Shuanghua Holdings Limited
雙樺控股有限公司

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

INTERIM REPORT 2018

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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://www.shshuanghua.com
Telephone:	(86 21) 5058 6337
Fax:	(86 21) 5058 6337
Enquiry Email:	ir@shshuanghua.com
Financial Year End:	31 December
Board of Directors:	*Executive Directors* Mr. ZHENG Ping Ms. ZHENG Fei Ms. TANG Lo Nar *Non-executive Director* Ms. KONG Xiaoling *Independent non-executive Directors* Mr. HE Binhui Mr. CHEN Lifan Ms. GUO Ying

CORPORATE INFORMATION

Company Secretaries:	Ms. TANG Lo Nar
Authorised Representatives:	Mr. ZHENG Ping Ms. TANG Lo Nar
Audit Committee:	Mr. HE Binhui *(Chairman)* Ms. GUO Ying Mr. CHEN Lifan
Remuneration Committee:	Ms. GUO Ying *(Chairman)* Mr. HE Binhui Mr. CHEN Lifan
Nomination Committee:	Mr. CHEN Lifan *(Chairman)* Mr. HE Binhui Ms. GUO Ying
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 2018, sales of automobile heat exchangers of Shuanghua Holdings Limited ("Shuanghua" or the "Company"; collectively with its subsidiaries referred to as the "Group") were still in a downward trend. During the six months ended 30 June 2018 (the "period"), the Group achieved revenue of RMB31.9 million, representing a decrease of 24.6% or RMB10.4 million as compared to the same period of last year. The Group reported a net profit of RMB2.2 million during the first half of 2018, as compared to net loss of 7.3 million for the same period of last year. The profit of this period was generated from the sale of inventory that was written down in the past periods in accordance with the accounting principles.

SALES TO THE DOMESTIC MARKET

Our major sales products of the domestic market are condensers and evaporators. During the period, the average unit selling price of evaporators increased by 7.0% as compared to the corresponding period in 2017, while the average unit selling price of condensers decreased by 16.5%. Sales volume of evaporators and condensers decreased by 16.9% and 5.0% respectively as compared to the same period in 2017. Revenue generated by sales of evaporators and condensers decreased by 10.9% and 20.7% respectively, comparing to the same period of last year.

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

SALES TO INTERNATIONAL MARKET

Our major sales products of the international market are condensers and evaporators. For the six months ended 30 June 2018, the average unit selling price of evaporators and condensers decreased by 9.8% and 12.0% respectively as compared to the same period in 2017. While sales volume of evaporators and condensers decreased by 14.2% and 81.6% respectively as compared to the same period of last year. Revenue generated by sales of evaporators and condensers decreased by 22.6% and 83.7% respectively, comparing to the same period of last year. Purchasing volume of major North American customers became smaller and smaller leading to a decreasing sales during the period.

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

In view of many uncertainties in the domestic and global economic conditions, the Group will continue improving its cost structure to maintain its competitiveness and profitability. In 2018 and the next couple years, the Group will focus on exploring the value of its existing resources, such as brand recognition, technology, equipments, plants and properties. The Group aims to fully utilize its current assets and seek opportunities in industry collaborations, investments, mergers and acquisitions, and so forth. The Group will try its best to maximize the shareholders' value.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2018, revenue was approximately RMB31.9 million, representing a decrease of RMB10.4 million, or 24.6%, from RMB42.3 million in the same period of 2017.

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

	For the six months ended 30 June			
	2018		2017	
Revenue	**RMB'000**	**% of revenue**	RMB'000	% of revenue
Domestic				
Evaporators	**17,365**	**54.5%**	19,493	46.1%
Condensers	**6,093**	**19.1%**	7,680	18.2%
Others	**2,018**	**6.3%**	2,198	5.2%
Sub-total	**25,476**	**80.0%**	29,371	69.5%
International				
Evaporators	**5,117**	**16.1%**	6,610	15.6%
Condensers	**796**	**2.4%**	4,894	11.6%
Others	**289**	**0.9%**	980	2.3%
Sub-total	**6,202**	**19.4%**	12,484	29.5%
Lubricants	**182**	**0.6%**	444	1.0%
Sub-total	**182**	**0.6%**	444	1.0%
Total	**31,860**	**100%**	42,299	100%

