the year from Shanghai Youchen Aluminum Materials Co., Ltd ("Shanghai Youchen"), where 50% of its equity interest is held by Mr. Dong. According to the Listing Rules, Mr. Dong is a connected person of the Company as he holds 100% equity interest of Shuanghua International Limited which is a substantial shareholder of the Company. Shanghai Youchen is an associate of Mr. Dong and thus a connected person. As Shanghai Youchen is a connected person, the above purchasing transactions constitute continuing connected transactions of our Company under Rule 14A.14 of the Listing Rules.

In this regard, the Company has obtained a three-year waiver pursuant to Rule 14A.42(3) of the Listing Rules from the Stock Exchange to exempt the above continuing connected transactions from strict compliance with the announcement requirement at the time of its listing in June 2011 on the basis that:

(i) our Directors have undertaken that our Company has complied with the applicable requirements under Chapter 14A of the Listing Rules; and

(ii) the aggregate value of the each of the above continuing connected transactions described above for the year did not exceed the relevant cap and each of the percentage ratios (other than the profit ratio) under Chapter 14 of the Listing Rules.

Our Directors (including our independent non-executive Directors) confirm that the above transactions have been agreed in arm's length terms and on the market price and they are of the view that the transactions have been entered into in the usual and ordinary course of business of our Group and are in the interest of our Group and our Shareholders as a whole.

REPORT OF THE DIRECTORS

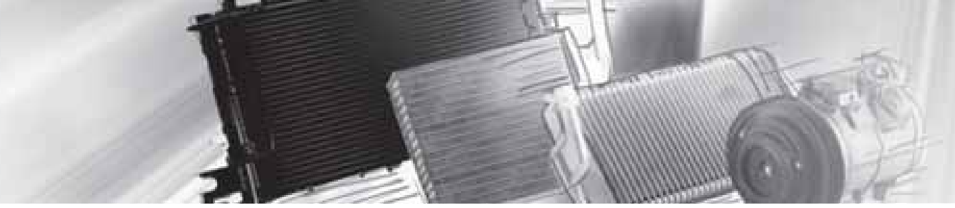
Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 Auditor's Letter on Continuing Connected Transactions under the Listing Rules issued by the Hong Kong Institute of Certified Public Accountants.

For the purposes of reducing expenses and conducting the Group's internal assessment, on 1 May 2012, Shanghai Shuanghua Autoparts Co., Ltd. ("Shanghai Shuanghua"), Shanghai Youshen Industry Co., Ltd. ("Youshen Industry") and Shanghai Shuanghua Auto Components Co., Ltd. ("Shuanghua Auto Components") entered into a new leasing agreement with Shanghai Automart, pursuant to which adjustments were made to the total area leased (the "2012 Agreement"), which was reduced by approximately 300 sq.m., and the unit price of leasing was kept unchanged, as compared with 2011. The 2012 Agreement was effective from 1 May 2012 till 31 December 2013. In view of demand from business expansion, Youshen Industry and Shuanghua Auto Components increased the area leased. Accordingly, the aggregate annual caps of the said 3 leasing agreements was not exceeded, whereas the areas leased by each of Youshen Industry and Shuanghua Auto Components increased. In 2013, the rentals paid to Shanghai Automart by Youshen Industry and Shuanghua Auto Components were RMB343,000 and RMB339,000 respectively, which exceeded the maximum annual caps for the connected transaction of RMB243,000 and RMB186,000, respectively, approved by the shareholders of the Company in the Extraordinary General Meeting held on 8 June 2011 by approximately RMB100,000 and RMB153,000, respectively. Save for the foregoing, in the opinion of the Company's auditors, the continuing connected transactions of the Company complied with Rule 14A.38 of the Listing Rules.

On 12 February 2014, three subsidiaries of the Company, namely Shanghai Shuanghua, Youshen Industry and Shuanghua Auto Components, as lessees, entered into the Lease Renewal Agreements with Shanghai Automart, as the lessor in respect of the office premises for a further term of two years from 1 January 2014 to 31 December 2015. The Lease Renewal Agreements and the Lease Agreements are similar in nature, involving the same entities and same office premises previously disclosed in the Company's prospectus dated 17 June 2011 and 2012 Annual Reports respectively. Upon entering into the Lease Renewal Agreements, the monthly rentals have been adjusted and increased by reference to the prevailing market price and the annual caps have been refreshed to RMB2,000,000. The Group is based in Shanghai and needs the Premises for its operations. The Directors are of the view that substantial time and costs can be saved if the Group can remain in its existing office premises instead of moving to another office building. The Directors (including the independent non-executive Directors) consider that the continuing connected transactions under the Lease Renewal Agreements have been entered into: (1) in the ordinary and usual course of the Group's business; (2) on normal commercial terms; and (3) on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole. The Directors (including the independent non-executive Directors) also consider that the refreshed annual caps are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Details of the related party transactions of the Group are set out in Note 35 to consolidated financial statements. The Directors (including our independent non-executive Directors) believe that the related party transactions set out in Note 35 to the consolidated financial statements are carried out in the ordinary course of business and on normal commercial terms. The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the related party transactions.

During the year under review, save for the leasing of office premises from Shanghai Automart and the purchase of goods from Shanghai Youchen as set out above, no other transaction listed in Note 35 to the consolidated financial statements constituted connected transaction or continuing connected transaction under Chapter 14A of the Listing Rules.



REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2013, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), 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 interest or short positions which they were taken or deemed to have under such provisions of the SFO); or which were required to be recorded in the register kept by the Company under Section 352 of SFO or as otherwise notified to the Company and Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

Long positions in shares

a) *The Company:*

	Number of ordinary shares				
Name of directors	**Personal interests**	**Family interests**	**Corporate interests**	**Total**	**Percentage of issued share capital**
Mr. Zheng Ping *(note 1)*	–	–	282,750,000	282,750,000	43.5%
Ms. Kong Xiaolling *(note 2)*	–	282,750,000	–	282,750,000	43.5%

Notes:

1. Mr. Zheng Ping holds 100% interest in Youshen International Group Limited ("Youshen Group") and he is deemed to be interested in the 282,750,000 shares held by Youshen Group.

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

Save as disclosed above, as at 31 December 2013, none of the directors nor the chief executive of the Company had 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) 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 which were required to be recorded in the register kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

REPORT OF THE DIRECTORS

INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDER

As at 31 December 2013, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required to be recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Long positions in shares

Name	Capacity	Nature of interest	Number of ordinary shares	Percentage of issued share capital
Youshen Group *(note 1)*	Beneficial interest	Corporate	282,750,000	43.5%
Shuanghua International *(note 2)*	Beneficial interest	Corporate	169,876,000	26.13%

Notes:

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

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

Save as disclosed, as at 31 December 2013, the Directors were not aware of any persons (not being a Director or chief executive of the Company) who had an interest or short position in the Shares or underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required to be recorded in the register kept by the Company pursuant to section 336 of the SFO.

MAJOR CUSTOMERS AND SUPPLIERS

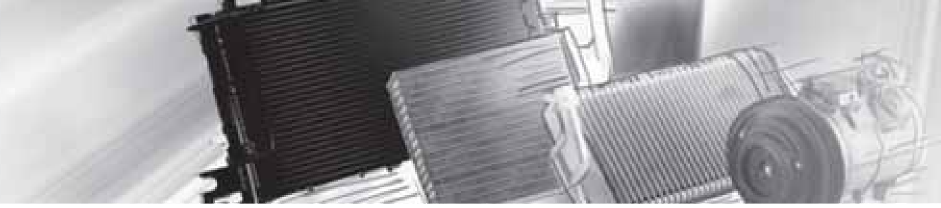
The percentages of sales for the year attributable to the Group's major customers are as follows:

Sales	
– the largest customer	22.5%
– five largest customers combined	48.5%

The percentages of purchases for the year attributable to the Group's major suppliers are as follows:

Purchases	
– the largest supplier	33.3%
– five largest suppliers combined	66.4%

Except for sales to Macs and purchase of goods from Shanghai Youchen and the leasing of office premises from Shanghai Automart, a related company of the Company, as disclosed in Note 35 to the consolidated financial statements, none of the Directors, their respective associates and shareholders of the Company (which to the knowledge of the Directors own more than 5% of the issued capital of the Company) had any interest in any of the five largest customers and suppliers of the Group for the financial year ended 31 December 2013.



REPORT OF THE DIRECTORS

DISPOSAL OF THE ASSOCIATE COMPANY

On 31 October 2013, the Group disposed its 49% equity interest in Macs for a consideration of RMB29,906,700. See the relevant circular dated 30 September 2013 and Note 16 to the consolidated financial statements for details.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, based on information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company maintained the amount of public float as required under the Listing rules.

INTEREST CAPITALISED

The Group has not capitalised any interest during the year.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company confirmed that annual confirmations of independence were received from each of the Company's independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules and all Independent Non-executive Directors are considered to be independent.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the directors nor their respective associates is interested in any business that competes with or is likely to compete, either directly or indirectly, with the business of the Group.

DIRECTOR'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this report, at no time during the year ended 31 December 2013 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 96.

AUDITORS

The financial statements of the Group prepared in accordance with the Hong Kong Financial Reporting Standards for the year ended 31 December 2013 have been audited by Messrs Ernst & Young, who will retire at the forthcoming annual general meeting on 9 June 2014.

On behalf of the Board
Zheng Ping
Chairman and Chief Executive Director

Shanghai, 31 March 2014

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Zheng Ping (**鄭平**), aged 56, is our executive Director, the chairman and the chief executive officer of our Company. He is the founder of our Group and joined our Group in 2002. He was appointed to the Board on 19 November 2010. He is primarily responsible for reviewing and implementing our Group's overall development strategy. From 1983 to 1990, he was the teacher of power plant department of the Navy Engineering University of the People's Liberation Army of China (中國人民解放軍海軍工程大學). From 1990 to 1993, he worked in Fuzhou Far East Auto Parts Company Limited (福州遠東汽車配件有限公司), the business scope of which is mainly manufacture of auto parts, as vice general manager. From 1994 to 2001, he was a director and the general manager of Shanghai Youshen International Trade Company Limited (上海友申國際貿易有限公司), the business scope of which is mainly international trade and trade consultancy. From 2002 to 2008, Mr. Zheng served as the director of BVI Automart. In 2005, Mr. Zheng was appointed as the chairman of Shanghai Automart and the chairman and general manger of Shanghai Shuanghua. Since 2007, Mr. Zheng has been serving as the chairman of the board of directors and general manager of Shanghai Shuanghua. From 1979, he studied on a full-time basis in the Navy Engineering University of the People's Liberation Army of China (中國人民解放軍海軍工程大學) and has obtained his bachelor's degree majoring in Electrical Combustion Management in 1983. Mr. Zheng is the spouse of Ms. Kong Xiaoling.

