



Shuanghua Holdings Limited
雙樺控股有限公司

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

A large, stylized blue circular graphic with a gradient and a glowing effect. The text '2015 INTERIM REPORT' is centered within the circle. '2015' is in a large, teal, sans-serif font, and 'INTERIM REPORT' is in a smaller, dark blue, sans-serif font below it.

2015
INTERIM REPORT

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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://shuanghua.todayir.com
Telephone:	(86 21) 5058 6337
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Enquiry Email:	ir@shshuanghua.com
Financial Year End:	31 December
Board of Directors:	<i>Executive Directors</i> Mr. ZHENG Ping Ms. TANG Lo Nar <i>Non-executive Director</i> Ms. KONG Xiaoling <i>Independent non-executive Directors</i> Mr. HE Binhui Mr. CHEN Lifan Mr. ZHAO Fenggao (resigned on 4 August 2015)

Company Secretaries:	Ms. TANG Lo Nar
Authorised Representatives:	Mr. ZHENG Ping Ms. TANG Lo Nar
Audit Committee:	Mr. HE Binhui (<i>Chairman</i>) Mr. ZHAO Fenggao (resigned on 4 August 2015) Mr. CHEN Lifan
Remuneration Committee:	Mr. ZHAO Fenggao (<i>Chairman</i>) (resigned on 4 August 2015) Mr. HE Binhui Mr. CHEN Lifan
Nomination Committee:	Mr. CHEN Lifan (<i>Chairman</i>) Mr. HE Binhui Mr. ZHAO Fenggao (resigned on 4 August 2015)
Hong Kong Share Registrar:	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Principal Bankers:	China Construction Bank Corporation Shanghai Branch Fengxian Sub-branch No. 332 Jiefang Zhong Road, Nanqiao Town, Fengxian District, Shanghai, PRC
HKEx Stock Code:	1241.HK
Listing Date:	30 June 2011

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2015, Shuanghua Holdings Limited (“Shuanghua” or the “Company”; collectively with its subsidiaries referred to as the “Group”) remained in a phase of transition. The Group continued the original transition strategy, being developing in and expanding to new industries while maintaining the original business profit margin. The Group optimized its production flow and improved its production processing, so as to decrease the production costs. Furthermore, the Group actively improved the order composition and client base. In particular, orders with low or negative profitability were curtailed while orders and customers with higher returns were consolidated and ramped up. In doing so, the gross profit margin of original products of the Company was secured. Meanwhile, the Company involved more in developing its businesses in sales of automobile lubricants and auto maintenance services in order to develop new niches for profit growth of the Company in the future. During the six months ended 30 June 2015 (“the period”), the Group achieved a revenue of RMB85.0 million, representing a decrease of RMB24.4 million from the same period of last year. As a result, although the Group maintained the same level of product gross profit margin, a decrease in the absolute value of the product profit was recorded. Furthermore, due to factors such as the provision for asset impairment and the development of new businesses during the period, the Group reported a net loss of RMB38.3 million during the first half of 2015 as compared to a net profit of RMB7.5 million for the same period of last year, representing a decrease of RMB45.8 million. As at 30 June 2015, the Group has taken measures to significantly reduce fixed assets investments in the manufacturing segment, cut down obsolete inventories with ages over 1 year and receivables bearing risks, as well as close down departments suffering losses. All these have laid a foundation for the Group’s transformation and further development.

SALES TO THE DOMESTIC MARKET

During the period, the average selling price of evaporators in the domestic market decreased by 17.7% comparing to the corresponding period of 2014; and the average selling price of condensers maintained at the same level of the corresponding period of 2014. The volume of evaporators and condensers sold fell by 5.5% and 20.2% respectively as compared to the same period in 2014. Revenue generated by sales of evaporators and condensers decreased by 22.2% and 20.2% respectively, comparing to the same period of last year. The notable decline in the Group’s sales in the domestic result was attributable mainly to (i) the intense market competition. Our major top customer, such as Macs (Baoding) Auto A/C Systems Co., Ltd., significantly reduced their purchases as they enlarged the proportion of their self-manufactured production; and (ii) the adjustment in the Company’s sales policies to decrease orders of low or negative profitability.

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

SALES TO INTERNATIONAL MARKET

Our sales to international markets comprised primarily sales to the North American market, with condensers and evaporators as our major sales products. For the six months ended 30 June 2015, the average unit selling price of the Group's self-manufactured evaporators slightly increased as compared to the same period in 2014; and the average unit selling price of condensers decreased by 9.4% as compared to the same period in 2014. The sales volume decreased by 33.9% and 2.3% respectively, as compared to the same period in 2014. Revenue from sales of these two products decreased by approximately 23.5% and 11.5% respectively as compared to the same period in 2014, which was mainly due to less purchases from our major customers as a result of the lack of customer diversification. Due to the Group's adjustment in its sales policies and the decrease in production costs, an increase in gross margin of evaporators recorded and that of condensers maintained at the same level of the corresponding period in 2014.