Gross profit and gross margin

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

For the six months ended 30 June 2018, overall gross profit was approximately RMB6.8 (six months ended 30 June 2017: RMB4.2 million). Gross profit for the period increased by RMB2.6 million, or 62.0%. Gross profit from sales to domestic market was approximately RMB4.8 million, representing an increase of RMB3.4 million over the same period of last year. Gross profit from sales to international market was approximately RMB1.9 million, representing a decrease of RMB0.7 million over the same period of last year.

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

	For the six months ended 30 June	
Gross Profit	**2018 RMB'000**	2017 RMB'000
Domestic		
Evaporators	**4,406**	1,579
Condensers	**(34)**	382
Others	**429**	(585)
Sub-total	**4,801**	1,376
International		
Evaporators	**1,637**	2,157
Condensers	**194**	459
Others	**69**	(16)
Sub-total	**1,900**	2,600
Lubricants	**620**	211
Sub-total	**62**	211
Total	**6,763**	4,187

Gross profit and gross margin (Continued)

For the six months ended 30 June 2018, overall gross margin was 21.2%, representing an increase of 11.3% as compared to the overall gross margin of 9.9% for the same period of last year.

Other income and gains

Other income and gains were approximately RMB2.6 million during the six months ended 30 June 2017, while other income and gains during the six months ended 30 June 2018 were approximately RMB3.9 million, representing an increase of RMB1.3 million or 50.0% from the same period of last year. The increase was mainly because of the increase of bank interest income. For the six months ended 30 June 2018, other income and gains mainly include government grants of approximately RMB1.0 million, interest income on financial assets at fair value through profit or loss of approximately RMB1.0 million and bank interest income of approximately RMB1.9 million.

Selling and distribution costs

Selling and distribution costs were comprised mainly of staff-related costs, transportation fees, operating lease rental expenses, travelling expenses and other miscellaneous expenses. Selling and distribution costs decreased by 13.7% during the six months ended 30 June 2018 as compared to the same period of last year, mainly because of the decrease in sales of the Group, causing a decrease in sales-related transportation and staff expenses.

Administrative and other expenses

Administrative and other expenses were comprised mainly of provision for asset impairment, staff-related costs, various local taxes and education surcharges, depreciation, amortisation 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 2018 decreased by 10.1% as compared to the same period of last year.

Income tax expense

For the six months ended 30 June 2018, our overall income tax charge was approximately RMB0.5 million (30 June 2017: RMB0.7 million).

Profit for the period

Profit attributable to the owners of the Company was approximately RMB2.2 million for the six months ended 30 June 2018, while loss attributable to the owners of the Company over the same period of last year was approximately RMB7.3 million.

LIQUIDITY AND FINANCIAL RESOURCES

Net current assets

As at 30 June 2018, our net current assets were approximately RMB227.5 million (31 December 2017: RMB224.5 million). Net current assets remained basically stable as compared to 31 December 2017.

Financial position and bank borrowings

As at 30 June 2018, the Group's total cash and bank balances including pledged deposits, most of which were denominated in RMB and USD, amounted to approximately RMB108.4 million (31 December 2017: RMB110.0 million). As at 30 June 2018, the Group had no interest-bearing bank borrowings balance (31 December 2017: nil). As at 30 June 2018, our gearing ratio, presented as a percentage of total interest-bearing liabilities divided by total assets, was 0 (31 December 2017: 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 2018, 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.

The Directors have confirmed that there has not been any material change in the indebtedness and contingent liabilities of our Group in the reporting period.

