Shuanghua Holdings Limited
雙 樺 控 股 有 限 公 司

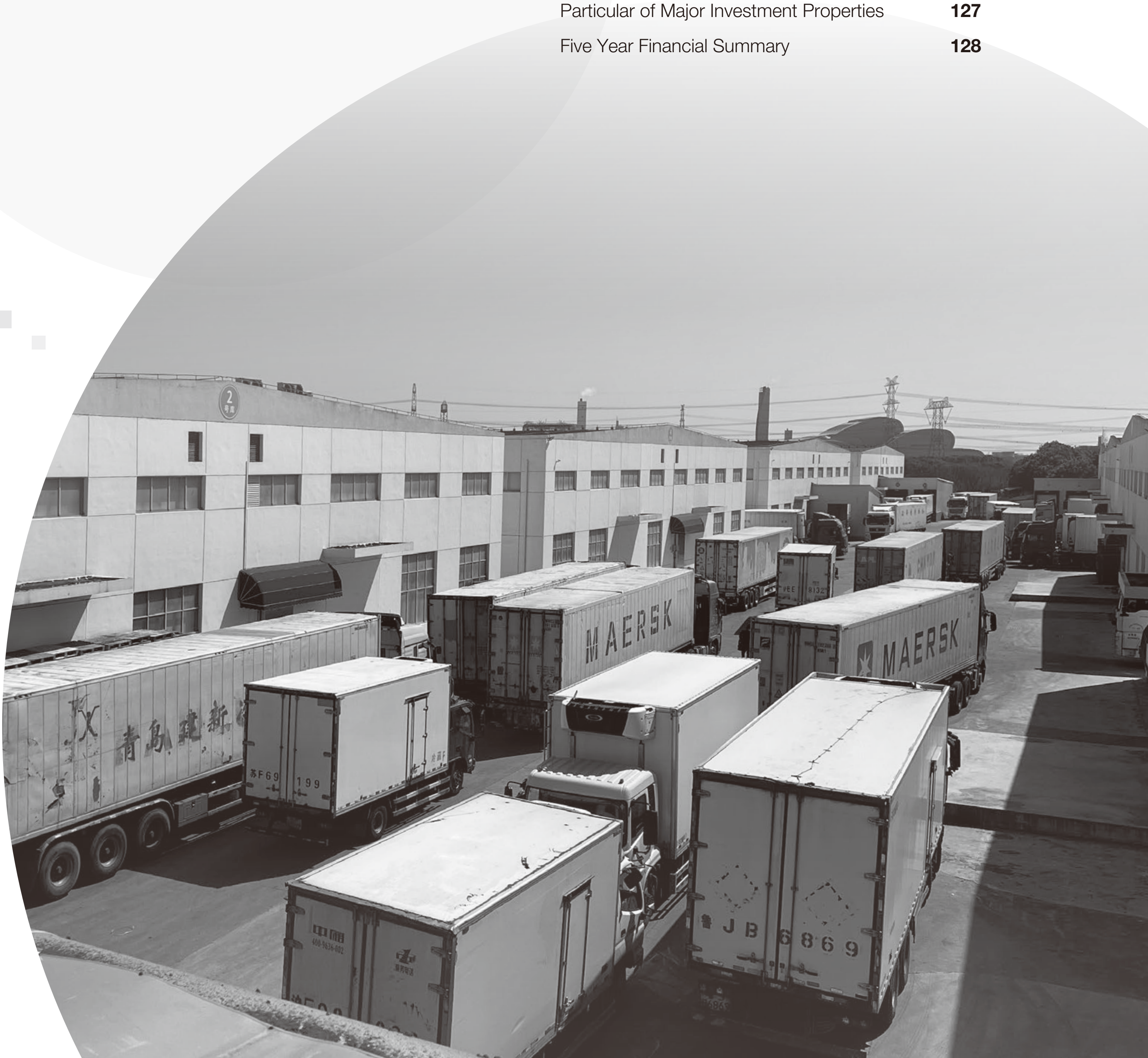
(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1241