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

OUTLOOK AND STRATEGY

With the continued growth of private automobile ownership in China, the prolonged growth in the after-sales auto service market and the high profits that this market is able to bring as compared to those of the automobile manufacturing market will result in enormous market potential and development opportunities for after-sales auto accessories and service providers.

To address changes in the automotive after-sales market and secure greater growth opportunities, the Company intends to actively expand its range of products and services on offer to include products and services such as auto lubricants and automotive repairs chain services.

In the future, the Group will embark on the foundation of an online-to-offline sales service network focused on the market. With the Internet + the expansion of automotive gas station chain services, the Group will transform into an Internet + service-based enterprise. Meanwhile, the Group will make ongoing efforts to improve management mechanism, achieve cost-savings, enhance efficiency and increase profitability. Leveraging its access to the capital market, the Group will continue to actively identify opportunities for acquisitions, investments, joint ventures or strategic alliances to drive its strategy of vertical as well as horizontal expansion.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2015, revenue was approximately RMB85.0 million, representing a decrease of RMB24.4 million, or 22.3%, from RMB109.4 million in the same period of 2014.

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

Revenue	2015		2014	
	RMB'000	% of revenue	RMB'000	% of revenue
Domestic				
Evaporators	38,974	45.9%	50,125	45.8%
Condensers	19,929	23.5%	24,975	22.8%
Heaters	1,296	1.5%	3,148	2.9%
Others	3,328	3.9%	7,451	6.8%
Sub-total	63,527	74.8%	85,699	78.3%
International – self-manufactured				
Evaporators	6,918	8.1%	9,037	8.3%
Condensers	8,561	10.1%	9,672	8.8%
Heaters	1,392	1.6%	1,566	1.4%
Others	2,471	2.9%	1,106	1.0%
Sub-total	19,342	22.7%	21,381	19.5%
International – trading				
Compressors	–	0.0%	368	0.4%
Others	2,099	2.5%	1,997	1.8%
Sub-total	2,099	2.5%	2,365	2.2%
Total	84,968	100.0%	109,445	100.0%

Gross profit and gross margin

For the six months ended 30 June 2015, overall gross profit was approximately RMB23.0 million (six months ended 30 June 2014: RMB26.0 million). Gross profit of the period dropped by 11.5%. Gross profit from sales to domestic market was approximately RMB18.3 million, representing a decrease of RMB2.9 million over the same period of last year. Gross profit from sales to international market was approximately RMB4.7 million and remain steady compared to the same period of last year. Decreases in sales in both domestic and international markets led to an overall decrease during the period in the Group's gross profit of RMB2.9 million from the same period of last year.

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

	For the six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Gross Profit		
Domestic		
Evaporators	16,190	18,331
Condensers	1,474	1,880
Heaters	339	612
Others	295	410
Sub-total	18,298	21,233
International – self-manufactured		
Evaporators	2,034	2,348
Condensers	1,453	1,669
Heaters	276	224
Others	585	300
Sub-total	4,348	4,541
International – trading		
Compressors	–	65
Others	362	123
Sub-total	362	188
Total	23,008	25,962

MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit and gross margin (Continued)

For the six months ended 30 June 2015, overall gross margin was 27.1%, representing an increase of 3.4% as compared to the overall gross margin of 23.7% for the same period of last year. The increase in gross margin was mainly attributable to the improvement of order composition. In particular, orders with low or negative profitability were curtailed while orders and customers with higher returns were consolidated and ramped up.

Other income and gains

During the period under review, other income and gains was approximately RMB7.2 million during the six months ended 30 June 2014, while other income and gains during the six months ended 30 June 2015 was approximately RMB4.8 million, representing a decrease of RMB2.4 million (33.3%) from the same period of last year. For the six months ended 30 June 2015, other income and gains mainly represents subsidies income of approximately RMB1.0 million, interest income on financial assets at fair value through profit or loss of approximately RMB1.4 million, foreign exchange gain of approximately RMB1.1 million and bank interest income of approximately RMB1.4 million.

Selling and distribution costs

Selling and distribution costs comprised primarily staff-related costs, transportation fees, operating lease rental expenses, travelling expenses and other miscellaneous expenses. Selling and distribution costs decreased by 2.4% during the six months ended 30 June 2015 mainly because: (a) the decrease in sales of the Group caused a decrease in sales-related transportation expenses, and (b) our effective streamlining of our staff led to a decrease in staff-related costs.

Administrative and other expenses

Administrative and other expenses comprised primarily of provision for asset impairment, 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. Administrative and other expenses during the six months ended 30 June 2015 significantly increased by 303.5%. The increase mainly resulted from the provision of inventories and spare production plants and machineries of RMB48.6 million.

Income tax expense

For the six months ended 30 June 2015, our overall income tax credit was approximately RMB3.2 million. For the six months ended 30 June 2014, income tax expense was RMB2.9 million. We recorded a significant income tax credit for the six months ended 30 June 2015 because there is a provision of impairment on fixed assets and inventories of RMB48.6 million, resulting in a deferred tax credit of RMB4.3 million for the current period.