Working capital

As at 30 June 2018, our inventories, mainly comprised of raw materials, work-in-progress inventory, finished products, were amounted to approximately RMB38.9 million, as compared to approximately RMB36.7 million as at 31 December 2017. Our marketing team reviews and monitors our inventory level on a regular basis. For the six months ended 30 June 2018, the average inventory turnover days were 324.5 days (for the year ended 31 December 2017: 201.5 days). Inventory turnover days are arrived at by dividing the arithmetic means of the opening and ending balances of inventory for the relevant period by cost of sales of the same period and multiplying the quotient by 180 days (for the year ended 31 December 2017: 365 days).

For the six months ended 30 June 2018, average turnover days of trade and notes receivables were 308.3 days (for the year ended 31 December 2017: 263.5 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 for the relevant period by revenue of the same period and multiplying the quotient by 180 days (for the year ended 31 December 2017: 365 days).

For the six months ended 30 June 2018, average turnover days of trade and bills payables were 132.6 days (for the year ended 31 December 2017: 134.4 days). Trade and bills payables days are arrived at by dividing the arithmetic means of the opening and ending balances of trade and bills payables for the relevant period by revenue of the same period and multiplying the quotient by 180 days (for the year ended 31 December 2017: 365 days).

CAPITAL EXPENDITURES, CAPITAL COMMITMENTS AND HUMAN RESOURCES

For the six months ended 30 June 2018, capital expenditures were approximately RMB3.4 million, as compared to approximately RMB1.6 million for the same period in 2017. Payment of capital expenditures increased by approximately RMB1.8 million as compared to the same period of 2017.

As at 30 June 2018, the Group had approximately 160 (31 December 2017: 165) full-time employees including management, sales, manufacture, logistics supports and other ancillary personnel. The Group’s total wages and salaries of employees amounted to approximately RMB6.0 million for the six months ended 30 June 2018 (31 December 2017: RMB14.2 million). Our remuneration policy on employees is primarily based on the job responsibilities, work performance and number of years of services of each employee and the current market conditions.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2018 amounted to approximately RMB2.2 million (31 December 2017: RMB4.2 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 of the Board. 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.

Significant Investment, Material acquisitions and disposals

For the six months ended 30 June 2018, the Group has no significant investment or material acquisition or disposal.

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. For the six months ended 30 June 2018, approximately 19.4% of the Group's sales and none of its 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 2018, the Group did not have any material contingent liabilities.

Pledge of assets

As at 30 June 2018 and 30 June 2017, the Group had not pledged any of its land and buildings to secure its banking facilities.

As at 30 June 2018, the Group's bills receivable of RMB6,721,000 and pledged deposits of RMB1,700,000 were pledged to secure bills payable of RMB8,421,000. As at 31 December 2017, bills receivable of RMB4,100,000 were pledged to secure bills payable of RMB7,850,000.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFER BY THE GROUP

As at 30 June 2018, a balance of approximately RMB10.0 million of the proceeds from the initial public offer of shares of the Company in 2011 remained unutilised.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2018.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE SHARES

As at 30 June 2018, 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 2018.

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 2018, 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

As at 30 June 2018, 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%
Zhou Shuxian	Beneficial interest	120,160,000	18.5%
Lin Fu	Beneficial interest	52,744,000	8.1%
Youshen Group	Beneficial interest	282,750,000	43.5%
Kong Xiaoling (Note 2)	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. 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 2018, no persons had any interests or short positions in the shares or underlying shares of the Company as recorded in the register which the Company is required to maintain pursuant to Section 336 of the SFO.

SHARE OPTIONS 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 2018, 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 2018.

CORPORATE GOVERNANCE CODE

The Company had complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") for the six months ended 30 June 2018 except for the following:

Under the code provision A.2.1 of the Corporate Governance Code, 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. 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 management of Group and believe that this structure will enable the Group to make and implement decisions promptly and efficiently.

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, and any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting. As at 30 June 2018, Mr. Zheng Ping, executive Director, Ms. Zheng Fei, executive Director, Ms. Kong Xiaoling, non-executive Director, and Ms. Guo Ying, independent non-executive Director, retired from office at the annual general meeting on 25 June 2018, at which Mr. Zheng Ping and Ms. Zheng Fei were re-elected as executive Director, Ms. Kong Xiaoling was re-elected as non-executive Director, and Ms. Guo Ying 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 2018 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 a deed of non-competition with the Company which is still in force during the period. The Convenantors confirmed that they have complied with the deed of non-competition during the period.