Ms. Tang Lo Nar (**鄧露娜**), aged 41, is our executive Director, the chief financial officer and the company secretary of the Company. Ms. Tang was the company secretary of two Hong Kong main board listing companies, namely Asia Resources Holdings Limited (stock code: 899) and Karce International Holdings Company Limited (stock code: 1159), for the periods from 31 December 2008 to 1 April 2010 and from 12 January 2009 to 1 April 2010, respectively, and currently the company secretary of a Hong Kong main board listing company, namely Yueshou Environmental Holdings Limited (stock code: 1191). She is a Fellow of the Association of Chartered Certified Accountants and a member of Hong Kong Society of Accountants, the Hong Kong Institute of Company Secretaries and the Institute of Chartered Secretaries and Administrators. Ms. Tang obtained a master's degree in Applied Finance from University of Western Sydney in 2004, a master's degree in English for Professions from The Hong Kong Polytechnic University in 2002, and a bachelor's degree in Accountancy from The Hong Kong Polytechnic University in 1995. Ms. Tang has over 17 years of experience in accounting, tax, audit, company secretarial and finance. From 1995 to 2004, Ms. Tang worked in leading accounting firms, handling various matters of accounting, tax and audit matters. Since 2005, Ms. Tang began the own business by establishing a private company in Hong Kong to provide accounting, management consultancy, tax planning and company secretarial services. Ms. Tang, newly appointed as the executive director in April 2012, entered into service contract with the Company for a fixed term of three years from 13 April 2012, which may be terminated by not less than three months' notice in writing served by either party on the other and is subject to the retirement by rotation in accordance with the Articles of Association.

NON-EXECUTIVE DIRECTOR

Ms. Kong Xiaoling (**孔小玲**), aged 54, is our non-executive Director. Ms. Kong joined the Group in 2007 and was appointed to the Board on 8 June 2011. She is primarily responsible for supervising and providing advice to the Board. From 1983 to 1996, she worked in Wuhan City Automation Meter Factory (武漢市自動化儀錶廠) as technician of technology introduction office. From 1997 to 2004, Ms. Kong worked in Shanghai Youshen International Trade Company Limited (上海友申國際貿易有限公司), the business scope of which is mainly international trade and trade consultancy as director. From 2000 to 2007, she worked in Shanghai Zhong Zhi Trade Development Co., Ltd. (上海眾智貿易發展有限公司) as vice general manager. From 2007 to now, she has been appointed as the director of Shanghai Shuanghua. From 1980, Ms. Kong studied on a full-time basis in Huazhong College of Technology (華中工學院) (currently known as Huazhong University of Science and Technology (華中科技大學)) and obtained her diploma majoring in Detection Technology and Automatic Meter in 1983. She is the spouse of Mr. Zheng, our executive Director.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhao Fenggao (**趙鳳高**), aged 64, joined the Group in 2007 and was appointed as our Independent Non-executive Director on 8 June 2011. Mr. Zhao is also a member of the audit committee and the nomination committee, and the chairman of the remuneration committee of the Board. Mr. Zhao worked in the Shanghai Sanden Behr Automotive Air Conditioning Co., Ltd. (上海三電貝洱汽車空調有限公司) as vice general manger during 1990 to 1994 and as general manager during 1994 to 2001, primarily responsible for its overall management. From 2001 to 2007, he served as the director and general manager of SAIC Motor Corporation, Ltd. (上海汽車股份有限公司), mainly responsible for its overall management. In 2007, he joined Shanghai Shuanghua as independent director. From 1978 to 1982, he studied on a part-time basis in the Shanghai South District Workers Sparetime University (上海市南市區職工業餘大學) (currently known as Shanghai Huangpu Sparetime University (上海市黃浦區業餘大學)) and has obtained his diploma majoring in Automation Control in 1982. He was accredited as senior economist by the Shanghai Senior Professional and Technical Position Review Committee of Economics Series (Manufacture Industry) (上海市經濟系列(生產領域)高級專業技術職務任職資格審定委員會) in 2002. In 1989, he was qualified as an engineer by Intermediate Professional and Technical Position Review Committee of Shanghai Automotive Industry Corporation (Group) (上海汽車工業(集團)總公司中級專業技術職務任職資格評審委員會). Mr. Zhao has been awarded the National Major Management Innovation Achievement Award (Class 2) (國家重大管理創新成果二等獎) in 2001, the title of China Machinery Enterprise Management Masters (中國機械工業企業經營管理大師) in 2003, and the title of Leading Talent of the Shanghai State-owned System (上海市國資系統領軍人材) in 2005.

Mr. He Binhui (**何斌輝**), aged 46, joined the Group in 2007 and was appointed as our Independent Non-executive Director on 8 June 2011. Mr. He is also a member of the remuneration committee and the nomination committee, and the chairman of the audit committee of the Board. During 2000 to 2009, he has been serving as the head of capital market department and the general manger of the investment banking department of Shanghai office of China Galaxy Securities Co.,Ltd. (中國銀河證券有限責任公司). In 2007, he joined Shanghai Shuanghua as independent director. Since December 2009, he has been serving as the general manager assistant and the general manager of investment banking department of Cai Tong Securities Co. (財通證券有限公司). From 1987 to 1991, he studied Mathematics on a fulltime basis in the Ningbo University (寧波大學) and has obtained his bachelor's degree majoring in Science in 1991. From 1993 to 1996, he studied on a full-time basis in the Hangzhou Electronic Industry University (杭州電子工業學院) (currently known as Hangzhou Dianzi University (杭州電子科技大學)) and has obtained his master's degree of Economics majoring in Accounting in 1996. He was qualified as auditor in 1997 by Beijing Institute of Chartered Accountants ("北京註冊會計師協會").

Mr. Chen Lifan (**陳禮璠**), aged 75, joined the Group and was appointed as our Independent Non-executive Director on 8 June 2011. Mr. Chen is also a member of the audit committee and remuneration committee, and the chairman of the nomination committee of the Board. From 1957 to 1962, he studied on a full-time basis in the Jilin University of Technology and has obtained his bachelor's degree majoring in automobile application engineering in 1962. In 2008, he attended and completed the training programme for independent executive directors hosted by Shenzhen Securities Company (深圳證券公司). He has over 40 years experience in automobile engineering.

SENIOR MANAGEMENT

Ms. Tang Lo Nar (鄧露娜), aged 41, is the executive Director, chief financial officer and our company secretary. Biographical details of Ms. Tang are set out in the paragraph headed "Executive Directors" under this section of this annual report.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Liu Ming (劉明), aged 47. He is the vice general manager and factory manager of Shanghai Shuanghua, the subsidiary of the Group, primarily responsible for the production business of the subsidiary of the Group. During 1990 to 1996, Mr. Liu has been serving as the workshops supervisor of Power 28 Group Shashi Daily Necessities Chemical Factory (活力28集團沙市日用化工廠). From 1996 to 2003, he has been serving as the production manager of Hubei Meijieshi Washing Goods Co., Ltd (湖北美潔時洗滌用品有限公司). From 2003 to 2005, he served as the vice general manager of Shanghai Weiyu Machinery Equipment Co., Ltd. (上海威宇機電設備有限公司). From 2005 to 2008, he was the vice general manager of Zijiang Group Shanghai Ziri Co., Ltd (紫江集團上海紫日包裝有限公司). From 2008 to 2011, he served as the factory manager of Shanghai Shuanghua. During 2011 to 2012, he served as the general manager of Launch Shanghai Co., Ltd (上海元徵機械設備有限責任公司). Since August 2012, he has been serving as the vice general manager and factory manager of Shanghai Shuanghua. During the period of 1986 to 1990, he studies on a fulltime basis in Huazhong University of Science and Technology (華中理工大學) and has obtained his bachelor's degree majoring in Mechanical-Electrical Integration.

Ms. Ding Shao Wan (丁紹文), aged 47. She is the general manager of Shuanghua Auto Components, the subsidiary of the Group, primarily responsible for the sale business of the subsidiary of the Group. During 1989 to 2000, Ms. Ding has been serving as the member of export sales and the manager of foreign trade department of foreign trade company in Xuzhou, Jiangsu Province. From 2000 to 2006, she has been serving as the member of export sales as well as Asian marketing manager and vice general manager of Shanghai Youshen International Trade Company Limited (上海友申國際貿易有限公司). From 2006 to 2011, she was the Asian marketing manager and vice general manager of Youshen Industry. Since 2012, she has been serving as the general manger of Shuanghua Auto Components. During the period of 1985 to 1989, she studied on a fulltime basis in the Ocean University of China (中國海洋大學), and has obtained her bachelor's degree majoring in Sea-water Breeding.

COMPANY SECRETARY

Ms. Tang Lo Nar (鄧露娜), aged 41, is the executive Director, chief financial officer and our company secretary. Biographical details of Ms. Tang are set out in the paragraph headed "Executive Directors" under this section of this annual report.

CORPORATE GOVERNANCE REPORT

It is the belief of the Board of Directors that corporate governance plays a vital part in maintaining the success of the Company. Various measures have been adopted to ensure that a high level of corporate governance is maintained throughout the operation of the Group. Save as to code provisions A.2.1 and A.6.5, the Directors and/or the Company has complied with all the code provisions set out in Appendix 14 – Corporate Governance Code and Corporate Governance Report ("CG Code") of the Listing Rules for the financial year ended 31 December 2013.

THE BOARD

During the year ended 31 December 2013, the Board comprised two Executive Directors, one Non-executive Directors and three Independent Non-executive Directors. The Company has received from each of the Independent Non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers that all the independent non-executive directors to be independent.

The Board schedules four meetings a year at approximately quarterly intervals. In addition, special Board meetings are held as necessary. During the financial year ended 31 December 2013, the Board held seven meetings. Details of the attendance of individual Directors are as follows:

		Attendance		
		EGM	**AGM**	**Board of directors' meeting**
(a)	**Executive Directors**			
	Mr. Zheng Ping	1/1	1/1	7/7
	Ms. Tang Lo Nar	1/1	1/1	7/7
(b)	**Non-executive Director**			
	Ms. Kong Xiaoling	1/1	1/1	6/7
(c)	**Independent Non-executive Directors**			
	Mr. Zhao Fenggao	0/1	1/1	6/7
	Mr. He Binhui	0/1	0/1	6/7
	Mr. Chen Lifan	1/1	1/1	6/7

Mr. Zheng and Ms. Kong are husband and wife. Save as disclosed above, there is no family or other material relationship among members of the Board.

Biographies, including relationships among members of the Board are shown on pages 22 to 24 under the section on "Biography of Directors and Senior Management".

CORPORATE GOVERNANCE REPORT

ROLES OF DIRECTORS

The Board assumes responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Group. The principle roles of the Board are:

- to lay down the Group's objectives, strategies and policies;

- to monitor operating and financial performance; and

- to set appropriate policies to manage risks in pursuit of the Group's strategic objectives.

The Board has delegated the day-to-day operation responsibility to the management under the supervision of the Chief Executive Officer and various Board committees. Every newly appointed director, if any, is ensured to have a proper understanding on the operations and business of the Group and fully aware of his responsibilities under the relevant applicable legal and regulatory requirements. The senior management and the Company Secretary will conduct such briefing as is necessary to update the Board with legal and regulatory developments, business and market changes and the strategic development of the Group to facilitate the performance of their duties.