Loss for the period

Loss attributable to the owners of the parent of the Group was approximately RMB38.6 million for the six months ended 30 June 2015, while the profit attributable to the owners of the parent over the same period of last year was approximately RMB7.5 million.

LIQUIDITY AND FINANCIAL RESOURCES

Net current assets

Our net current assets decreased from approximately RMB335.5 million as at 31 December 2014 to approximately RMB325.1 million as at 30 June 2015. The decrease in net current assets was mainly because of the decrease in the balance of plant and equipment and inventories decrease.

Financial position and bank borrowings

As at 30 June 2015, the Group's total cash and bank balances, most of which were denominated in RMB, amounted to approximately RMB178.2 million. As at 31 December 2014, the Group's total cash and bank balances, most of which were denominated in RMB, amounted to approximately RMB165.7 million. As at 30 June 2015, the Group had no interest-bearing bank borrowings balance (31 December 2014: nil). As at 30 June 2015, our gearing ratio, presented as a percentage of total interest-bearing liabilities divided by total assets, was 0 (31 December 2014: 0).

Save as aforesaid or otherwise disclosed in the notes to the financial statements, and apart from intra-group liabilities, as at the close of business on 30 June 2015, we did not have any outstanding mortgages, charges, debentures, debt securities or other loan capital or bank overdrafts or loans or similar indebtedness or finance lease commitments, liabilities under acceptances or acceptance credits or hire purchase commitments, guarantees or other material contingent liabilities.

Our directors of the Company (the "Directors") have confirmed that there has not been any material change in the indebtedness and contingent liabilities of our Group since 31 December 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Working capital

As at 30 June 2015, our gross inventories, mainly comprising raw materials, work in progress and finished products, amounted to approximately RMB47.5 million, as compared to approximately RMB77.6 million as at 31 December 2014. Our marketing team reviews and monitors our inventory level on a regular basis. For the six months ended 30 June 2015, the average inventory turnover days were 181.7 days (for the year ended 31 December 2014: 201.2 days). Inventory turnover days are arrived at by dividing the arithmetic means of the opening and ending balances of inventory for the relevant period by cost of sales of the same period and multiplying the quotient by 180 days (for the year ended 31 December 2014: 365 days). The decrease in inventory turnover days was mainly attributable to improvement in inventory control.

For the six months ended 30 June 2015, average turnover days of trade and notes receivables were 253.9 days (for the year ended 31 December 2014: 204.3 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 180 days (for the year ended 31 December 2014: 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 six months ended 30 June 2015, average turnover days of trade and bills payables were 187.0 days (for the year ended 31 December 2014: 159.4 days). The actual payment period for our purchases was extended, as the Group slowed down its payment to suppliers in tandem with the slowdown of the Group's collection from customers, in order to maintain a sound level of cash flow.

CAPITAL EXPENDITURES, CAPITAL COMMITMENTS AND HUMAN RESOURCES

For the six months ended 30 June 2015, capital expenditures were approximately RMB0.5 million, as compared to approximately RMB5.0 million for the same period in 2014. The Group's capital expenditures for the six months ended 30 June 2014 are primarily related to construction of production facilities and expenditures for plant, machinery and equipment for business expansion at our Shanghai production base while there is no such expansion in current period. As a result, there is a decrease in capital expenditure of RMB4.5 million.

As at 30 June 2015, the Group had approximately 465 full-time employees including the management, sales, logistics supports and other ancillary personnel. The Group's total wages and salaries of employees amounted to approximately RMB19.1 million for the six months ended 30 June 2015. Our remuneration policy of employees is primarily based on the job responsibilities, work performance and number of years of services of each employee and the current market conditions.

Pursuant to the relevant PRC labour laws and regulations, the Group has to pay contributions to a number of staff social insurance schemes (including medical, maternity, work injury, unemployment and pension insurances) and staff housing reserve funds. We provide social insurances and pay contributions to housing reserve funds for our employees in accordance with the interpretations to the relevant PRC labour laws and regulations given, and policies and measures executed by local government departments. We have established various welfare plans including the provision of pension funds, medical insurance, unemployment insurance and other relevant insurance for employees who are employed by our Group pursuant to the PRC rules and regulations and the existing policy requirements of the local government. Welfare benefits expenses for the six months ended 30 June 2015 amounted to approximately RMB3.6 million. We have complied, in all material respects, with all statutory requirements on retirement contribution in the jurisdictions where our Group operates.

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Significant Investment, Material acquisitions and disposals

For the six months ended 30 June 2015, save for the Group's contribution of RMB14.0 million to Shanghai Citgo Petroleum Co., Ltd, (上海希戈石油有限公司) on 10 June 2015 and RMB0.5 million to Shanghai Eagle Star Auto Technology Co., Ltd, (上海鷹之星汽車技術有限公司) on 25 February 2015, the Group had no material acquisitions and disposals.