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. Chen Lifan, Mr. He Binhui and Ms. Guo Ying, and was 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 Ms. Guo Ying, Mr. He Binhui and Mr. Chen Lifan, and was chaired by Ms. Guo Ying.

AUDIT COMMITTEE

The Company established an Audit Committee comprising three independent non-executive Directors, namely Mr. He Binhui, Ms. Guo Ying and Mr. Chen Lifan, and is chaired by Mr. He Binhui. The written terms of reference which describe the authorities and duties of the Audit Committee were prepared and adopted with reference to "A Guide for the Formation of an Audit Committee" published by the Hong Kong Institute of Certified Public Accountants. The Audit Committee provides an important link between the Board and the Company's auditor in matters coming within the scope of the Group audit. It also reviews the financial reporting process and the adequacy and effectiveness of the Group's internal control and risk management system. The Audit Committee is of the view that the risk management and internal control system at present have been valid and adequate.

REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed the unaudited consolidated results of the Company for the six months ended 30 June 2018 and this interim report. In particular, the Audit Committee has reviewed with 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 2018.

By Order of the Board
Zheng Ping
Chairman and CEO

Shanghai, 30 August 2018

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June

	Notes	**2018 RMB'000 Unaudited**	2017 RMB'000 Unaudited
REVENUE	5	**31,861**	42,299
Cost of sales		**(20,966)**	(38,112)
Gross profit		**10,895**	4,187
Other income	5	**3,852**	2,627
Selling and distribution costs		**(1,814)**	(2,103)
Administrative expenses		**(10,002)**	(10,231)
Other expenses		**(229)**	(1,150)
PROFIT/(LOSS) BEFORE TAX	6	**2,702**	(6,670)
Income tax expense	7	**(504)**	(657)
PROFIT/(LOSS) FOR THE PERIOD		**2,198**	(7,327)
Attributable to:			
Owners of the Company		**2,198**	(7,327)
Non-controlling interests		**–**	–
		2,198	(7,327)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:			
Basic and dilute			
– For profit/(loss) for the period	9	**0.3 cents**	(1.1) cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June

	2018 RMB'000 Unaudited	2017 RMB'000 Unaudited
PROFIT/(LOSS) FOR THE PERIOD	**2,198**	(7,327)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	**–**	864
Exchange differences:		
Exchange differences on translation of foreign operations	**–**	(9)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**–**	855
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**2,198**	(6,472)
Attributable to:		
Owners of the Company	**2,198**	(6,472)
Non-controlling interests	**–**	–
	2,198	(6,472)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at

	Notes	30 June 2018 RMB'000 Unaudited	31 December 2017 RMB'000 Audited
NON-CURRENT ASSETS			
Property, plant and equipment	10	**87,431**	88,157
Prepaid land lease payments	11	**62,494**	63,406
Financial assets at fair value through profit or loss	14	**7,825**	7,041
Total non-current assets		**157,750**	158,604
CURRENT ASSETS			
Inventories	12	**38,924**	36,665
Trade and bills receivables	13	**53,969**	55,158
Prepayments, deposits and other receivables		**4,968**	5,460
Financial assets at fair value through profit or loss	14	**10,400**	10,400
Structured bank deposits	15	**54,000**	54,000
Pledged deposits	15	**1,700**	3,750
Cash and cash equivalents	15	**106,653**	106,280
Total current assets		**270,614**	271,713
CURRENT LIABILITIES			
Trade and bills payables	16	**20,967**	25,976
Other payables and accruals		**18,319**	17,195
Provision		**1,868**	1,627
Government grants		**1,609**	2,021
Tax payable		**400**	401
Total current liabilities		**43,163**	47,220
NET CURRENT ASSETS		**227,451**	224,493
TOTAL ASSETS LESS CURRENT LIABILITIES		**385,201**	383,097