BOARD PROCESS

Proposed regular board meeting dates for a year are informed to each director at the beginning at the year. Formal notice of at least 7 days will be given in respect of a regular meeting. For special board meeting, reasonable notice will be given. Directors participated, either in person or through other electronic means of communication in the Board meetings.

The Board of Directors meets regularly at least 4 times every year. The Directors participated in person or through electronic means of communication. All notices of board meetings were given to all Directors, who were given an opportunity to include matters in the agenda for discussion. The finalised agenda and accompanying board papers were sent to all Directors at least 3 days prior to the meeting.

During regular meetings of the Board, the Directors discuss the overall strategy as well as the operation and financial performance of the Group. The Board has reserved for its decision or consideration matters covering overall Group strategy, major acquisitions and disposals, annual budgets, annual and interim results, approval of major capital transactions and other significant operational and financial matters. All Directors are kept informed on a timely basis of major changes that may affect the Group's businesses, including relevant rules and regulations. Directors can also seek independent professional advice in performing their duties at the Company's expense, if necessary. The Company Secretary records the proceedings of each board meeting in detail by keeping detailed minutes, including all decisions by the Board together with concerns raised and dissenting views expressed (if any). All minutes are open for inspection at any reasonable time on request by any Director.

CORPORATE GOVERNANCE REPORT

SUPPLY OF AND ACCESS TO INFORMATION

In respect of regular board meetings, an agenda of the meeting and the accompanying board papers are sent in full to all Directors at least 3 days before the intended date of a meeting. Board papers are circulated to the Directors to ensure that they have adequate information before the meeting for any ad hoc projects.

The management is responsible for supplying the Board and the committees with adequate information in a timely manner to enable it to make informed decisions. Where any director requires more information than is provided by management, each director has separate and independent access to the Company's senior management for inquiry or additional information.

All directors are entitled to have access to board papers and related materials. Such materials are prepared to enable the Board to make informed decisions on matters placed before it.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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 was not separated and was 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 believes that this structure will enable the Group to make and implement decisions promptly and efficiently.

NOMINATION OF DIRECTORS

New directors of the Company recommended by the Nomination Committee will be assessed by taking into criteria such as expertise, experience, integrity and commitment when considering new directors appointments.

The Board shall then make recommendations to shareholders on directors standing for re-election, providing sufficient bibliographical details of directors to enable shareholders to make an informed decision on the re-election, and where necessary, nominating appropriate persons to fill causal vacancies or as additions to the Board.

Although no formal board diversity policy has been formulated, the Nomination Committee would review the Board's composition where Board diversity would be considered from a number of aspects, including but not limited to gender, age, cultural and education background, ethnicity, professional experience, skills, knowledge and length of services.

CORPORATE GOVERNANCE REPORT

APPOINTMENTS, RE-ELECTION AND REMOVAL

All Independent Non-executive and Non-executive Directors are appointed for a specific term of not more than 3 years. All Directors, including the Chairman are required to retire from office by rotation and are subject to re-election by shareholders at annual general meeting at least once every 3 years.

Under the Company's Articles, one-third of the Directors, must retire and be eligible for re-election at each annual general meeting. As such, no director has a term of appointment longer than 3 years.

DIRECTORS' TRAINING

All the Directors are required to provide the Company with his or her training records on a yearly basis. During the year, the Company received training records from Ms. Tang Lo Nar relevant to the Company's business or to the Directors' duties and responsibilities, while no training records received from other Directors.

DIRECTORS' INSURANCE

The Company did not have any management liability insurance cover during the year.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in the Listing Rules as its own code of conduct for dealings in securities of the Company by the Directors (the "Code"). The Company, having made specific enquiry of all Directors, confirms that its Directors have complied with the required standard set out in the Code during the financial year ended 31 December 2013.

DELEGATION BY THE BOARD

The Board is primarily responsible for overall strategy and direction for the Group and overseeing the Group's businesses and providing leadership in strategic issues. The management is delegated to manage the day-to-day businesses of the Group.

When the Board delegates aspect of its management and administration functions to management, clear directions would be given as to the power of management, in particular, the circumstances where management should report back to the Board before making decisions or entering into any commitments on behalf of the Group.

Principal functions that are specifically delegated by the Board to the management include (i) implementation of corporation strategy and policy initiatives; (ii) provision of management reports to the Board in respect of Group's performance, financial position and prospects; and (iii) day-to-day management of the Group.

BOARD COMMITTEES

The Board established certain Board committees with specific written terms of reference which deal clearly with the committee's authority and duties and require the committees to report back on their decisions or recommendations.

CORPORATE GOVERNANCE REPORT

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.

During the financial year ended 31 December 2013, one meeting of Nomination Committee was held with attendance of individual members as set out below to review and consider the composition of the Board and senior management.

	Attendance
Mr. Zhao Fenggao	1/1
Mr. He Binhui	1/1
Mr. Chen Lifan	1/1

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 determine 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.

During the financial year ended 31 December 2013, one meeting of Remuneration Committee was held with attendance of individual members as set out below to review and consider the specific remuneration packages of the Company's executive directors and senior management.

	Attendance
Mr. Zhao Fenggao	1/1
Mr. He Binhui	1/1
Mr. Chen Lifan	1/1

Audit Committee

Pursuant to the Listing Rules, an audit committee was established on 8 June 2011, 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 REPORT

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

During the financial year ended 31 December 2013, the audit committee held four meetings for the purpose of reviewing the Company's reports and accounts, and providing advice and recommendations to the Board of Directors. The Audit Committee also reviewed the internal control procedures of the Group. The minutes of the audit committee meeting are kept by the Company Secretary.

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

	Attendance
Mr. Zhao Fenggao	4/4
Mr. He Binhui	4/4
Mr. Chen Lifan	4/4

The Group's results for the year ended 31 December 2013 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standard.

COMPANY SECRETARY

All Directors have access to the advice and services of the Company Secretary. During the year ended 31 December 2013, the Company Secretary confirmed she had taken not less than 15 hours professional trainings in accordance with rule 3.29 of the Listing Rules.

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR THE ACCOUNTS

The Board is responsible for presenting a balanced, clear and comprehensible assessment of the Group's performance and prospects. The Directors are responsible for the preparation of accounts which give a true and fair view of the state of affairs and of the results and cash flows of the Group on a going concern basis.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The Company's accounts are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently and that judgments and estimates made are prudent and reasonable. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group. The responsibilities of the auditors for the accounts are set out in the Independent Auditors' Report on Pages 32 to 33 of this Annual Report.

Where appropriate, a statement will be submitted by the Audit Committee explaining its recommendation regarding the selection, appointment, resignation or dismissal of external auditors and the reasons why the Board has taken a different view from that of the Audit Committee.

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROL

The Directors are responsible for the internal control of the Group and for reviewing its effectiveness. The internal control system of the Group comprises a comprehensive organisational structure and delegation of authorities assigned to individuals based on experience and business need.

Control procedures have been designed to safeguard assets against unauthorised use and disposition; ensure compliance with relevant laws, rules and regulations; ensure proper maintenance of accounting records for provision of reliable financial information used within the business or for publication; and to provide reasonable assurance against material misstatement, loss or fraud.

A review of the effectiveness of the Group's system of internal control covering all key controls, including financial, operational and compliance and risk management controls, is conducted annually. For the year ended 31 December 2013, the review based on a framework which assesses the Group's internal control system into intangibles and intellectual property rights cycle against control environment, risk management and control and monitoring activities on all major business and operational processes was conducted by the Audit Committee. The examination consisted of enquiry, discussion and validation through observation and inspection (if necessary). The result of the review has been reported to the Board of Directors and areas of improvement, if any, have been identified and appropriate measures have been put in place to manage the risks.

AUDITORS' REMUNERATION

The fees in relation to the audit and other services provided to the Company and its subsidiaries by external auditors of the Group for the year ended 31 December 2013, amounted approximately to RMB1,076,000. No non-audit service was provided by external auditors of the Group for the year ended 31 December 2013.

SHAREHOLDERS' RIGHTS

Under the Company's Articles, the Board, on the requisition of shareholders of the Company holding not less than 10% of the paid up capital of the Company, can convene an extraordinary general meeting within 2 months after the deposit of such requisition, to address specific issues of the Company within 21 days from the date of deposit of written notice to the Company's principal place of business in Hong Kong. The same requirement and procedure also applies to any proposal to be tabled at shareholders' meeting for adoption.

If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

COMMUNICATION WITH SHAREHOLDERS

Communication with shareholders could enhance the confidence of investors. The primary communication channel between the Company and its shareholders include the publication of interim and annual reports, annual general meetings, and other general meetings; the Company encourages all shareholders to attend annual general meetings. The Company's website also provides regular updated Group information to shareholders; enquiries on matters relating to shareholders and the businesses of the Group are welcome, and are dealt with in an informative and timely manner.

The Chairman of the Board and other Board members would attend the annual general meeting to be held on 9 June 2014 to answer questions, if any, at the meeting.

INDEPENDENT AUDITORS' REPORT

EY 安永

To the shareholders of Shuanghua Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Shuanghua Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 34 to 95, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

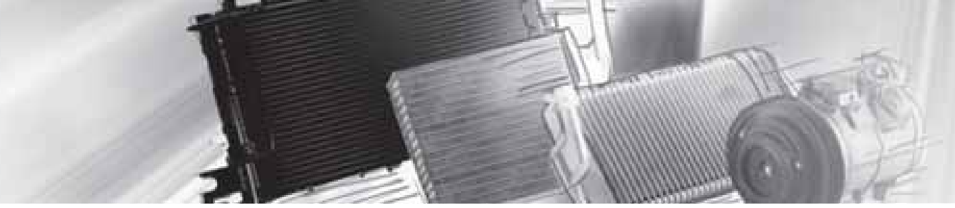
AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



INDEPENDENT AUDITORS' REPORT

OPINION

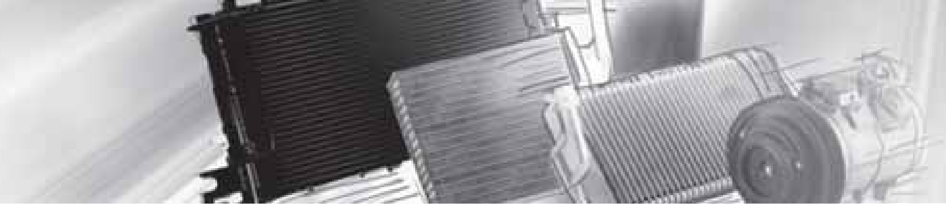
In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong
31 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
REVENUE	5	**261,130**	379,596
Cost of sales		**(217,155)**	(314,676)
Gross profit		**43,975**	64,920
Other income and gains	5	**14,394**	3,105
Selling and distribution expenses		**(11,895)**	(16,210)
Administrative expenses		**(37,204)**	(34,379)
Other expenses		**(22,214)**	(603)
Finance costs	7	**(190)**	(6,442)
Share of profits of an associate		**6,932**	15,737
(LOSS)/PROFIT BEFORE TAX	6	**(6,202)**	26,128
Income tax expense	10	**(17,522)**	(4,288)
(LOSS)/PROFIT FOR THE YEAR		**(23,724)**	21,840
Attributable to:			
Owners of the parent	11	**(23,724)**	21,839
Non-controlling interests		**–**	1
		(23,724)	21,840
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
– For (loss)/profit for the year	12	**(3.6) cents**	3.4 cents