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 six months ended 30 June 2015, approximately 21.4% of the Group's sales and no 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 30 June 2015, the Group did not have any material contingent liabilities.

Pledge of assets

As at 30 June 2015 and 31 December 2014, the Group had not pledged any of its land and buildings to secure its banking facilities.

As at 30 June 2015, the Group's notes receivable of RMB8,427,000 and bank balances of RMB9,425,000 were pledged to secure bills payables of RMB11,037,000. As at 31 December 2014, the Group's notes receivable of RMB6,500,000 and bank balances of RMB7,240,000 were pledged to secure bills payable of RMB10,500,000.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFER BY THE GROUP

As at 30 June 2015, a balance of approximately RMB10.0 million of the proceeds from the Initial Public Offer of the Company remained unutilised.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of RMB15 cents (equivalent to Hong Kong 18 cents per share at the exchange rate of HK\$1: RMB0.8248 as published by the People's Bank of China on 19 August 2015) be paid in respect of the six months ended 30 June 2015, totalling RMB97,500,000. The interim dividend will be payable in cash in Hong Kong dollars.

Relevant Dates for Interim Dividend Payment

Last transfer date	7 September 2015
Closure of ROM	8 to 10 September 2015 (both dates inclusive)
Record date	10 September 2015
Despatch of dividend warrants and checks	18 September 2015

To qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's registrar, Computershare Hong Kong investor services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 pm on Monday, 7 September 2015.

CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE SHARES

At 30 June 2015, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (a) which have to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO or (b) as recorded in the register required to be kept under Section 352 of SFO or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long positions in shares of the Company

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

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

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

Note b: Calculated on the basis of the 650,000,000 shares issued by the Company as at 30 June 2015.

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

Save as disclosed above, as at 30 June 2015, none of the Directors nor the chief executives of the Company had or was deemed to have any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or (b) which were required to be recorded in the register under Section 352 of the SFO, or (c) otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in the Listing Rules.

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

At 30 June 2015, to the knowledge of any directors of the Company, the interests of the shareholders in the shares or underlying shares of the Company recorded in the register which the Company is required to maintain pursuant to Section 336 of the SFO (except for the above disclosed interests of the Company's directors) were as follows:

Long positions in shares of the Company

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

Name of shareholders	Capacity	Number of ordinary shares	Percentage of issued share capital of the Company
Zheng Ping (note 1)	Controlled corporation interest	282,750,000	43.5%
Lai Yongzhong (note 2)	Beneficial interest and controlled corporation interest	120,160,000	18.49%
Lin Fu	Beneficial interest	34,422,000	5.3%
Youshen Group	Beneficial interest	282,750,000	43.5%
Kong Xiaoling (Note 3)	Interest of Spouse	282,750,000	43.5%

Notes:

1. Mr. Zheng Ping holds 100% interest in Youshen Group and he is deemed to be interested in 282,750,000 shares of the Company held by Youshen Group.
2. Mr. Lai Yongzhong holds 100% interest in Double Joy Enterprise Limited ("Double Joy") and he is deemed to be interested in 9,790,000 shares of the Company held by Double Joy.
3. Ms. Kong Xiaoling is the spouse of Mr. Zheng and she is deemed to be interested in 282,750,000 shares of the Company held by Youshen Group.

Save as disclosed above, as at 30 June 2015, no persons had any interests or short positions in the shares or underlying shares of the Company as recorded in the register which the Company is required to maintain pursuant to Section 336 of the SFO.

CORPORATE GOVERNANCE AND OTHER INFORMATION

SHARE OPTIONS SCHEME

The Company adopted a share option scheme on 8 June 2011 (the “Share Option Scheme”) for the purpose of providing incentives or rewards 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 motivate them to optimise their performance efficiency for the benefit of the Group.

The Share Option Scheme became effective on 29 June 2011 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares which may be issued upon exercise of all options granted and to be granted under the Share Option Scheme is 65,000,000 shares, representing 10% of the shares of the Company in issue as at the date of adoption of the Share Option Scheme and 10% of the shares of the Company in issue as at the date of this annual report. The maximum number of shares issuable under share options granted to each eligible participant in the Share Option Scheme (including both exercised and outstanding options) within any 12-month period is limited to 1% of the shares of the Company in issue. Any grant or further grant of share options in excess of this limit is subject to shareholders’ approval in a general meeting. A grant of share options under the Share Option Scheme to a director, chief executive or substantial shareholder of the Company, or to any of their associates, is subject to approval in advance by the independent non-executive directors (excluding any independent non-executive director who is the grantee of the Option). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, which would result in the shares issued and to be issued, upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding), to such person in the 12-month period up to and including the date of the grant in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company’s shares at the date of grant) in excess of HK\$5 million, are subject to shareholders’ approval in advance in a general meeting.