ANNUAL REPORT

2021

CONTENTS



Corporate Information

Company Name:	Shuanghua Holdings Limited
Registered Office:	Conyers Trust Company (Cayman) Limited Cricket Square, Hutchins Drive PO Box 2681, Grand Cayman KY-1111, Cayman Islands
Headquarter:	9/F, Tongsheng Building 458 Fushan Road Pudong District Shanghai PRC
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 *(Chairman & Chief Executive Officer)* 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 Secretary:	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 Wan Chai Hong Kong
Principal Banker:	China Construction Bank Corporation Shanghai Branch Fengxian Sub-branch 332 Jiefang Zhong Road Nanqiao Town, Fengxian District Shanghai PRC
Stock Code:	1241.HK
Listing Date:	30 June 2011

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Shuanghua Holdings Limited ("Shuanghua" or the "Company"), I am pleased to present to the shareholders of the Company (the "Shareholders") the annual report of the Company and its subsidiaries (the "Group") for the year ended 31 December 2021 (the "Year").

In 2021, in view of the global and domestic novel coronavirus (the "COVID-19") epidemic situations, the Group actively promoted the development of supply chain management business including cold chain supply, leasing, transportation services, etc., to seize the opportunities in the booming cold chain logistics industry in the People's Republic of China ("PRC" or "China") and serve the "agriculture, rural areas and farmers" and the society. The Group's cold storage plant has been successfully put into operation since March 2021, and has built a certain competitive advantage in the cold chain logistics industry. Based on the existing cold storage business, the Group will continue to extend supply chain services such as food procurement and distribution, transportation and distribution, cold storage truck modification, food manufacturing and supply chain financial services, The Group is aimed to build a high-standard, smart and one-stop supply chain service platform, and will continue to improve its market competitiveness through resource integration, internal structural optimisation of personnel and development of more intelligent systems and equipment, The Group is determined to become one of the industry leaders, by growing its market share in the Yangtze River Delta region with Shanghai as the center and enhancing the influence of the "Shuanghua (雙樺)" brand in different segments of the industry.

In the future, the international and domestic environment will still be complex, and the change and impacts of COVID-19 remain uncertain. The Group will make full use of its internal and external resources such as vacant properties to maximize its assets or business benefits. The Group has formulated operational plans for different business segments, aiming to promote the Group's business development in a planed, targeted, and comprehensive and systematic way. We will continue to review and adjust the Group's development strategies and respond to market competition in a timely manner, and actively expand diversified business fields to explore new development opportunities and profit growth points. We shall also look for suitable development opportunities in areas such as hashrate service, energy saving, environmental protection, innovative technologies and supply chain services through acquisitions, investments, joint ventures or establishing strategic alliances, to ensure the sustainable development of the Group.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express sincere gratitude to our Directors, business partners, the entire management and the rest of our staff team. Thanks are also due to the Shareholders for their support and trust to the Group. With their assistance and support, I am confident that the Group will make prudent decisions and steadily promote the development of various business to create greater and more sustainable value for our Shareholders.

Zheng Ping
Chairman and CEO

Hong Kong
31 March 2022

Management Discussion and Analysis

BUSINESS REVIEW

During the Year, the Group was principally involved in two major businesses, being the business of trading, manufacturing and research and development ("R&D") of automobile parts, mainly the automotive heating, ventilation and air-conditioning ("HVAC") components, and the business of supply chain management, mainly the cold chain supply, leasing, transportation services, etc. In 2021, the COVID-19 epidemic was still breaking out and spreading around the world, and the emergence of its variants made the epidemic worse, and the whole world was still shrouded in the shadow of the epidemic. The epidemic has been going on globally for more than two years, much longer than expected. Although the governments had launched a series of easing policies to help economic recovery, the repeated outbreaks of the COVID-19 hindered the recovery of the global supply chain. The world commodity futures market also experienced turbulence, as the demand and supply were in a state of imbalance.

Affected by the COVID-19, the prices of raw materials for automobile parts rose rapidly, resulting in a compression of the profit margins of the Group's automobile parts business. The Group actively adjusted the business structure of automobile parts, and improved internal management, so as to reduce business risks and focus more internal resources on relatively high-tech and profitable products. In addition, since the second half of 2021, various power outages and rationing measures have been introduced across China, which have had a significant impact on industrial production activities. For the year ended 31 December 2021, the Group's revenue from automobile parts business amounted to approximately RMB22.6 million, in which the sales revenue of evaporators, condensers and compressors amounted to approximately RMB4.0 million, RMB2.1 million and RMB14.5 million, respectively. Other revenue comprised primarily of the sales of heaters, intercoolers, oil-coolers, coolant reservoirs, etc.