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

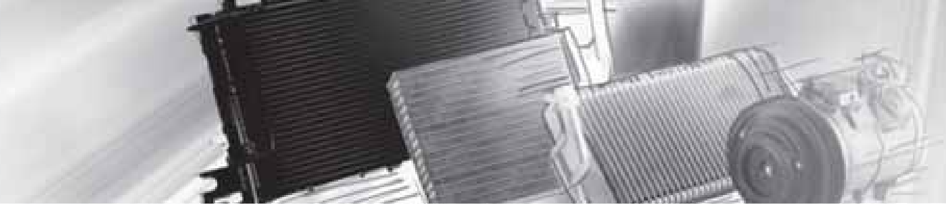
Year ended 31 December 2013

	Note	**2013** **RMB'000**	2012 RMB'000
(LOSS)/PROFIT FOR THE YEAR		**(23,724)**	21,840
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(34)**	(4)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods		**(34)**	(4)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(34)**	(4)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		**(23,758)**	21,836
Attributable to:			
Owners of the parent	*11*	**(23,758)**	21,835
Non-controlling interests		**–**	1
		(23,758)	21,836

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	**31 December 2013 RMB'000**	31 December 2012 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*13*	**146,242**	184,639
Prepaid land lease payments	*14*	**73,687**	74,872
Advance payments for property, plant and equipment		**101**	579
Investment in an associate	*16*	**–**	113,358
Available-for-sale investments	*17*	**262**	262
Deferred tax assets	*28*	**2,802**	12,503
Total non-current assets		**223,094**	386,213
CURRENT ASSETS			
Inventories	*18*	**83,304**	85,132
Trade and notes receivables	*19*	**105,421**	61,813
Prepayments, deposits and other receivables	*20*	**12,655**	6,291
Due from related parties	*35(b)*	**–**	49,551
Financial assets at fair value through profit or loss	*21*	**26,000**	38,000
Pledged deposits	*22*	**5,459**	–
Cash and cash equivalents	*22*	**174,581**	62,081
Total current assets		**407,420**	302,868
CURRENT LIABILITIES			
Trade and bills payables	*23*	**66,279**	57,625
Other payables and accruals	*24*	**14,317**	35,505
Interest-bearing bank borrowings	*25*	**–**	20,000
Due to related parties	*35(b)*	**1,970**	5,000
Provision	*26*	**2,335**	3,868
Government grants	*27*	**1,337**	1,170
Tax payable		**416**	400
Total current liabilities		**86,654**	123,568
NET CURRENT ASSETS		**320,766**	179,300
TOTAL ASSETS LESS CURRENT LIABILITIES		**543,860**	565,513



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	31 December 2013 RMB'000	31 December 2012 RMB'000
NON-CURRENT LIABILITIES			
Government grants	*27*	**11,214**	7,632
Deferred tax liabilities	*28*	**439**	1,916
Total non-current liabilities		**11,653**	9,548
Net assets		**532,207**	555,965
EQUITY			
Equity attributable to owners of the parent			
Issued capital	*29*	**5,406**	5,406
Reserves	*30*	**223,203**	221,559
Retained earnings		**303,594**	328,996
		532,203	555,961
Non-controlling interests		**4**	4
Total equity		**532,207**	555,965

Zheng Ping
Director

Tang Lo Nar
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2013

	Attributable to owners of the parent										
	Issued capital RMB'000 (note 29)	Share premium* RMB'000 (note 30)	Capital reserve* RMB'000 (note 30)	Statutory surplus reserve* RMB'000 (note 30)	Merger reserve* RMB'000 (note 30)	Exchange fluctuation reserve* RMB'000 (note 30)	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	5,406	133,658	168,183	36,766	(119,378)	(269)	309,760	17,680	551,806	3	551,809
Profit for the year	–	–	–	–	–	–	21,839	–	21,839	1	21,840
Other comprehensive loss for the year:											
Exchange differences on translation of foreign operations	–	–	–	–	–	(4)	–	–	(4)	–	(4)
Total comprehensive income for the year	–	–	–	–	–	(4)	21,839	–	21,835	1	21,836
Final 2011 dividend declared	–	–	–	–	–	–	–	(17,680)	(17,680)	–	(17,680)
Appropriation to statutory surplus reserve	–	–	–	2,603	–	–	(2,603)	–	–	–	–
At 31 December 2012	5,406	133,658	168,183	39,369	(119,378)	(273)	328,996	–	555,961	4	555,965

	Attributable to owners of the parent										
	Issued capital RMB'000 (note 29)	**Share premium* RMB'000 (note 30)**	**Capital reserve* RMB'000 (note 30)**	**Statutory surplus reserve* RMB'000 (note 30)**	**Merger reserve* RMB'000 (note 30)**	**Exchange fluctuation reserve* RMB'000 (note 30)**	**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	**5,406**	**133,658**	**168,183**	**39,369**	**(119,378)**	**(273)**	**328,996**	**-**	**555,961**	**4**	**555,965**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(23,724)**	**-**	**(23,724)**	**-**	**(23,724)**
Other comprehensive loss for the year:											
Exchange differences on translation of foreign operations	**-**	**-**	**-**	**-**	**-**	**(34)**	**-**	**-**	**(34)**	**-**	**(34)**
Total comprehensive loss for the year	**-**	**-**	**-**	**-**	**-**	**(34)**	**(23,724)**	**-**	**(23,758)**	**-**	**(23,758)**
Appropriation to statutory surplus reserve	**-**	**-**	**-**	**1,678**	**-**	**-**	**(1,678)**	**-**	**-**	**-**	**-**
At 31 December 2013	**5,406**	**133,658**	**168,183**	**41,047**	**(119,378)**	**(307)**	**303,594**	**-**	**532,203**	**4**	**532,207**

* These reserve accounts comprise the consolidated reserves of RMB223,203,000 (2012: RMB221,559,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

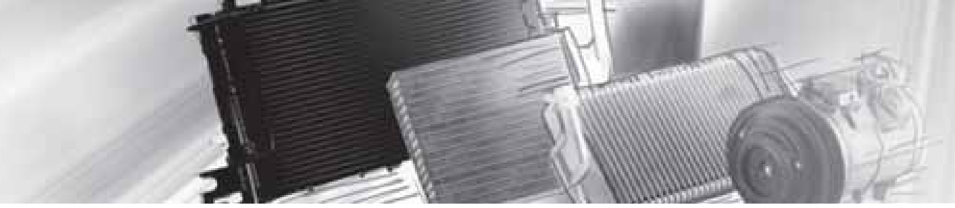
Year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		**(6,202)**	26,128
Adjustments for:			
Finance costs	7	**190**	6,442
Share of profits of an associate		**(6,932)**	(15,737)
Bank interest income	5	**(447)**	(941)
Gain on disposals of property, plant and equipment	5	**(597)**	(100)
Gain on disposal of an associate	5	**(10,893)**	–
Gain on disposal of investments at fair value through profit or loss	5	**(812)**	–
Depreciation	13	**17,027**	18,549
Recognition of prepaid land lease payments	14	**1,737**	1,403
Release of government grants	27	**(1,374)**	(1,329)
Impairment of property, plant and equipment	13	**19,997**	–
Impairment of inventories	18	**6,543**	3,380
Impairment of trade receivables	19	**488**	269
Impairment of other receivables	20	**85**	–
Foreign exchange differences, net		**438**	(407)
		19,248	37,657
Increase in inventories		**(4,715)**	(4,115)
(Increase)/decrease in trade and notes receivables		**(44,096)**	18,029
(Increase)/decrease in prepayments, deposits and other receivables		**(2,926)**	986
Decrease in amounts due from related parties		**49,551**	34,481
Increase in pledged deposits		**(5,459)**	–
Increase/(decrease) in trade and bills payables		**8,654**	(9,262)
Increase/(decrease) in other payables and accruals		**4,311**	(3,776)
Decrease in amounts due to related parties		**(3,030)**	(3,178)
Increase in government grants		**120**	159
Decrease in provision for product warranties		**(1,533)**	(1,160)
Cash generated from operations		**20,125**	69,821
Interest received		**447**	941
Income tax paid		**(2,160)**	(8,949)
Net cash flows from operating activities		**18,412**	61,813

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2013

	Note	2013 RMB'000	2012 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from an associate		**96,398**	14,700
Purchases of property, plant and equipment		**(3,729)**	(4,641)
Additions to prepaid land lease payments		**(20,557)**	–
Proceeds from disposals of property, plant and equipment		**683**	308
Receipt of government grants		**1,518**	–
Proceeds from disposal of an associate		**29,907**	–
Capital gain tax paid for disposal of an associate		**(2,244)**	–
Proceeds from disposal of investments at fair value through profit or loss		**63,774**	–
Purchases of investments at fair value through profit or loss		**(51,000)**	(38,000)
Net cash flows from/(used in) investing activities		**114,750**	(27,633)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**–**	78,800
Repayment of bank loans		**(20,000)**	(178,800)
Interest paid		**(190)**	(6,442)
Dividend paid to the then shareholders		**–**	(17,680)
Net cash flows used in financing activities		**(20,190)**	(124,122)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**112,972**	(89,942)
Cash and cash equivalents at beginning of year		**62,081**	151,620
Effect of foreign exchange rate changes, net		**(472)**	(403)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**174,581**	62,081
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**174,581**	62,081
Cash and cash equivalents as stated in the statement of financial position	*22*	**174,581**	62,081



STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
NON-CURRENT ASSETS			
Investments in subsidiaries	*15*	**117,131**	117,131
Total non-current assets		**117,131**	117,131
CURRENT ASSETS			
Due from subsidiaries	*15*	**126,439**	131,023
Cash and cash equivalents	*22*	**32**	675
Total current assets		**126,471**	131,698
CURRENT LIABILITIES			
Other payables and accruals	*24*	**–**	126
Total current liabilities		**–**	126
Net assets		**243,602**	248,703
EQUITY			
Issued capital	*29*	**5,406**	5,406
Reserves	*30*	**250,789**	250,789
Accumulated losses		**(12,593)**	(7,492)
Total equity		**243,602**	248,703

Zheng Ping
Director

Tang Lo Nar
Director

NOTES TO FINANCIAL STATEMENTS

31 December 2013

1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 19 November 2010. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

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

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance.