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at

	30 June 2018 RMB'000 Unaudited	31 December 2017 RMB'000 Audited
NON-CURRENT LIABILITIES		
Government grants	**472**	1,070
Deferred tax liabilities	**4,204**	3,700
Total non-current liabilities	**4,676**	4,770
Net assets	**380,525**	378,327
EQUITY		
Equity attributable to owners of the parent		
Share capital	**5,406**	5,406
Share premium	**133,658**	133,658
Reserves	**241,456**	239,258
	380,520	378,322
Non-controlling interests	**5**	5
Total equity	**380,525**	378,327

Director: **Zheng Ping**

Director: **Tang Lo Nar**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to owners of the company										
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Available-for-sale investment revaluation reserve RMB'000	Merger reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2018	5,406	133,658	168,183	42,857	6,779	(119,378)	(267)	141,084	378,322	5	378,327
Impact of adoption of HKFRS 9	-	-	-	-	(6,779)	-	-	6,779	-	-	-
Restated balance at 1 January 2018	5,406	133,658	168,183	42,857	-	(119,378)	(267)	147,863	378,322	5	378,327
Profit and total comprehensive income for the period	-	-	-	-	-	-	-	2,198	2,198	-	2,198
At 30 June 2018 (Unaudited)	5,406	133,658	168,183*	42,857*	-*	(119,378)*	(267)*	150,061*	380,520	5	380,525

* These reserve accounts comprise the consolidated other reserves of RMB241,456,000 in the consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to owners of the company										
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Available-for-sale investment revaluation reserve RMB'000	Merger reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2017	5,406	133,658	168,183	42,851	8,629	(119,378)	(257)	158,277	397,369	5	397,374
Loss for the period	–	–	–	–	–	–	–	(7,327)	(7,327)	–	(7,327)
Other comprehensive income for the period:											
Changes in fair value of available-for-sale investments, net of tax	–	–	–	–	864	–	–	–	864	–	864
Exchange differences related to foreign operations	–	–	–	–	–	–	(9)	–	(9)	–	(9)
Total comprehensive loss for the period	–	–	–	–	864	–	(9)	(7,327)	(6,472)	–	(6,472)
At 30 June 2017 (Unaudited)	5,406	133,658	168,183*	42,851*	9,493*	(119,378)*	(266)*	150,950*	390,897	5	390,902

* These reserve accounts comprise the consolidated other reserves of RMB251,833,000 in the consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June

	2018 RMB'000 Unaudited	2017 RMB'000 Unaudited
Net cash flows from operating activities	**1,334**	17,548
Net cash flows (used in)/from investing activities	**(1,206)**	19,717
Net cash flows from financing activities	**–**	–
Net increase in cash and cash equivalents	**128**	37,265
Cash and cash equivalents at beginning of period	**106,280**	95,818
Effect of foreign exchange rate changes, net	**245**	(1,954)
Cash and cash equivalents at end of period	**106,653**	131,129

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 19 November 2010. The registered office of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Group is principally involved in design, development, manufacture and sale of automobile air-conditioner parts and components.

On 30 June 2011, the Company achieved a successful listing on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

2. BASIS OF PREPARATION

The Group's unaudited interim condensed consolidated financial statements for the six months ended 30 June 2018 have been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting*.

The unaudited 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 for the year ended 31 December 2017.

The unaudited interim condensed consolidated financial statements 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.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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 2017, except for the adoption of new standards and interpretations effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, HKFRS 15 *Revenue from Contracts with Customers* and HKFRS 9 *Financial Instruments* that require restatement of previous financial statements. As required by HKAS 34, the nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the interim condensed consolidated financial statements of the Group.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 supersedes HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

There was no impact for the result of the Group of adopting HKFRS 15.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

HKFRS 9 Financial Instruments

The Group adopted HKFRS 9 *Financial Instruments* on its effective date of 1 January 2018. HKFRS 9 replaces HKAS 39 *Financial Instruments: Recognition and Measurement* and introduces new requirements for classification and measurement, impairment and hedge accounting. HKFRS 9 is not applicable to items that have already been derecognised at 1 January 2018, the date of initial application.