The exercise period of the share options granted is determined by the directors, save that such a period shall not be more than 10 years from the date of offer of the share options and subject to the provisions for early termination as set out in the Share Option Scheme. There is no requirement of a minimum period for which an option must be held before it can be exercised.

The exercise price of the share options shall be not less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options, which must be a date on which the Stock Exchange is open for business of dealing in securities; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of a share of the Company on the date of offer; and (iii) the nominal value of a share of the Company.

As at 30 June 2015, no share options were granted or exercised pursuant to the Share Option Scheme.

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

Neither the Company nor its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2015.

CORPORATE GOVERNANCE CODE

The Company had complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2015 except for the following:

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

The Directors confirm they have fulfilled the training requirements under code A.6.5 provision.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Under the code provision A.4.1, all independent non-executive Directors are appointed for a specific term of not more than 3 years. Under the Company's Articles of Association, one-third of the Directors must retire and be eligible for re-election at each annual general meeting. As at 30 June 2015, Ms. Tang Lo Nar, executive Director, Mr. He Binhui, independent non-executive director, and Mr. Chen Lifan, independent non-executive Director, retired from office at the annual general meeting on 23 June 2015, at which Ms. Tang Lo Nar was re-elected as executive Director, Mr. He Binhui was re-elected as independent non-executive Director and Mr. Chen Lifan was re-elected as independent non-executive Director.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding directors' securities transactions. The Company, having made specific enquiries with all Directors, confirms that its Directors have complied with the required standard set out in the Model Code during the six months ended 30 June 2015 regarding directors' securities transactions.

NON-COMPETITION UNDERTAKING

The Company's executive director and substantial shareholder, Mr. Zheng Ping and his controlled corporation, Youshen International Group Limited, (collectively, "the Convenantors") entered into the deed of non-competition with the Company which is still in force during the reporting period. The Convenantors confirmed that they have complied with the deed of non-competition.

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 (resigned on 4 August 2015), Mr. He Binhui and Mr. Chen Lifan, and is chaired by Mr. Chen Lifan.

REMUNERATION COMMITTEE

The Company established a Remuneration Committee which is primarily responsible for making recommendations to the Board regarding the Group's policy and structure for remuneration of Directors and senior management and determining the specific remuneration packages of all executive Directors and senior management of the Company. The Remuneration Committee comprises Mr. Zhao Fenggao (resigned on 4 August 2015), Mr. He Binhui and Mr. Chen Lifan, and is chaired by Mr. Zhao Fenggao (resigned on 4 August 2015).

AUDIT COMMITTEE

The Company established an Audit Committee (the “Audit Committee”) comprising three independent non-executive Directors, namely Mr. Zhao Fenggao (resigned on 4 August 2015), 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.

REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed the unaudited consolidated results and this interim report of the Company for the six months ended 30 June 2015. In particular, the Audit Committee has reviewed with the management of the Company on the accounting principles and practices adopted by the Group and held meetings to discuss the internal controls and financial reporting matters regarding the Group’s unaudited consolidated financial statements for the six months ended 30 June 2015.

NON COMPLIANCE OF LISTING RULES

Mr. Zhao Fenggao resigned as the Company’s independent non-executive director on 4 August 2015. Since his resignation, the Board comprises five members, including two executive directors, one non-executive director and two independent non-executive directors, with the number of independent non-executive directors falling below three or at least one-third of the Board as required under Rule 3.10(1) and 3.10A of the Rules Governing the Listing of Securities on The Stock Exchange (the “Listing Rules”) respectively.

Mr. Zhao also served as the chairman of the remuneration committee, a member of the audit committee and the nomination committee of the Company. Following his resignation, the audit committee members decreased from three to two, below the minimum number required under Rule 3.21 of the Listing Rules.

CORPORATE GOVERNANCE AND OTHER INFORMATION

As at the date of this interim report, the Company has not yet appointed a new independent non-executive director in this regard.

In order to fulfill the requirements of Rules 3.10(1), 3.10A and 3.21 of the Listing Rules, the Company is endeavoring to identify and appoint a new independent non-executive director and a new member of the audit committee of the Company as soon as practicable and in any event within three months from 4 August 2015, and will make further announcement as and when appropriate.

By Order of the Board

Zheng Ping

Chairman and CEO

Shanghai, 21 August 2015

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2015

		For the six months ended 30 June	
		2015	2014
Notes		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
REVENUE	4	84,968	109,445
Cost of sales		(61,960)	(83,483)
Gross profit		23,008	25,962
Other income and gains	4	4,810	7,218
Selling and distribution costs		(5,491)	(5,624)
Administrative expenses		(63,698)	(15,788)
Other expenses		(166)	(1,376)
(LOSS)/PROFIT BEFORE TAX	5	(41,537)	10,392
Income tax credit/(expense)	6	3,219	(2,906)
(LOSS)/PROFIT FOR THE PERIOD		(38,318)	7,486
Attributable to:			
Owners of the parent		(38,617)	7,486
Non-controlling interests		299	-
		(38,318)	7,486
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT			
Basic and diluted	7	(5.90 cents)	1.15 cents