They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2013. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2013

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 9	*Financial Instruments*[3]
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	*Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39*[3]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*[1]
HKAS 19 Amendments	Amendments to HKAS 19 *Employee Benefits – Defined Benefit Plans: Employee Contributions*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[1]
HKAS 36 Amendments	Amendments to HKAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets*[1]
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*[1]
HK(IFRIC)-Int 21	*Levies*[1]
HKFRS 14	*Regulatory Deferral Accounts*[4]
Annual Improvements 2010-2012 Cycle	*Amendments to a number of HKFRSs issued in January 2014*[2]
Annual Improvements 2011-2013 Cycle	*Amendments to a number of HKFRSs issued in January 2014*[2]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 No mandatory effective date yet determined but is available for adoption
4 Effective for annual periods beginning on or after 1 January 2016

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

NOTES TO FINANCIAL STATEMENTS

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Subsidiaries (cont'd)

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

If an investment in an associate becomes an investment in a joint venture, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

The results of associates are included in the Group's statement of profit or loss to the extent of dividends received and receivable. The Group's investments in associates are treated as non-current assets and are stated at cost less any impairment losses.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations.*

NOTES TO FINANCIAL STATEMENTS

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Fair value measurement

The Group measures its investment properties, derivative financial instruments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized 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 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, construction contract assets, financial assets, investment properties, goodwill and non-current assets/ a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises (only if there are revalued assets in the financial statements), unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Related parties

A party is considered to be related to the Group if:

(a) the party, is a person or a close member of that person's family and that person,

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

NOTES TO FINANCIAL STATEMENTS

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	5% to 20%
Plant and machinery	10% to 20%
Office equipment	20%
Motor vehicles	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building and plant and equipment under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Intangible assets (other than goodwill) (cont'd)

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Investments and other financial assets (cont'd)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in unlisted equity investments. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Investments and other financial assets (cont'd)

Available-for-sale financial investments (cont'd)

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimated within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset, or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, amounts due to related parties and interest-bearing bank borrowings.

Subsequent measurement

The subsequent measurement of loans and borrowings is as follows:

After initial recognition, interest-bearing bank borrowings are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Provisions for product warranties granted by the Group on certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Income tax (cont'd)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) rental income, on a time proportion basis over the lease terms;

(c) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(d) dividend income, when the shareholders' right to receive payment has been established.

Retirement benefits

The Group's subsidiaries which operate in Mainland China are required to provide certain staff pension benefits to their employees under existing regulations of the PRC. Pension scheme contributions are provided at rates stipulated by PRC regulations and are made to a pension fund managed by government agencies, which are responsible for administering the contributions for the subsidiaries' employees. The pension scheme is considered as a defined contribution plan because the Group has no legal or constructive obligations for retirement benefits beyond the contribution made. Contributions to the defined contribution pension scheme are recognised as expenses in the statement of profit or loss of the Group as they become payable in accordance with the rules of the scheme. There are no provisions under the scheme whereby forfeited contributions may be used to reduce future contributions.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of certain subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of certain subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Recognition of deferred tax liabilities for withholding taxes

Deferred tax liabilities are recognised for withholding tax levied on dividends declared to foreign investors from the foreign investment enterprise established in Mainland China. Significant management judgement is required to determine the amount of deferred tax liabilities that can be recognised, based upon the likely dividends declared.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Further details are contained in note 28 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

Estimation uncertainty (cont'd)

Income tax

The Group is subject to income taxes in various regions. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimates and judgements based on currently enacted tax laws, regulations and other related policies are required in determining the provision of corporate income taxes. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact the corporate income tax and tax provisions in the period in which the differences are realised. Further details are contained in note 10 to the financial statements.

Impairment of trade and other receivables

Impairment of trade and other receivables is made based on ongoing assessment of the recoverability of trade and other receivables. The identification of impairment requires management's judgements and estimates. Where the actual outcome is different from the original estimate, such differences will impact the carrying values of the trade and other receivables and impairment losses in the period in which such estimate has been changed.

Provision for slow-moving inventories and net realisable value of inventories

Management reviews the ageing analysis of inventories of the Group at the end of each reporting period, and makes a provision for slow-moving inventory items. Management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. Write-down of inventories to net realisable value is made based on the estimated net realisable value of inventories. The assessment of the write-down amount requires management's estimates and judgement. Where the actual outcome or expectation in the future is different from the original estimate, such differences will impact the carrying value of inventories and write-down/write-back of inventories in the period in which such estimate has been changed.

Warranty provision

The Group provides warranties on the products sold to its customers, under which faulty products are repaired or replaced. The amount of the warranty provision is estimated based on the sales volume and past experience of the level of repairs and returns, discounted to the present value as appropriate. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

Estimation uncertainty (cont'd)

Useful lives and residual values of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and the legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way.

Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed at the end of each financial year based on changes in circumstances.

4. OPERATING SEGMENT INFORMATION

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

Geographical information

(a) *Revenue from external customers*

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

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

(b) *Non-current assets*

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

NOTES TO FINANCIAL STATEMENTS

31 December 2013

4. OPERATING SEGMENT INFORMATION (CONT'D)

Information about major customers

For the year ended 31 December 2013, revenue from one customer individually accounted for more than 10% of the Group's total revenue. Revenue from this customer was RMB58,789,000.

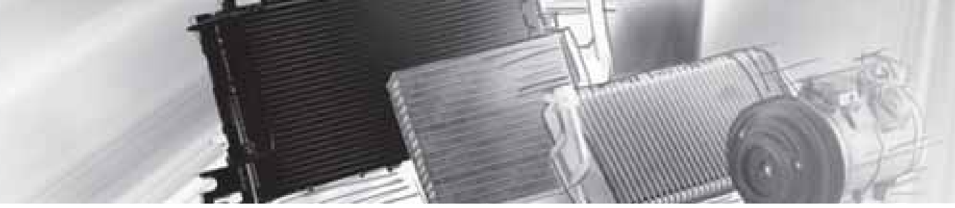
For the year ended 31 December 2012, revenues from two customers individually accounted for more than 10% of the Group's total revenue. Revenues from these two customers were RMB112,032,000 and RMB88,631,000 respectively.

5. REVENUE, OTHER INCOME AND GAINS

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

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

	Notes	**2013 RMB'000**	2012 RMB'000
Revenue			
Sale of goods		**261,130**	379,596
Other income			
Bank interest income		**447**	941
Government grants *(note 27)*		**1,374**	1,329
Others		**271**	328
		2,092	2,598
Gains			
Gain on disposal of investments at fair value through profit or loss		**812**	–
Foreign exchange gain, net		**–**	407
Gain on disposals of property, plant and equipment		**597**	100
Gain on disposal of an associate	*16*	**10,893**	–
		12,302	507
		14,394	3,105



NOTES TO FINANCIAL STATEMENTS

31 December 2013

6. (LOSS)/PROFIT BEFORE TAX

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

	Notes	**2013** **RMB'000**	2012 RMB'000
Cost of inventories sold		**217,155**	314,676
Depreciation	*13*	**17,027**	18,549
Amortisation of land lease payments	*14*	**1,737**	1,403
Research and development costs		**8,277**	3,525
Operating lease expenses		**2,284**	1,907
Product warranty provision	*26*	**959**	2,298
Auditors' remuneration		**1,076**	1,626
Employee benefit expense (including directors' and chief executive's remuneration *(note 8)*):			
Wages and salaries		**34,404**	39,264
Pension scheme contributions		**7,348**	7,711
Staff welfare expenses		**1,908**	3,269
		43,660	50,244
Foreign exchange differences, net		**1,641**	(407)
Impairment of property, plant and equipment*	*13*	**19,997**	–
Impairment of inventories	*18*	**6,543**	3,380
Impairment of trade receivables	*19*	**488**	269
Impairment of other receivables	*20*	**85**	–
Gain on disposal of investments at fair value through profit or loss		**(812)**	–
Bank interest income		**(447)**	(941)
Gain on disposal of property, plant and equipment		**(597)**	(100)
Gain on disposal of an associate		**(10,893)**	–

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

7. FINANCE COSTS

An analysis of finance costs is as follows:

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

NOTES TO FINANCIAL STATEMENTS

31 December 2013

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The remuneration of directors, including one executive director (the chief executive), for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	2013	2012
	RMB'000	RMB'000
Fees	**420**	481
Other emoluments:		
Salaries, bonuses, allowances and benefits in kind	**883**	1,630
Pension scheme contributions	**–**	21
	883	1,651
	1,303	2,132

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2013	2012
	RMB'000	RMB'000
He Binhui	**60**	60
Zhao Fenggao	**60**	60
Chen Lifan	**60**	60
	180	180

There were no other emoluments payables to the independent non-executive directors during the year (2012: Nil).

NOTES TO FINANCIAL STATEMENTS

31 December 2013

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONT'D)

(b) Executive directors and non-executive directors

	Fees RMB'000	Salaries, bonuses, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2013				
Executive directors:				
Zheng Ping *(chief executive)*	**120**	**600**	**–**	**720**
Tang Lo Nar	**60**	**283**	**–**	**343**
	180	**883**	**–**	**1,063**
Non-executive director:				
Kong Xiaoling	**60**	**–**	**–**	**60**
	240	**883**	**–**	**1,123**
2012				
Executive directors:				
Zheng Ping *(chief executive)*	120	1,000	–	1,120
Dong Zongde	51	338	21	410
Tang Lo Nar	45	292	–	337
	216	1,630	21	1,867
Non-executive directors:				
Kong Xiaoling	60	–	–	60
Jia Weiren	25	–	–	25
	85	–	–	85
	301	1,630	21	1,952

Save as to Mr. Zheng Ping who had waived an aggregate of RMB400,000 in salaries, bonuses, allowances and benefits in kind for the year ended 31 December 2013, there was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 December 2012 and 31 December 2013.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2012: three directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2012: two) non-director, highest paid employees for the year are as follows:

	2013 **RMB'000**	2012 RMB'000
Salaries, bonuses, allowances and benefits in kind	**900**	673
Pension scheme contributions	**197**	67
	1,097	740

The number of non-director, highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2013	2012
Nil to RMB1,000,000	**3**	2

10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

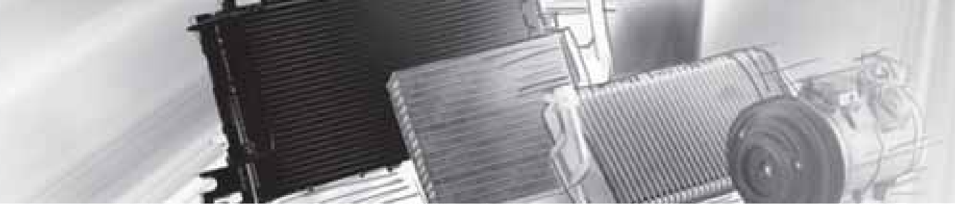
The income tax expenses of the Group during the year are analysed as follows:

	2013 **RMB'000**	2012 RMB'000
Current		
– Corporate income tax	**2,178**	4,256
– Capital gain tax	**2,244**	–
Deferred *(note 28)*	**13,100**	32
Total tax charge for the year	**17,522**	4,288

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

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

Pursuant to the relevant tax law of the Hong Kong Special Administrative Region, Hong Kong profits was subject to CIT at the rate of 16.5% (2012: 16.5%) in Hong Kong. No provision of income tax has been made for Automart Holdings Limited ("Hong Kong Automart") and Shuanghua Hong Kong Limited ("Hong Kong Shuanghua") as Hong Kong Automart and Hong Kong Shuanghua had no taxable income derived from Hong Kong during the year.