(a) Classification and measurement

Except for certain trade receivables, under HKFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under HKFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent "solely payments of principal and interest" on the principal amount outstanding (the "SPPI criterion").

The new classification and measurement of the Group's debt financial assets are, as follows:

- Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's Trade and other receivables.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

HKFRS 9 Financial Instruments (Continued)

(a) *Classification and measurement (Continued)*

Other financial assets are classified and subsequently measured, as follows:

- Financial assets at FVPL comprise equity instruments which the Group had not irrevocably elected, at initial recognition or transition, to classify at FVOCI. This category would also include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Under HKAS 39, the Group's financial assets at FVPL were classified as Available-for-sale ("AFS") financial assets. Upon transition the AFS reserve which had been previously recognised under accumulated OCI, was reclassified to retained earnings amounting to RMB6,779,000.

The accounting for the Group's financial liabilities remains largely the same as it was under HKAS 39. Similar to the requirements of HKAS 39, HKFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in the statement of profit or loss.

(b) *Impairment*

HKFRS 9 requires the Group to record an allowance with a forward-looking expected credit loss (ECL) approach for all loans and other debt financial assets not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For Trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

HKFRS 9 Financial Instruments (Continued)

(b) Impairment (Continued)

The Group considers a financial asset in default when contractual payment are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

Given the limited exposure of the Group to credit risk, the adoption of the ECL requirements of HKFRS 9 doesn't resulted in any significant impact on impairment allowances of the Group's financial assets.

Impact of adoption of HKFRS 9

The classification and measurement requirements of HKFRS 9 have been adopted retrospectively as of the date of initial application on 1 January 2018, however, the Group has chosen to take advantage of the option not to restate comparatives. Therefore, the 2017 figures are presented and measured under HKAS 39. The following table shows the original measurement categories in accordance with HKAS 39 and the new measurement categories under HKFRS 9 for the Group's financial assets and financial liabilities as at 1 January 2018.

Financial assets

1 January 2018	HKAS 39 classification	HKAS 39 measurement RMB'000	HKFRS 9 classification	HKFRS 9 measurement RMB'000
Trade and bills receivables	Loans and receivables	55,158	Amortised cost	55,158
Financial assets included in prepayments, deposits and other receivables	Loans and receivables	2,301	Amortised cost	2,301
Structured band deposits	Loans and receivables	54,000	Amortised cost	54,000
Pledged deposits	Loans and receivables	3,750	Amortised cost	3,750
Cash and cash equivalents	Loans and receivables	106,280	Amortised cost	106,280
Listed equity investment at fair value	FVOCI	7,041	FVPL	7,041

4. OPERATING SEGMENT INFORMATION

Revenue from external customers

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
The People's Republic of China	**26,242**	30,729
The United States of America	**2,259**	4,620
The Canada	**202**	4,590
Asia	**2,750**	2,043
Others	**408**	317
	31,861	42,299

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

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

4. OPERATING SEGMENT INFORMATION (Continued)

Information about major customers

For the six months ended 30 June 2018, revenue from three customers accounted for more than 10% of the Group's total revenue individually. Revenue from these customers were RMB5,170,000, RMB4,690,000 and RMB3,757,000, respectively.

For the six months ended 30 June 2017, revenue from four customers accounted for more than 10% of the Group's total revenue individually. Revenue from these customers were RMB10,546,000, RMB8,825,000, RMB6,620,000 and RMB4,590,000, respectively.

5. REVENUE AND OTHER INCOME

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and net of value added tax and government surcharges.