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	For the six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
(LOSS)/PROFIT FOR THE PERIOD	(38,318)	7,486
OTHER COMPREHENSIVE (LOSS)/INCOME <i>Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	(3)	2
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	(38,321)	7,488
Attributable to:		
Owners of the parent	(38,620)	7,488
Non-controlling interests	299	–
	(38,321)	7,488

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Notes	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	110,724	142,517
Prepaid land lease payments	10	67,970	68,881
Available-for-sale investment		262	262
Deferred tax assets		6,320	2,037
Total non-current assets		185,276	213,697
CURRENT ASSETS			
Inventories	11	47,536	77,561
Trade and notes receivables	12	124,522	115,172
Prepayments, deposits and other receivables		7,294	7,168
Financial assets at fair value through profit or loss	13	48,000	48,000
Pledged deposits	14	9,425	7,240
Cash and cash equivalents	14	178,169	165,720
Total current assets		414,946	420,861
CURRENT LIABILITIES			
Trade and bills payables	15	67,555	61,157
Other payables and accruals		18,515	20,300
Due to related party	18(b)	42	–
Provision		570	666
Government grants		2,021	2,021
Tax payable		1,176	1,177
Total current liabilities		89,879	85,321
NET CURRENT ASSETS		325,067	335,540
TOTAL ASSETS LESS CURRENT LIABILITIES		510,343	549,237

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 June 2015

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
NON-CURRENT LIABILITIES		
Government grants	6,123	7,134
Deferred tax liabilities	561	561
	<hr/>	<hr/>
Total non-current liabilities	6,684	7,695
	<hr/>	<hr/>
Net assets	503,659	541,542
	<hr/>	<hr/>
EQUITY		
Equity attributable to owners of the parent		
Issued capital	5,406	5,406
Reserves	224,915	224,918
Retained earnings	272,596	311,213
	<hr/>	<hr/>
	502,917	541,537
Non-controlling interests	742	5
	<hr/>	<hr/>
Total equity	503,659	541,542
	<hr/>	<hr/>

Director: Zheng Ping

Director: Tang Lo Nar

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Attributable to owners of the parent									
	Issued capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory		Exchange		Retained earnings RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
				surplus reserve RMB'000	Merger reserve RMB'000	fluctuation reserve RMB'000	Total RMB'000			
At 1 January 2015 (audited)	5,406	133,658	168,183	42,755	(119,378)	(300)	311,213	541,537	5	541,542
Loss for the period	-	-	-	-	-	-	(38,617)	(38,617)	299	(38,318)
Other comprehensive loss for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	-	(3)	-	(3)	-	(3)
Total comprehensive income for the period	-	-	-	-	-	(3)	(38,617)	(38,620)	299	(38,321)
Capital injection from non- controlling interests	-	-	-	-	-	-	-	-	438	438
At 30 June 2015 (unaudited)	5,406	133,658	168,183	42,755	(119,378)	(303)	272,596	502,917	742	503,659

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the six months ended 30 June 2015

	Attributable to owners of the parent									Non-controlling interests	Total equity
	Issued capital	Share premium	Capital reserve	Statutory surplus reserve	Merger reserve	Exchange fluctuation reserve	Retained earnings	Total			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014 (audited)	5,406	133,658	168,183	41,047	(119,378)	(307)	303,594	532,203	4	532,207	
Profit for the period	-	-	-	-	-	-	7,486	7,486	-	7,486	
Other comprehensive loss for the period:											
Exchange differences on translation of foreign operations	-	-	-	-	-	2	-	2	-	2	
Total comprehensive income for the period	-	-	-	-	-	2	7,486	7,488	-	7,488	
At 30 June 2014 (unaudited)	5,406	133,658	168,183	41,047	(119,378)	(305)	311,080	539,691	4	539,695	

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	For the six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
NET CASH FLOWS FROM OPERATING ACTIVITIES	13,262	12,065
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(1,273)	18,605
NET CASH FLOWS FROM FINANCING ACTIVITIES	438	—
NET INCREASE IN CASH AND CASH EQUIVALENTS	12,427	30,670
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	165,720	174,581
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET	22	360
CASH AND CASH EQUIVALENTS AT END OF PERIOD	178,169	205,611

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2015

1. CORPORATE INFORMATION

Shuanghua Holdings Limited (the “Company”) was incorporated as an exempted company with limited liability in the Cayman Islands on 19 November 2010. The registered office address of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

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

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

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

2.1 Basis of presentation

The interim condensed consolidated financial statements for the six months ended 30 June 2015 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements as at 31 December 2014.

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

2.2 Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014, except for the adoption of new and revised standards, interpretations and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA as of 1 January 2015 as disclosed in note 2.3 below.