NOTES TO FINANCIAL STATEMENTS

31 December 2013

10. INCOME TAX (CONTINUED)

Shanghai Shuanghua Autoparts Co., Ltd. ("Shanghai Shuanghua") was accredited as a "Shanghai High and New Technology Enterprise" for three years starting from December 2008 and such qualification expired on 24 December 2011. In October 2011, Shanghai Shuanghua obtained the renewed "Hi-tech Enterprise" qualification for three years, effective from 2011 to enjoy a preferential CIT rate of 15%.

Shanghai Youshen Industry Co., Ltd. ("Youshen Industry") was located in Pudong New Area and was subject to a CIT at the preferential rate of 15% before 2008. With the release of the New Corporate Income Tax Law, Youshen Industry was subject to CIT at the rates of 18%, 20%, 22% and 24% for 2008, 2009, 2010 and 2011, respectively, before Youshen Industry was subject to CIT at the rate of 25% from 2012.

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

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

	2013 **RMB'000**	2012 RMB'000
(Loss)/profit before tax	**(6,202)**	26,128
Tax at statutory tax rate 25% in Mainland China	**(1,551)**	6,532
Lower tax rates for specific provinces or enacted by local authority	**(2,532)**	(2,550)
Profits attributable to an associate	**(1,144)**	(3,934)
Income not subject to tax	**(2,442)**	(28)
Additional deduction of research and Effect of tax concession and allowances	**(607)**	(264)
Expenses not deductible for tax	**223**	635
Effect of withholding tax at 5% (2012: 5%) on the distributable profits of the Group's PRC subsidiaries and an associate	**3,399**	(220)
Tax losses utilised	**–**	(56)
Temporary differences not recognised	**5,763**	714
Tax losses not recognised	**4,207**	3,459
Reversal of tax losses and temporary differences from previous years	**9,962**	–
Tax effect of capital gain	**2,244**	–
Tax charge at the Group's effective rate	**17,522**	4,288

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

NOTES TO FINANCIAL STATEMENTS

31 December 2013

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

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

12. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2013

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2013						
At 1 January 2013:						
Cost	117,319	126,897	3,303	4,372	5,931	257,822
Accumulated depreciation	(24,561)	(43,471)	(2,136)	(3,015)	–	(73,183)
Net carrying amount	92,758	83,426	1,167	1,357	5,931	184,639
At 1 January 2013, net of accumulated depreciation	92,758	83,426	1,167	1,357	5,931	184,639
Additions	–	2,021	224	1,165	478	3,888
Adjustment	(5,175)	–	–	–	–	(5,175)
Disposals	–	–	(1)	(85)	–	(86)
Depreciation provided during the year *(note 6)*	(5,470)	(10,682)	(359)	(516)	–	(17,027)
Impairment *(note 6)*	–	(19,825)	(172)	–	–	(19,997)
Transfers	–	1,521	–	–	(1,521)	–
At 31 December 2013, net of accumulated depreciation and impairment	82,113	56,461	859	1,921	4,888	146,242
At 31 December 2013:						
Cost	112,144	130,439	3,519	4,951	4,888	255,941
Accumulated depreciation and impairment	(30,031)	(73,978)	(2,660)	(3,030)	–	(109,699)
Net carrying amount	82,113	56,461	859	1,921	4,888	146,242

NOTES TO FINANCIAL STATEMENTS

31 December 2013

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group (cont'd)

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2012						
At 1 January 2012:						
Cost	117,319	110,008	3,095	4,372	14,414	249,208
Accumulated depreciation	(18,951)	(31,897)	(1,711)	(2,285)	–	(54,844)
Net carrying amount	98,368	78,111	1,384	2,087	14,414	194,364
At 1 January 2012, net of accumulated depreciation	98,368	78,111	1,384	2,087	14,414	194,364
Additions	–	4,482	225	–	4,325	9,032
Disposals	–	(197)	(11)	–	–	(208)
Depreciation provided during the year *(note 6)*	(5,610)	(11,778)	(431)	(730)	–	(18,549)
Transfers	–	12,808	–	–	(12,808)	–
At 31 December 2012, net of accumulated depreciation	92,758	83,426	1,167	1,357	5,931	184,639
At 31 December 2012:						
Cost	117,319	126,897	3,303	4,372	5,931	257,822
Accumulated depreciation	(24,561)	(43,471)	(2,136)	(3,015)	–	(73,183)
Net carrying amount	92,758	83,426	1,167	1,357	5,931	184,639

As at 31 December 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 RMB11,252,000 (2012: RMB17,503,000). The directors are of the view that the Group is lawfully and validly entitled to occupy and use the abovementioned buildings. The directors are also of the opinion that the aforesaid matter did not have any significant impact on the Group's financial position as at 31 December 2013.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

14. PREPAID LAND LEASE PAYMENTS

	Group	
	2013	2012
	RMB'000	RMB'000
Carrying amount at beginning of year	**76,590**	64,095
Additions	**571**	13,898
Recognised during the year *(note 6)*	**(1,737)**	(1,403)
Carrying amount at end of year	**75,424**	76,590
Current portion included in prepayments, deposits and other receivables *(note 20)*	**(1,737)**	(1,718)
Non-current portion	**73,687**	74,872

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

As at 31 December 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 RMB19,381,000 (2012: RMB19,267,000). The directors are of the view that the Group is lawfully and validly entitled to occupy and use the abovementioned leasehold lands. The directors are also of the opinion that the aforesaid matter did not have any significant impact on the Group's financial position as at 31 December 2013.

15. INVESTMENTS IN SUBSIDIARIES

	Company	
	2013	2012
	RMB'000	RMB'000
Unlisted shares, at cost	**117,131**	117,131

The amount due from subsidiaries included in the Company's currents assets of RMB126,439,000 (2012: RMB131,023,000) are unsecured, interest-free and are repayable on demand.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

15. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Particulars of the subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
Automart Holdings Limited ("BVI Automart")	British Virgin Islands	US$100,000	100 (direct)	Investment holding
Hong Kong Automart	Hong Kong	HK$1,200,000	100 (indirect)	Investment holding
Shanghai Shuanghua	People's Republic of China/Mainland China	RMB389,289,704	99.999 (indirect)	Manufacturing and sale of auto air-conditioner parts and components
Shuanghua Machinery	People's Republic of China/Mainland China	RMB60,000,000	100 (indirect)	Manufacturing of and sale of auto air-conditioner parts and components
Shuanghua Machinery Sales	People's Republic of China/Mainland China	RMB5,000,000	100 (indirect)	Wholesale and retail of mechanical equipment and electrical equipment
Youshen Industry	People's Republic of China/Mainland China	RMB10,000,000	100 (indirect)	Import and export of goods and technology and sales of auto-conditioner parts and components

NOTES TO FINANCIAL STATEMENTS

31 December 2013

15. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Particulars of the subsidiaries are as follows: (Cont'd)

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
Hong Kong Shuanghua	Hong Kong	US$200,000	100 (indirect)	Import and export of goods and technology and sales of auto-conditioner parts and components
Shuanghua Auto Components	People's Republic of China/Mainland China	RMB2,000,000	100 (indirect)	Wholesale and retail of mechanical equipment and accessories
Kunshan Xiaocang Compressor Co., Ltd. ("Kunshan Xiaocang") (i)	People's Republic of China/Mainland China	US$1,210,000	65 (indirect)	Manufacture of automotive compressors
Guangzhou Automobile (ii)	People's Republic of China/Mainland China	RMB500,000	100 (indirect)	Wholesale and retail of mechanical equipment and accessories
Eagle Service (ii)	People's Republic of China/Mainland China	RMB10,000,000	100 (indirect)	Technical service and retail of lubricating oil

Notes:

(i) Kunshan Xiaocang is in the process of deregistration.

(ii) Guangzhou Automobile and Eagle Service are limited liability companies established under PRC law in November 2013 and August 2013 respectively.

(iii) Shanghai Shuanghua and Kunshan Xiaocang is a Sino-foreign equity company established in the PRC.

(iv) Shuanghua Machinery, Shuanghua Machinery Sales, Youshen Industry, Shuanghua Auto Components, Guangzhou Automobile, Eagle Service are domestic companies established in the PRC.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

16. INVESTMENT IN AN ASSOCIATE

	Group 2013 RMB'000	2012 RMB'000
Share of net assets	**–**	113,358

On 6 September 2013, Hong Kong Automart, a wholly-owned subsidiary of the Company, entered into an agreement pursuant to which Hong Kong Automart conditionally agreed to sell its 49% equity interest in Macs (Baoding) Auto A/C Systems Co., Ltd. ("Macs Baoding") to Great Wall Motor Co., Ltd. for an aggregate consideration of RMB29,907,000. The disposal consideration has been fully received during the year. The gain from the disposal of RMB10,893,000 was credited to other income and gains during the year as set out in the note 5 to the financial statements.

17. AVAILABLE-FOR-SALE INVESTMENTS

	Group 2013 RMB'000	2012 RMB'000
Unlisted equity investments, at cost	**262**	262

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

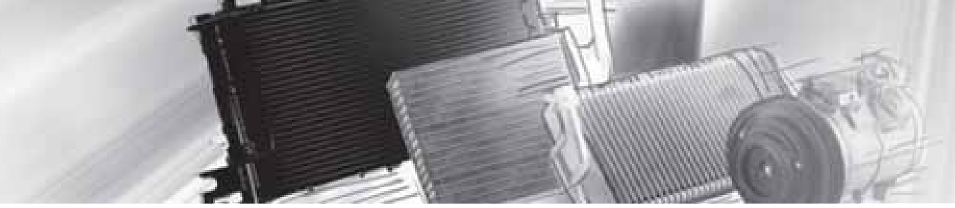
Unlisted equity investments were stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future.

18. INVENTORIES

	Group 2013 RMB'000	2012 RMB'000
Raw materials	**24,793**	26,565
Work in progress	**19,915**	19,370
Finished goods	**52,501**	46,559
	97,209	92,494
Impairment	**(13,905)**	(7,362)
	83,304	85,132

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

	Group 2013 RMB'000	2012 RMB'000
At beginning of year	**7,362**	3,982
Impairment losses recognised *(note 6)*	**6,543**	3,380
At end of year	**13,905**	7,362



NOTES TO FINANCIAL STATEMENTS

31 December 2013

19. TRADE AND NOTES RECEIVABLES

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2013

19. TRADE AND NOTES RECEIVABLES (CONT'D)

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

	Group	
	2013	2012
	RMB'000	RMB'000
At beginning of year	**635**	366
Impairment losses recognised *(note 6)*	**488**	269
At end of year	**1,123**	635

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

The individually impaired trade receivables relate to customers that no longer have transactions with the Group, and none of the receivables is expected to be recovered.