An analysis of revenue and other income is as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue		
Sale of goods	**31,861**	42,299
Other income		
Government grants	**1,025**	1,011
Bank interest income	**1,860**	846
Investment income from financial assets at fair value through profit or loss	**967**	770
	3,852	2,627

6. PROFIT/(LOSS) BEFORE TAX

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

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	**20,966**	38,112
Depreciation	**4,166**	5,243
Amortisation of land lease payments	**912**	915
Minimum lease payments under operating leases	**487**	582
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	**5,992**	5,390
Pension scheme contributions	**936**	1,110
Staff welfare expenses	**1,235**	1,161
	8,163	7,661
Foreign exchange differences, net	**97**	608
Reversal of write-down of inventories to net realisable value	**(4,131)**	(176)
Impairment of trade receivables	**113**	480

7. INCOME TAX

The income tax expense of the Group during the period are analysed as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax:		
Charge for the period	**504**	244
Deferred tax	**–**	413
Total tax charge for the period	**504**	657

8. DIVIDENDS

The Board did not recommend the payment of a final dividend in respect of the year ended 31 December 2017 or an interim dividend in respect of the six months ended 30 June 2018.

9. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic earnings/(loss) per share amount is based on the profit/(loss) 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 calculation of basic earnings/(loss) per share attributable to ordinary equity holders of the parent is based on the following data:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings/(loss)		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings/(loss) per share calculation	**2,198**	(7,327)

	Number of shares Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings/(loss) per share calculation	**650,000,000**	650,000,000

The Group did not have any dilutive potential ordinary shares during the period.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group acquired assets with a cost of RMB3,439,000 (the six months ended 30 June 2017: RMB1,554,000).

No asset was disposed of by the Group during the six months ended 30 June 2018 (the six months ended 30 June 2017: Nil), and no loss or gain was recognised on disposal (the six months ended 30 June 2017: Nil).

During the six months ended 30 June 2018, no impairment loss on assets was recognised (the six months ended 30 June 2017: Nil).

None of the Group's buildings were pledged as at 30 June 2018 and 31 December 2017.

11. PREPAID LAND LEASE PAYMENTS

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Carrying amount at beginning of period/year	**65,231**	67,056
Recognised during the period/year	**(912)**	(1,825)
Carrying amount at end of period/year	**64,319**	65,231
Current portion included in prepayments, deposits and other receivables	**(1,825)**	(1,825)
Non-current portion	**62,494**	63,406

12. INVENTORIES

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Raw materials	**15,058**	15,142
Work in progress	**9,650**	11,619
Finished goods	**39,082**	38,901
	63,790	65,662
Impairment	**(24,866)**	(28,997)
	38.924	36,665

13. TRADE AND BILLS RECEIVABLES

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Trade receivables	**41,146**	37,388
Bills receivable	**16,150**	20,984
	57,296	58,372
Impairment	**(3,327)**	(3,214)
	53,969	55,158

13. TRADE AND BILLS RECEIVABLES (Continued)

The Group's trading terms with its customers are mainly on credit. The credit period for trade receivables is generally 30 to 90 days, extending up to one year for major customers. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. As the Group's trade receivables relate to a large number of diversified customers, it does not have a significant concentration of credit risk. Trade receivables are non-interest-bearing.

As at 30 June 2018, the Group's bills receivable of RMB6,721,000 (31 December 2017: RMB4,100,000) and pledged deposit of RMB1,700,000 (31 December 2017: 3,750,000) were pledged to secure bills payable of RMB8,421,000 (31 December 2017: RMB7,850,000) (notes 15(a) and 16).

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

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Within 1 month	**7,042**	8,527
1 to 3 months	**12,779**	13,569
3 to 12 months	**16,975**	11,165
Over 12 months	**1,023**	913
	37,819	34,174

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Listed equity investments *(note a)*	**7,825**	7,041
Investments in bank financial products *(note b)*	**10,400**	10,400
	18,225	17,441

Notes:

(a) Listed equity investments consist of investments in equity securities which were designated as financial assets at fair value through profit or loss and have no fixed maturity date or coupon rate.

(b) The investments in bank financial products represent investments in certain wealth management products issued by commercial banks with expected interest rates ranging from 4.1% to 5.0% per annum with a maturity period within one year in the People's Republic of China (the "PRC"). The fair values of the financial products approximate to their costs plus expected interest.