With the technology and experience in ventilation and cooling system, the Group's supply chain management business, mainly the cold chain supply, leasing, transportation services, etc., had started operation in March 2021. Shanghai Shuanghua Supply Chain Management Co., Ltd.* (上海雙樺供應鏈管理有限公司) ("Shuanghua Supply Chain") and Shanghai Shuanghua Autoparts, Co., Ltd.* (上海雙樺汽車零部件股份有限公司) ("Shuanghua Autoparts"), the operation entities of the supply chain management business, had applied to become a member of Shanghai Health Association and, as at the date of this annual report, obtained the filing confirmation for Shanghai food storage and transportation service operators (上海市食品貯存、運輸服務經營者備案證明). The Group is aimed to provide high-standard, modern cold storage leasing and corresponding one-stop services, including but not limited to loading and unloading, sorting, labeling, packaging, etc. For the year ended 31 December 2021, the revenue of the Group's supply chain management business was approximately RMB10.1 million.

The Group has carefully analyzed the internal and external environment and development opportunities of the Group's businesses, and actively adjusted and optimised its business structure to improve its profitability. Affected by the COVID-19, the Group's supply chain management business was subject to enhanced regulatory requirements for its involvement in imported food supply chain, such that the storage volume and turnover rate of cold chain imported food were affected to a certain extent. For the year ended 31 December 2021, the Group achieved sales revenue of approximately RMB32.7 million, a decrease of approximately RMB31.1 million as compared to the same period of last year.

For the year ended 31 December 2021, the Group's scale of operation and business revenue was affected to some extent due to the continuation of the COVID-19. Attribute to the decrease in sales revenue and increase in provision for impairment, the Company recorded loss attributable to its owners of approximately RMB18.6 million for the year ended 31 December 2021, an increase of approximately RMB13.4 million from the loss attributable to its owners of approximately RMB5.2 million for the same period of last year.

OUTLOOK AND STRATEGY

In 2022, the impact of the COVID-19 epidemic remains uncertain due to the development of its variants, not to mention other uncertainties in the global economic and political environment. The epidemic has led to structural imbalance in overseas recovery. The COVID-19 in China has repeatedly shown an outbreak trend in multiple regions. China's economic development is under great pressure from shrinking demand, supply impact and weakening expectations.

In formulating the Group's business strategies, the Company has considered a number of factors, including but not limited to the change in the macro and micro economic environment, the market potential of the Group's products and businesses, the Group's position and competitiveness in the relevant market. Leveraging on the substantial relevant experience of the management, and the internal and external resources of the Group, the Group focuses on (i) expanding its supply chain and urban distribution and transportation business, to enhance the "Shuanghua (雙樺)" brand reputation in the cold chain logistics industry; (ii) launching cold storage truck and other specialised vehicle business, to create business synergy and seize the development opportunity of cold chain logistics; (iii) exploring low-energy consumption and low-cost hashrate service, to support the development of the digital economy, optimise and upgrade the Group's business; and (iv) developing the Group's supply chain business of other goods, services and technologies, to foster further expansion and diversification of the Group's business.

The Group will continue to conduct comprehensive evaluation on the market conditions of different business segments and be prudent in adjusting the Group's strategies and business plans in a timely manner, and manage and develop its existing businesses and expand potential businesses, to achieve a sustainable business development. The Group will continue to create competitive advantages and control potential risks timely, to become a leading listed company with sustainable growth driven by its professional management and expertise, business cooperation and advanced technological strengths and capabilities.