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

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

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Board is of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group	
	2013	2012
	RMB'000	RMB'000
Other receivables	**9,773**	3,222
Prepayments	**880**	1,351
Prepaid land lease payments *(note 14)*	**1,737**	1,718
Prepaid expenses	**350**	–
	12,740	6,291
Impairment	**(85)**	–
	12,655	6,291

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

	Group	
	2013	2012
	RMB'000	RMB'000
At beginning of year	**–**	–
Impairment losses recognised *(note 6)*	**85**	–
At end of year	**85**	–

The individually impaired other receivables relate to those receivables that are not expected to be recovered.

Except for the impairment of other receivables mentioned above, none of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2013	2012
	RMB'000	RMB'000
Bank financial investment products, at fair value	**26,000**	–
Investment in foreign currency contract, at fair value	**–**	38,000
	26,000	38,000

The balance as at 31 December 2013 represented bank principal-protected financial investment products with maturity dates ranged from 2 January 2014 to 24 March 2014.

The bank financial investment products are designated by the Group as financial assets at fair value through profit or loss upon initial recognition.

The balance as at 31 December 2012 represented a principal-protected structured investment whose principal amount is RMB38,000,000 and maturity date is 2 April 2013. The bank structured investment contains embedded derivative, the return on which is determined with reference to a foreign exchange yield differential index published by the issuer of the bank structured investment. The bank structured investment is designated by the Group as financial assets at fair value through profit or loss upon initial recognition.

22. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

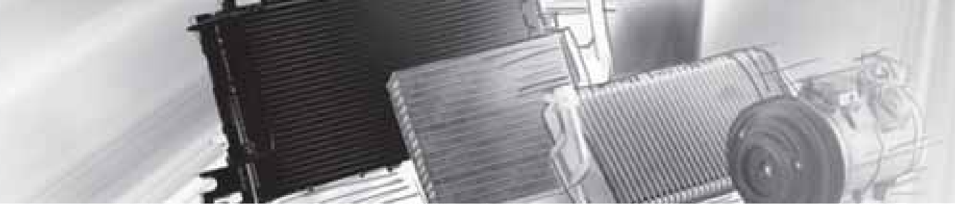
		Group	
		2013	2012
	Note	**RMB'000**	RMB'000
Cash and bank balances		**180,040**	62,081
Less: Pledged deposits for bills payable	*23*	**5,459**	–
Cash and cash equivalents		**174,581**	62,081

	Company	
	2013	2012
	RMB'000	RMB'000
Cash and bank balances	**32**	675

As at 31 December 2013, the Group's cash and cash equivalents denominated in RMB were RMB159,884,096 (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 the seven-day short term time deposit rate. The bank balances are deposited with creditworthy banks with no recent history of default.

As at 31 December 2013, short term deposits were pledged to secure bills payable of RMB15,300,000 (2012: Nil) (note 23).



NOTES TO FINANCIAL STATEMENTS

31 December 2013

23. TRADE AND BILLS PAYABLES

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2013

24. OTHER PAYABLES AND ACCRUALS

	Group	
	2013	2012
	RMB'000	RMB'000
Other payables	**2,781**	24,295
Advances from customers	**1,264**	856
Taxes other than CIT	**6,011**	4,454
Payroll payable	**3,436**	4,333
Accrued liabilities	**825**	1,567
	14,317	35,505

	Company	
	2013	2012
	RMB'000	RMB'000
Accrued liabilities	**–**	126

Other payables and advances from customers are non-interest-bearing and have an average term of three months.

25. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate (%)	Maturity	Group 2013 RMB'000	Group 2012 RMB'000
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 TO FINANCIAL STATEMENTS

31 December 2013

26. PROVISION

	Group 2013 RMB'000	2012 RMB'000
At beginning of year	**3,868**	5,028
Additional provision *(note 6)*	**959**	2,298
Amounts utilised during the year	**(1,450)**	(1,996)
Reversal of unutilised amounts	**(1,042)**	(1,462)
At end of year	**2,335**	3,868

The Group provides warranties to its customers on its products, under which faulty products are repaired or replaced. The amount of the provision for the warranties is estimated based on sales volumes and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

27. GOVERNMENT GRANTS

	Group 2013 RMB'000	2012 RMB'000
Carrying amount at beginning of the year	**8,802**	9,972
Received during the year	**5,123**	159
Released to the statement of profit or loss *(note 5)*	**(1,374)**	(1,329)
Carrying amount at end of the year	**12,551**	8,802
Current	**1,337**	1,170
Non-current	**11,214**	7,632
	12,551	8,802

Government grants have been received either for the construction of certain items of property, plant and equipment or for the Group subsidiaries' business development.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

28. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

Group

	Accruals and provision	**Impairment of assets**	**Government grants**	**Losses available for offsetting future taxable profits**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets at 31 December 2011 and 1 January 2012	1,472	703	1,918	8,662	12,755
Deferred tax credited/(charged) to the statement of profit or loss during the year *(note 10)*	(130)	(47)	(124)	49	(252)
Deferred tax assets at 31 December 2012 and 1 January 2013	1,342	656	1,794	8,711	12,503
Deferred tax credited/(charged) to the statement of profit or loss during the year *(note 10)*	(519)	385	(969)	(8,598)	(9,701)
Deferred tax assets at 31 December 2013	823	1,041	825	113	2,802

NOTES TO FINANCIAL STATEMENTS

31 December 2013

28. DEFERRED TAX (CONT'D)

Deferred tax liabilities

Group

	Withholding tax on the distributable profits RMB'000
At 1 January 2012	4,136
Deferred tax credited to the statement of profit or loss during the year *(note 10)*	(220)
Deferred tax utilised during the year	(2,000)
At 31 December 2012 and 1 January 2013	1,916
Deferred tax charged to the statement of profit or loss during the year *(note 10)*	3,399
Deferred tax utilised during the year	(4,876)
At 31 December 2013	439

Pursuant to the New Corporate Income Tax Law and implementation regulations issued by the State Council, and in accordance with the "Arrangement between the Mainland of China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income", a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprise established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax arrangement between China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by Shanghai Shuanghua and Macs Baoding in respect of earnings generated from 1 January 2008. The Group has recognised deferred tax liabilities in respect of accumulated distributable earnings from its subsidiaries and associate established in Mainland China since 1 January 2008, no matter whether such earnings have been declared or not by the subsidiaries and associate at the reporting dates.

On 13 April 2012, Hong Kong Automart obtained the Resident Certificate issued by the Hong Kong Special Administrative Region to approve that Hong Kong Automart is a Hong Kong resident under the "Agreement between the Mainland of China the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income" for 2008, 2009, 2010 and 2011. Such certificate for 2012 was obtained on 28 March 2013. The Group is therefore liable for withholding taxes on dividend distributed its subsidiaries at a reduced rate of 5% from 2008 to 2013.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

28. DEFERRED TAX (CONT'D)

Deferred tax liabilities (Cont'd)

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

Deferred tax assets have not been recognised in respect of the following items:

	2013	2012
	RMB'000	RMB'000
Tax losses:		
Shuanghua Machinery	**55,313**	12,862
Eagle Service	**1,484**	–
Hong Kong Automart	**1,995**	1,026
Hong Kong Shuanghua	**371**	–
Youshen Industry	**5,330**	5,026
	64,493	18,914
Deductible temporary differences:		
Youshen Industry	**250**	125
Shuanghua Machinery	**25,658**	2,731
	25,908	2,856
	90,401	21,770

The Group has tax losses arising in Mainland China that will expire in one to five years for offsetting against future taxable profits of Shuanghua Machinery, Eagle Service and Youshen Industry.

The Group has tax losses arising in Hong Kong that are available indefinitely for offsetting against future taxable profits of Hong Kong Automart and Hong Kong Shuanghua.

Deferred tax assets have not been recognised in respect of these losses and deductible temporary differences as they have arisen in Shuanghua Machinery, Eagle Service, Hong Kong Automart, Hong Kong Shuanghua and Youshen Industry and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

29. SHARE CAPITAL

The movements in the authorised and issued share capital of the Company are as follows:

	2013 RMB'000	2012 RMB'000
Authorised:		
10,000,000,000 (2012: 10,000,000,000) ordinary shares of HK$0.01 each	83,293	83,293
Issued and fully paid:		
650,000,000 (2012: 650,000,000) ordinary shares of HK$0.01 each	5,406	5,406

30. RESERVES

	Group 2013 RMB'000	Group 2012 RMB'000
Share premium	**133,658**	133,658
Capital reserve	**168,183**	168,183
Statutory surplus reserve	**41,047**	39,369
Merger reserve	**(119,378)**	(119,378)
Exchange fluctuation reserve	**(307)**	(273)
	223,203	221,559

	Company 2013 RMB'000	Company 2012 RMB'000
Share premium	**133,658**	133,658
Capital reserve	**117,131**	117,131
	250,789	250,789

NOTES TO FINANCIAL STATEMENTS

31 December 2013

30. RESERVES (CONT'D)

Share premium

On 29 June 2011, a total of 487,490,000 new ordinary shares of HK$0.01 each were allotted and issued, credited as fully paid at par by the Company, by way of capitalisation of the sum of HK$4,875,000 (equivalent to RMB4,055,000) from the share premium account to the then existing shareholders of the Company in proportion to their respective shareholdings.

On 30 June 2011, the shares of the Company were listed on the Stock Exchange of Hong Kong Limited and the Company had offered 162,500,000 ordinary shares of HK$0.01 each and received total proceeds of HK$188,500,000 (equivalent to RMB156,760,000) from the initial public offering. The difference between the additional issued capital of the Company of RMB1,351,000 and the total proceeds of RMB156,760,000 received from the initial public offering after deducting deferred listing expenses of RMB17,696,000 was recorded as share premium.

Capital reserve

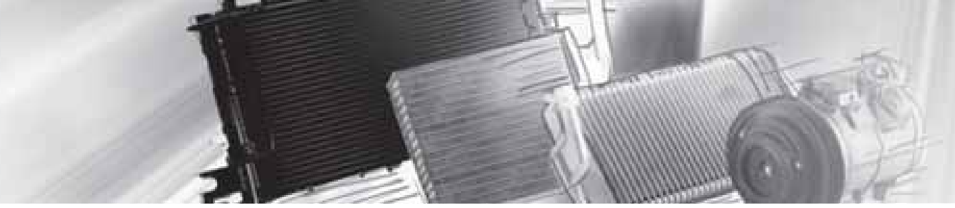
Pursuant to the reorganisation, on 18 March 2011, 8,000 shares and 42,000 shares of BVI Automart were issued and allotted to Zheng Ping and Shuanghua International for considerations of HK$81,200,000 (equivalent to RMB67,696,000) and HK$58,800,000 (equivalent to RMB49,022,000), respectively. The total capital injection by Zheng Ping and Shuanghua International was RMB132,375,000. The additional injection due from the Group of RMB15,657,000 was waived by Zheng Ping and Shuanghua International.

On 8 June 2011, the Company acquired the entire issued share capital of BVI Automart from Zheng Ping and Shuanghua International in consideration of the crediting as fully paid the 5,800 and 4,200 in the share capital of the Company held by Zheng Ping and Dong Zongde, namely, Youshen Group and Shuanghua International, respectively. The excess of the nominal value of the shares of BVI Automart acquired pursuant to the reorganisation over the nominal value of the Company's shares issued in exchange therefor of RMB117,131,000 was recorded as capital reserve.