2.3 Impact of new and revised HKFRSs

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company:

HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. OPERATING SEGMENT INFORMATION

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2015

3. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

(a) *Revenue from external customers*

	For the six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
PRC (place of domicile)	67,260	85,699
United States of America	3,788	7,232
Canada	9,578	11,081
Asia	3,951	4,267
Others	391	1,166
	<hr/>	<hr/>
	84,968	109,445

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 PRC (place of domicile) during the six months ended 30 June 2014 and 2015.

Information about major customers

For the six months ended 30 June 2015, revenue from three customers accounted for more than 10% of the Group's total revenue individually. Revenue from these customers were RMB20,700,673, RMB11,571,031 and RMB9,577,923, respectively.

For the six months ended 30 June 2014, revenue from one customer accounted for more than 10% of the Group's total revenue. Revenue from the customer was RMB29,281,319.

4. REVENUE, OTHER INCOME AND GAINS

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

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

		For the six months ended 30 June	
	Notes	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
REVENUE			
Sales of goods		84,968	109,445
Other income			
Government grants		1,011	2,897
Bank interest income		1,369	2,703
Others		15	235
		2,395	5,835
Gains			
Interest income on investments at fair value through profit or loss		1,396	76
Loss on disposal of property, plant and equipment	9	(38)	–
Foreign exchange gain, net		1,057	1,307
		2,415	1,383
		4,810	7,218

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2015

5. (LOSS)/PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Cost of inventories sold	61,960	83,483
Depreciation	7,639	5,200
Amortisation of prepaid land lease payments	911	992
Research and development costs	6,061	3,387
Operating lease expenses	729	1,094
Product warranty provision (written back)/made	(96)	601
Auditors' remuneration	24	100
Employee benefit expenses (including directors' remuneration):		
Wages and salaries	14,694	15,783
Pension scheme contribution	3,619	3,518
Staff welfare expenses	792	565
	19,105	19,866
Foreign exchange differences, net	(1,057)	(1,307)
Impairment of property, plant and equipment	24,563	–
Impairment on/(reversal of impairment) on inventories	22,581	(275)
Impairment on trade receivables	1,434	501
Interest income on investment at fair value through profit or loss	(1,396)	(76)
Loss on disposal of property, plant and equipment	38	–
Bank interest income	(1,369)	(2,703)

6. INCOME TAX CREDIT/(EXPENSE)

The major components of income tax credit/(expense) are:

	For the six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Current – charge for the period	(1,064)	(2,591)
Deferred – tax credit/(charge)	4,283	(315)
	<u>3,219</u>	<u>(2,906)</u>
Total tax credit/(charge) for the period		

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

The calculation of basic (loss)/earnings per share is based on the (loss)/profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the period. The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2015.

The calculations of (loss)/basic earnings per share are based on:

	For the six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
(Loss)/earnings		
(Loss)/profit attributable to owners of the parent	<u>(38,318)</u>	<u>7,486</u>

	Number of shares	
	2015 '000	2014 '000
Shares		
Weighted average number of ordinary shares in issue during the period	<u>650,000</u>	<u>650,000</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2015

8. DIVIDENDS PAID AND PROPOSED

	For the six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Dividends on ordinary shares declared and paid during the six-month period:		
Final dividend – Nil	—	—

The Board has resolved to declare an interim dividend of RMB15 cents (equivalent to Hong Kong 18 cents per share at the exchange rate of HK\$1: RMB0.8248 as published by the People's Bank of China on 19 August 2015) be paid in respect of the six months ended 30 June 2015 (30 June 2014: Nil).

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2015, the Group acquired assets with a cost of RMB483,223 (30 June 2014: RMB4,980,115).

During the six months ended 30 June 2015, assets with a net book value of RMB76,513 (30 June 2014: RMBNil) were disposed of by the Group, resulting in a net loss on disposal of RMB37,868 (30 June 2014: RMBNil).

During the six months ended 30 June 2015, impairment loss on assets amounted to RMB24,562,680 (30 June 2014: RMBNil).

None of the Group's buildings were pledged as at 30 June 2015 and 31 December 2014.

10. PREPAID LAND LEASE PAYMENTS

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Carrying amount at beginning of period/year	70,706	75,423
Additions	–	593
Adjustment*	–	(3,485)
Amortised during the period/year	(911)	(1,825)
	<hr/>	<hr/>
Carrying amount at end of period/year	69,795	70,706
Current portion included in prepayments, deposits and other receivables	(1,825)	(1,825)
	<hr/>	<hr/>
Non-current portion	67,970	68,881
	<hr/>	<hr/>

The Group's leasehold land is situated in PRC and held under long term leases.

None of the Group's leasehold land was pledged as at 30 June 2015 and 31 December 2014 to secure any of its banking facilities.