Expanding supply chain and urban distribution and transportation business, to enhance the "Shuanghua (雙樺)" brand reputation in the cold chain logistics industry

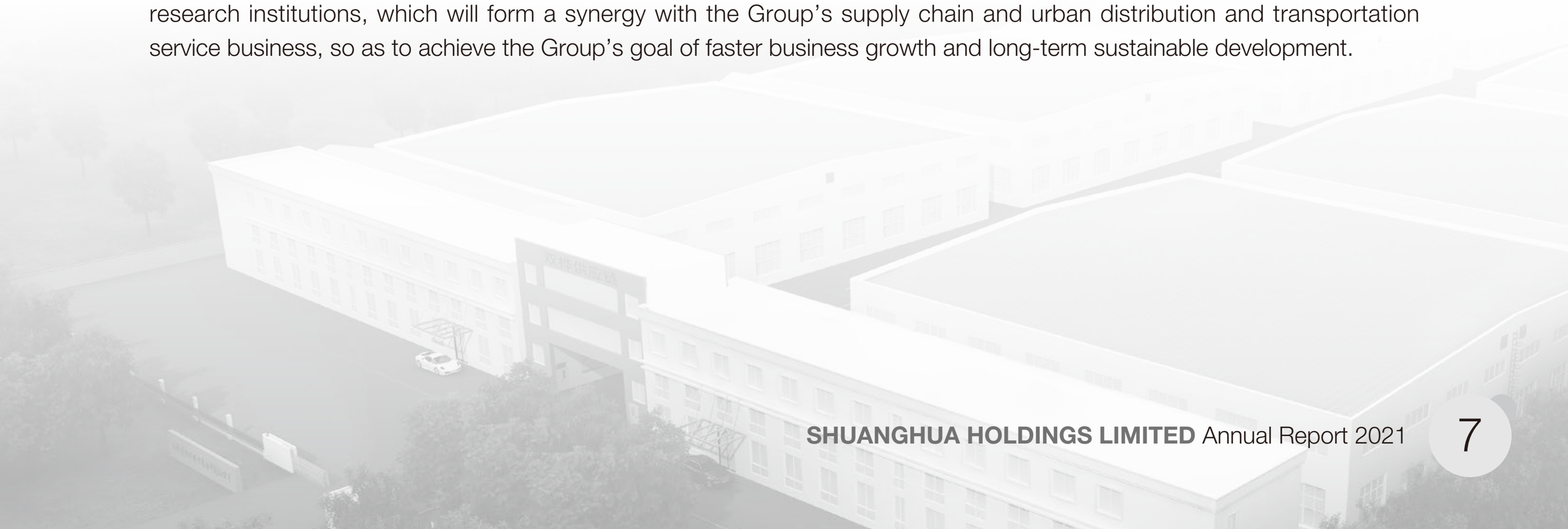
At the end of 2021, the General Office of the State Council published the "14th five year plan" for the development of cold chain logistics. The "14th five year plan" proposes the overall goal of forming a national backbone cold chain logistics network connecting production and marketing places, covering urban and rural areas, connecting domestic and international markets, and establishing a modern cold chain logistics system, which will further promote the development of the cold chain logistics industry. The Group will closely follow the development trend of the cold chain logistics industry, fully integrate internal and external resources, and provide high-standard, modern cold chain storage and corresponding value-added services including but not limited to loading and unloading, sorting, labeling, packaging, etc., to serve the cold chain network involving food traders, food manufactures, supermarkets, logistics providers and other potential partners. Through efficient Warehouse Management System (WMS) and standardised services including operation standardisation, timeliness standardisation, payment standardisation, etc., the Group is determined to improve accuracy and efficiency in providing services to customers and enhance reputation of the "Shuanghua (雙樺)" brand in the cold chain logistics industry.

The Group will leverage on its cold chain business to expand its food supply chain and urban distribution and transportation businesses, providing food supply services for the Yangtze River Delta region with Shanghai as the center. As of the date of this annual report, the Group has obtained food business qualification and road transport operation permit qualification, which are the preconditions for business development. The Group believes that the development of food supply and urban distribution business will greatly increase the scale of the Group's cold chain business, thereby enhancing the reputation of the "Shuanghua (雙樺)" brand in the cold chain logistics industry.

Launching cold storage truck and other specialised vehicle business, to create business synergy and seize the development opportunity of cold chain logistics

Cold storage truck is the link of the cold chain logistics industry, and plays a vital role in the cold chain logistics industry. Leveraging on its technology and experience in ventilation and cooling system, and its resources in the cold chain logistics industry, the Group will launch the HVAC system business of cold storage truck, as well as the modification and sales business of specialised vehicles including cold storage truck.

The Group will actively promote the specialised vehicle business including cold storage truck with business partners and research institutions, which will form a synergy with the Group's supply chain and urban distribution and transportation service business, so as to achieve the Group's goal of faster business growth and long-term sustainable development.