15. CASH AND CASH EQUIVALENTS, PLEDGED DEPOSITS AND STRUCTURED BANK DEPOSITS

(a) Cash and cash equivalents and pledged deposits

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Cash and bank balances	**108,353**	110,030
Less: Pledged deposits for bills payable	**(1,700)**	(3,750)
Cash and cash equivalents	**106,653**	106,280

15. CASH AND CASH EQUIVALENTS, PLEDGED DEPOSITS AND STRUCTURED BANK DEPOSITS (Continued)

(a) Cash and cash equivalents and pledged deposits (Continued)

As at 30 June 2018, the Group's cash and cash equivalents denominated in RMB amounted to RMB93,589,000 (31 December 2017: RMB87,037,000). 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. The bank balances are deposited with creditworthy banks with no recent history of default.

As at 30 June 2018, pledged deposits of RMB1,700,000 (31 December 2017: RMB3,750,000) and bills receivable of RMB6,721,000 (31 December 2017: RMB4,100,000) were pledged to secure bills payable of RMB8,421,000 (31 December 2017: RMB7,850,000) (notes 13 and 16).

(b) Structured bank deposits

Structured bank deposits as at 30 June 2018 (31 December 2017: RMB54,000,000) represented bank deposits carrying a minimum interest rate of 0% (31 December 2017: 0%) per annum which can be enhanced to a maximum interest rate of 4.70% (31 December 2017: 4.75%) per annum to be determined with reference to the London Inter-Bank Offered Rate during a pre-determined period of 90 days. The structured bank deposits contained embedded derivatives representing a return which would vary with prevailing market interest rate. The directors of the Group consider that the fair value of the derivatives embedded in these structured bank deposits is minimal and hence, no derivative financial instrument was recognised during the period.

16. TRADE AND BILLS PAYABLES

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Trade payables	12,546	18,126
Bills payable	8,421	7,850
	20,967	25,976

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

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Within 1 month	6,143	11,683
1 to 3 months	6,466	6,761
3 to 12 months	6,338	5,262
Over 12 months	2,020	2,270
	20,967	25,976

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

As at 30 June 2018, the Group's bills payable of RMB8,421,000 (31 December 2017: RMB7,850,000) were secured by certain of the Group's bills receivable and pledged deposits of RMB6,721,000 (31 December 2017: RMB4,100,000) and RMB1,700,000 (31 December 2017: RMB3,750,000), respectively (notes 13 and 15(a)).

17. OPERATING LEASE ARRANGEMENTS

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

At 30 June 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Within one year	**525**	1,050

18. COMMITMENTS

In addition to the operating lease commitments detailed in note 17 above, the Group had the following capital commitments at the end of the reporting period:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Contracted, but not provided for:		
Capital contributions payable to a joint venture	**6,750**	–

19. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed else where in the unaudited interim consolidated financial statements, the Group had the following transactions with a related party during the period:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Office rental paid to Shanghai Automart Investment Co., Ltd. ("Shanghai Automart")	**487**	487

Office rental paid to Shanghai Automart was based on prices mutually agreed between the parties. The director, Kong Xiaoling is interested in Shanghai Automart.

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

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

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short term employee benefits	**933**	932
Pension scheme contributions	**17**	43
Total compensation paid to key management personnel	**950**	975

20. 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 – at amortised cost

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Trade and bills receivables	**53,969**	55,158
Financial assets included in prepayments, deposits and other receivables	**2,013**	2,301
Structured bank deposits	**54,000**	54,000
Pledged deposits	**1,700**	3,750
Cash and cash equivalents	**106,653**	106,280
	218,335	221,489

Financial assets – at fair value through profit or loss

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Listed equity investments	**7,825**	7,041
Investments in bank financial products	**10,400**	10,400
	18,225	17,441

20. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Financial liabilities – at amortised cost

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Trade and bills payables	**20,967**	25,976
Financial liabilities included in other payables and accruals	**5,824**	2,742
	26,791	28,718

21. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 30 August 2018.