On 18 June 2011, the Group entered into a deed of release with Youshen International pursuant to which Youshen International waived the debt of RMB30,700,000 due from the Group.

Statutory surplus reserve

In accordance with the PRC Company Law, the Company's subsidiaries registered in the PRC are required to appropriate 10% of the annual statutory profit after tax (after offsetting any prior years' losses) to the statutory surplus reserve. When the balance of the reserve fund reaches 50% of the entity's registered capital, any further appropriation is optional. The statutory reserve can be utilised to offset prior years' losses or to increase capital. However, the balance of the statutory reserve must be maintained at a minimum of 25% of the registered capital after such usage.



NOTES TO FINANCIAL STATEMENTS

31 December 2013

30. RESERVES (CONT'D)

Merger reserve

The merger reserve of the Group represents the reserve arose pursuant to the reorganisation which is accounted for as reorganisation under common control.

Exchange fluctuation reserve

The exchange fluctuation reserve is used to record exchange differences arising from the translation of the financial statements of Hong Kong Shuanghua.

31. CONTINGENT LIABILITIES

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

32. PLEDGE OF ASSETS

Details of the Group's bills payable, which are secured by the assets of the Group, are included in notes 22 and 23 to the financial statements.

33. 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 31 December 2013, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2013	2012
	RMB'000	RMB'000
Within one year	**1,127**	1,660
In the second to fifth years, inclusive	**886**	244
	2,013	1,904

At the end of the reporting period, the Company had no operating lease arrangements.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

34. COMMITMENTS

In addition to the operating lease commitments detailed in note 33 above, the Group had the following capital commitments at the end of the reporting period:

	Group	
	2013	2012
	RMB'000	RMB'000
Contracted, but not provided for:		
Property, plant and machinery	**352**	138

At the end of the reporting period, the Company had no significant commitments.

35. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in the financial statements, the Group had the following transactions with related parties during the year:

		Group	
		2013	2012
	Notes	**RMB'000**	RMB'000
Associate			
Sales of products to:			
Macs Baoding	*(i)*	**43,298**	88,631
Companies of which the shareholder is a shareholder of the Company			
Purchases of goods from:			
Shanghai Youchen Aluminium Materials Co., Ltd. ("Shanghai Youchen")*	*(ii)*	**2,817**	12,129
Rental expenses to:			
Shanghai Automart*	*(iii)*	**1,153**	1,314

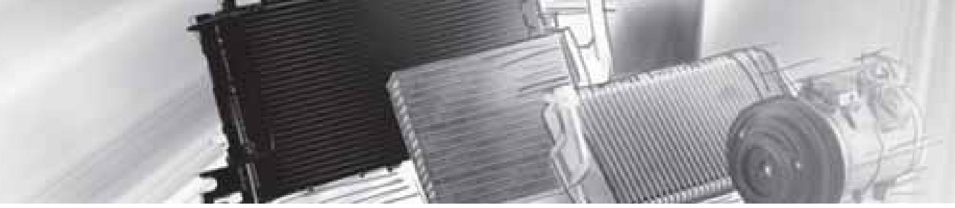
Notes:

(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 on terms agreed between the parties.

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

* These transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.



NOTES TO FINANCIAL STATEMENTS

31 December 2013

35. RELATED PARTY TRANSACTIONS (CONT'D)

(b) Outstanding balances with related parties:

		Group	
		2013	2012
	Notes	**RMB'000**	RMB'000
Due from a related party:			
Macs Baoding	*(i)*	**–**	49,551
Due to related parties:			
Shanghai Automart	*(ii)*	**1,970**	4,132
Shanghai Youchen	*(ii)*	**–**	868
		1,970	5,000

Notes:

(i) The entity was not considered as a related party to the Group since the disposal of its 49% equity interest in Macs Baoding on 6 September 2013.

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

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

	Group	
	2013	2012
	RMB'000	RMB'000
Short term employee benefits	**1,816**	3,055
Pension scheme contributions	**134**	65
Total compensation paid to key management personnel	**1,950**	3,120

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

36. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets – loans and receivables

	Group	
	2013	2012
	RMB'000	RMB'000
Trade and notes receivables	**105,421**	61,813
Financial assets included in prepayments, deposits and other receivables	**9,773**	3,222
Due from related parties	**–**	49,551
Pledged deposits	**5,459**	–
Cash and cash equivalents	**174,581**	62,081
	295,234	176,667

Financial assets – available-for-sale financial assets

	Group	
	2013	2012
	RMB'000	RMB'000
Available-for-sale investments	**262**	262

Financial assets – at fair value through profit or loss

	Group	
	2013	2012
	RMB'000	RMB'000
Investments at fair value through profit or loss	**26,000**	38,000

NOTES TO FINANCIAL STATEMENTS

31 December 2013

36. FINANCIAL INSTRUMENTS BY CATEGORY (CONT'D)

Financial liabilities – at amortised cost

	Group	
	2013	2012
	RMB'000	RMB'000
Trade and bills payables	**66,279**	57,625
Financial liabilities included in other payables and accruals	**2,781**	24,295
Interest-bearing bank borrowings	**–**	20,000
Due to related parties	**1,970**	5,000
	71,030	106,920

Financial assets – loans and receivables

	Company	
	2013	2012
	RMB'000	RMB'000
Due from subsidiaries	**126,439**	131,023
Cash and cash equivalents	**32**	675
	126,471	131,698

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade and notes receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals and amounts due from/to related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values.

During the year, the Group has no material financial instruments to be disclosed according to the fair value hierarchy (Level 1, 2 and 3).

NOTES TO FINANCIAL STATEMENTS

31 December 2013

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and notes receivables and trade and bills payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currency. Approximately 29.6% of the Group's sales for the year ended 31 December 2013 (2012: 44.6%) were denominated in currencies other than the functional currency of the operating units making the sale, whilst approximately 99.6% of costs for the year ended 31 December 2013 (2012: 97.5%) were denominated in the units' functional currencies. At present, the Group does not intend to hedge its exposure to foreign exchange fluctuations. However, management constantly monitors the economic situation and the Group's foreign exchange risk profile and will consider appropriate hedging measures in the future should the need arise.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the United States dollar, Hong Kong dollar and Japanese Yen exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in foreign currency rate	**Increase/ (decrease) in loss before tax**
	%	RMB'000
2013		
If RMB weakens against United States dollar	**5**	**687**
If RMB strengthens against United States dollar	**(5)**	**(687)**
If RMB weakens against Hong Kong dollar	**5**	**9**
If RMB strengthens against Hong Kong dollar	**(5)**	**(9)**
If RMB weakens against Japanese Yen	**5**	**21**
If RMB strengthens against Japanese Yen	**(5)**	**(21)**
2012		
If RMB weakens against United States dollar	5	1,279
If RMB strengthens against United States dollar	(5)	(1,279)
If RMB weakens against Hong Kong dollar	5	44
If RMB strengthens against Hong Kong dollar	(5)	(44)

NOTES TO FINANCIAL STATEMENTS

31 December 2013

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the General Manager and Chairman.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, amounts due from related parties, deposits and other receivables and available-for-sale investments, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty and by geographical region. At 31 December 2013, the Group had certain concentrations of credit risk as 35% (2012: 12%) and 54% (2012: 29%) of the Group's trade and notes receivables were due respectively from the Group's largest customer and the five largest customers.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and notes receivables and deposits and other receivables are disclosed in notes 19 and 20, respectively, to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings to meet its working capital requirements.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2013					
	On demand RMB'000	**Less than 3 months RMB'000**	**3 to less than 12 months RMB'000**	**1 to 5 years RMB'000**	**Over 5 years RMB'000**	**Total RMB'000**
Trade and bills payables	**11,656**	**54,623**	**–**	**–**	**–**	**66,279**
Other payables	**2,781**	**–**	**–**	**–**	**–**	**2,781**
Due to related parties	**1,970**	**–**	**–**	**–**	**–**	**1,970**
	16,407	**54,623**	**–**	**–**	**–**	**71,030**

	2012					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade and bills payables	15,347	42,278	–	–	–	57,625
Other payables	24,295	–	–	–	–	24,295
Interest-bearing bank borrowings	–	–	20,000	–	–	20,000
Due to related parties	4,132	868	–	–	–	5,000
	43,774	43,146	20,000	–	–	106,920

NOTES TO FINANCIAL STATEMENTS

31 December 2013

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirement. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2013 and 2012.

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. Net debt includes trade and bills payables, other payables and accruals, interest-bearing bank borrowings, amounts due to related parties, less cash and cash equivalents. Capital represents equity attributable to owners of the parent. The gearing ratio as at the end of the reporting period is as follows:

	Group	
	2013	2012
	RMB'000	RMB'000
Trade and bills payables	**66,279**	57,625
Other payables and accruals	**14,317**	35,505
Interest-bearing bank borrowings	**–**	20,000
Due to related parties	**1,970**	5,000
Less: Cash and cash equivalents	**(174,581)**	(62,081)
Net (cash)/debt	**(92,015)**	56,049
Equity attributable to owners of the parent	**532,203**	555,961
Capital and net debt	**440,188**	612,010
Gearing ratio	**(21%)**	9%

39. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 31 March 2014.

FIVE YEAR FINANCIAL SUMMARY

	Year Ended 31 December				
	2009	2010	2011	2012	**2013**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
REVENUE	371,463	591,504	528,617	379,596	**261,130**
Cost of sales	(264,249)	(454,752)	(415,742)	(314,676)	**(217,155)**
Gross profit	107,214	136,752	112,875	64,920	**43,975**
Other income and gains	5,809	2,066	4,800	3,105	**14,394**
Selling and distribution costs	(13,588)	(21,066)	(18,154)	(16,210)	**(11,895)**
Administrative expenses	(26,663)	(47,350)	(42,534)	(34,379)	**(37,204)**
Other expenses	(630)	(1,846)	(5,833)	(603)	**(22,214)**
Finance costs	(6,175)	(6,115)	(8,140)	(6,442)	**(190)**
Share of profits of an associate	22,160	27,094	23,655	15,737	**6,932**
PROFIT BEFORE TAX	88,127	89,535	66,669	26,128	**(6,202)**
Income tax expense	(11,385)	(8,755)	(7,654)	(4,288)	**(17,522)**
PROFIT FOR THE YEAR	76,742	80,780	59,015	21,840	**(23,724)**
Attributable to:					
Owners of the parent	77,534	81,541	59,015	21,839	**(23,724)**
Non-controlling interests	(792)	(761)	0	1	**–**
	76,742	80,780	59,015	21,840	**(23,724)**

	As at 31 December				
	2009	2010	2011	2012	**2013**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Total assets	610,654	719,951	795,382	689,081	**630,514**
Total liabilities	(300,960)	(339,084)	(243,573)	(133,116)	**(98,307)**
Non-controlling interest	(10,261)	0	(3)	(4)	**(4)**
	299,433	380,867	551,806	555,961	**532,203**