Exploring low-energy consumption and low-cost hashrate service, to support the development of the digital economy, optimize and upgrade the Group's business

A new round of technological revolution and industrial transformation is reshaping the global economic structure. As a new productive force in the digital economy era, hashrate is a solid foundation for supporting the development of the digital economy. It plays an important role in promoting technological progress, promoting industry digitization, and supporting economic and social development. The Chinese government attaches great importance to the development of hashrate, and clearly proposes to lay out the national hub nodes of the national hashrate network and build a national hashrate network system. Driven by both demand and policy, hashrate technology industry, infrastructure construction and hashrate application development have been vigorously promoted across the country.

The Group will implement Chinese government's policy requirements of industrial energy conservation, consumption reduction and strategic requirements to accelerate the formation of a digital economy with innovation as the main guide and support. The Group is aimed to seize the development opportunities of Shanghai's economic digitalization, actively explore and expand the hashrate services, which is an important productive force in the era of big data, vigorously cultivate talents, and work with partners to achieve development of the hashrate services in the digital economy era, so as to optimize and upgrade the business of the Group.

Developing the Group's supply chain business of other goods, services and technologies, to foster further expansion and diversification of the Group's business

Leveraging on the advantage of the Group's geographical location, market position and assets, the Group intends to develop supply chain business of the other potential goods, services or technologies, either horizontally or vertically, by way of acquisition, investment, establishment of joint venture or formation of strategic alliance, and continue to adjust business according to market conditions. The management is minded to lay a solid foundation for the diversified development of the Group, and further expand the Group's business.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2021, the Group's revenue was approximately RMB32.7 million, a decrease of approximately RMB31.1 million or 48.7% from that of the corresponding period of 2020, which was approximately RMB63.8 million.

The following table sets forth the breakdown of the Group's revenue by business during the reporting period:

	For the year ended 31 December			
	2021		2020	
Revenue	**RMB'000**	**% of revenue**	RMB'000	% of revenue
Automobile parts business				
Evaporators	**4,043**	**12.4%**	15,718	24.6%
Condensers	**2,104**	**6.4%**	10,912	17.1%
Compressors	**14,469**	**44.3%**	26,071	40.9%
Others	**1,936**	**5.9%**	11,092	17.4%
Sub-total	**22,552**	**69.0%**	63,793	100.0%
Supply chain management business				
Leasing and services	**10,138**	**31.0%**	–	–
Sub-total	**10,138**	**31.0%**	–	–
Total	**32,690**	**100.0%**	63,793	100.0%

Gross profit/(loss) and gross margin

For the year ended 31 December 2021, the Group recorded a gross profit of approximately RMB5.0 million, a decrease of approximately RMB4.6 million as compared to the same period of last year (for the year ended 31 December 2020: gross profit of approximately RMB9.6 million). The Group's gross margin was approximately 15.2% for the year ended 31 December 2021, and the gross margin was approximately 15.0% for the year ended 31 December 2020. The decease in gross profit was mainly due to decrease in revenue of the Group affected by the COVID-19.

The following table sets forth the breakdown of the Group's gross profit/(loss) by business during the reporting period:

	For the year ended 31 December	
	2021	2020
Gross profit/(loss)	**RMB'000**	RMB'000
Automobile parts business		
Evaporators	**103**	924
Condensers	**(94)**	1,105
Compressors	**1,616**	6,901
Others	**336**	667
Sub-total	**1,961**	9,597
Supply chain management		
Leasing and services	**3,005**	–
Sub-total	**3,005**	–
Total	**4,966**	9,597

Other income, gains and losses

For the year ended 31 December 2021, the Group's other income, gains and losses amounted to approximately RMB4.5 million, a decrease of approximately RMB7.5 million as compared to the same period of last year (for the year ended 31 December 2020: approximately RMB12.0 million). The decrease of other income, gains and losses was mainly attributable to decrease in investment income from financial assets at fair value through profit or loss.

Impairment losses recognised on trade receivables, other receivables and other assets

For the year ended 31 December 2021, the Group's impairment loss recognised on trade receivables, other receivables and other assets amounted to approximately RMB5.7 million, an increase by approximately RMB5.1 million as compared to the same period of last year (for the year ended 31 December 2020: approximately RMB0.6 million), mainly due to the lasting impact of the COVID-19 and the increase of long term receivables.