11. INVENTORIES

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Raw materials	22,267	23,621
Work in progress	14,228	15,637
Finished goods	47,529	52,210
	<hr/>	<hr/>
Impairment	84,024 (36,488)	91,468 (13,907)
	<hr/>	<hr/>
	47,536	77,561
	<hr/>	<hr/>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2015

12. TRADE AND NOTES RECEIVABLES

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Trade receivables	75,533	73,346
Notes receivable	51,497	42,900
	127,030	116,246
Impairment	(2,508)	(1,074)
	124,522	115,172

The Group's trading terms with its customers are mainly on credit. The credit period for trade receivables is generally 30 to 90 days. Each customer has a maximum credit limit. The credit period for notes receivable is up to 190 days. 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 receivable relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade and notes receivables are non-interest-bearing.

12. TRADE AND NOTES RECEIVABLES (Continued)

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

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Within 1 month	40,975	49,178
1 to 2 months	26,067	11,740
2 to 3 months	24,306	13,839
3 to 12 months	32,057	38,801
Over 12 months	1,117	1,614
	<hr/> 124,522 <hr/>	<hr/> 115,172 <hr/>

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Bank financial investment products, at fair value	<hr/> 48,000 <hr/>	<hr/> 48,000 <hr/>

The balance as at 30 June 2015 represented principal protected bank financial investment products with maturity dates ranged from 6 July 2015 to 11 August 2015. The balance as at 31 December 2014 had maturity dates ranged from 9 January 2015 to 17 February 2015.

The bank financial investment products are designated by the Group as financial assets at fair value through profit or loss upon initial recognition. They are unlisted and due to the shortness of the maturity periods, the directors consider that the fair value of the bank financial investment products approximate their original cost.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2015

14. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Note	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Cash and bank balances		187,594	172,960
Less: Pledged deposits for bills payable	15	9,425	7,240
Cash and cash equivalents		178,169	165,720

As at 30 June 2015, the Group's cash and cash equivalents denominated in RMB were RMB161,404,045 (31 December 2014: RMB157,801,161). The RMB is not freely convertible into other currencies, however, under PRC'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. The bank balances are deposited with creditworthy banks with no recent history of default.

As at 30 June 2015, short term deposits of RMB9,425,000 (2014: RMB7,240,000) and notes receivable of RMB8,427,000 (2014: RMB6,500,000) were pledged to secure bills payable of RMB11,037,000 (2013: RMB10,500,000).

15. TRADE AND BILLS PAYABLES

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Trade payables	56,518	50,657
Bills payable	11,037	10,500
	67,555	61,157

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

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Within 1 month	8,805	34,365
1 to 3 months	28,398	14,150
3 to 6 months	25,595	9,788
6 to 12 months	2,108	1,309
Over 12 months	2,649	1,545
	67,555	61,157

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

As at 30 June 2015, the Group's bills payable of RMB11,037,000 (31 December 2014: RMB10,500,000) were secured by certain of the Group's notes receivable of RMB8,427,000 (31 December 2014: RMB6,500,000) and pledged deposits of RMB9,425,000 (31 December 2014: RMB7,240,000) (note: 14).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2015

16. 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 two years.

At 30 June 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Within one year	904	1,976
In the second to fifth years, inclusive	–	351
Over five years	–	17
	<hr/> 904 <hr/>	<hr/> 2,344 <hr/>

17. COMMITMENTS

Except for the operating lease commitments detailed in note 16 above, the Group had no significant commitments at the end of the reporting period.

18. RELATED PARTY TRANSACTIONS

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

	For the six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
A company of which the shareholder is a shareholder of the Company		
Rental expense paid to: Shanghai Automart Investment Co., Ltd. ("Shanghai Automart")* (Note)	<u>487</u>	<u>612</u>

Note: The rental expense paid to the related party was based on prices mutually agreed between the parties.

* The transaction also constitutes connected transaction or continuing connected transaction as defined in Chapter 14A of Listing Rules.

- (b) Outstanding balance with related party:

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Unaudited)
Due to: Shanghai Automart (Note)	<u>42</u>	<u>—</u>

Note: The balance is unsecured, non-interest-bearing and has no fixed terms of repayment.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2015

18. RELATED PARTY TRANSACTIONS (Continued)

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

	For the six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Short term employee benefits	1,178	503
Pension scheme contributions	48	—
Total compensation paid to key management personnel	1,226	503

19. FINANCIAL INSTRUMENTS

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

Financial assets – loans and receivables

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Trade and notes receivables	124,522	115,172
Financial assets included in prepayments, deposits and other receivables	2,629	2,714
Pledged deposits	9,425	7,240
Cash and cash equivalents	178,169	165,720
	314,745	290,846

19. FINANCIAL INSTRUMENTS (Continued)

Financial assets – available-for-sale financial assets

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Available-for-sale investments	262	262

Financial assets – at fair value through profit or loss

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Investments at fair value through profit or loss	48,000	48,000

Financial liabilities – at amortised cost

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Trade and bills payables	67,555	61,157
Financial liabilities included in other payables and accruals	2,780	4,385
Due to related parties	42	–
	70,377	65,542

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2015

19. FINANCIAL INSTRUMENTS (Continued)

Fair values

The fair values of financial assets and liabilities approximate 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 instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

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

20. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 21 August 2015.