Selling and distribution costs

Selling and distribution costs primarily comprised of staff-related costs, sales transportation fees, entertainment and travelling expenses. For the year ended 31 December 2021, the Group's selling and distribution costs amounted to approximately RMB1.4 million, decreased by approximately 30.0% as compared to the same period of last year (for the year ended 31 December 2020: approximately RMB2.0 million), mainly due to decrease in sales expenses, such as transportation fee and marketing expense.

Administrative expenses

Administrative expenses primarily comprised of staff-related costs, various local taxes and education surcharges, depreciation of property, plant and equipment and right-of-use assets, R&D expenses and miscellaneous expenses. For the year ended 31 December 2021, the Group's administrative expenses amounted to approximately RMB20.6 million, decreased by approximately 20.5% as compared to the same period of last year (for the year ended 31 December 2020: approximately RMB25.9 million), mainly due to decrease in the staff expense because of internal structural optimisation.

Other expenses

Other expenses primarily comprised of impairment on assets and miscellaneous expenses. For the year ended 31 December 2021, the Group had no other expenses (for the year ended 31 December 2020: approximately RMB1.1 million).

Interest expense

Since the adoption of HKFRS 16 Lease on 1 January 2019, the Group's interest expense for the year ended 31 December 2021 amounted to approximately RMB63,000 (for the year ended 31 December 2020: approximately RMB25,000).

Income tax credit

For the year ended 31 December 2021, the Group's income tax credit was approximately RMB0.2 million (for the year ended 31 December 2020: approximately RMB0.9 million).

Loss for the Year

For the year ended 31 December 2021, the loss attributable to the owners of the Company was approximately RMB18.6 million, while the loss attributable to the owners of the Company for the same period of last year was approximately RMB5.2 million.

LIQUIDITY AND FINANCIAL RESOURCES

Net current assets

The Group's net current assets decreased from approximately RMB134.4 million as at 31 December 2020 to approximately RMB102.3 million as at 31 December 2021.

Financial position and bank borrowings

As at 31 December 2021, the Group's cash and cash equivalents, restricted time deposits and financial assets at fair value through profit or loss amounted to approximately RMB104.2 million (as at 31 December 2020: approximately RMB121.9 million). As at 31 December 2021 and 2020, the Group did not have any borrowings. The gearing ratio was not applicable to the Group (as at 31 December 2020: nil).

Save as aforesaid or otherwise disclosed in the notes to the financial statements, and apart from intra-Group liabilities, as at 31 December 2021, the Group did not have any outstanding mortgages, charges, debentures, debt securities or other loan capitals or bank overdrafts or loans or other similar indebtedness or finance lease commitments, liabilities under acceptances or acceptance credits or hire purchase commitments, guarantees or other material contingent liabilities.

The Directors have confirmed that there has not been any material change in the indebtedness and contingent liabilities of the Group since 31 December 2020.

Working capital

(All amounts in this section were net of provisions for impairment of inventories and trade receivables)

For the year ended 31 December 2021, the average inventory turnover days were 153 days (for the year ended 31 December 2020: 140 days). The average inventory turnover days are arrived at by dividing the arithmetic means of the opening and ending balances of inventory for the relevant period by cost of sales of the same period and multiplying the quotient by 365 days. The increase in the average inventory turnover days was primarily attributable to depression of the market.

For the year ended 31 December 2021, the average turnover days of trade and bills receivables were 167 days (for the year ended 31 December 2020: 116 days). The average turnover days of trade and bills receivables are arrived at by dividing the arithmetic means of the opening and ending balances of trade and bills receivables for the relevant period by revenue of the same period and multiplying the quotient by 365 days. The increase in the average turnover days of trade and bills receivables was mainly due to the impact of the COVID-19.

For the year ended 31 December 2021, the average turnover days of trade and bills payables were 241 days (for the year ended 31 December 2020: 110 days). The average turnover days of trade and bills payables are arrived at by dividing the arithmetic means of the opening and ending balances of trade and bills payables for the relevant period by cost of sales of the same period and multiplying the quotient by 365 days. The average turnover days of trade and bills payables increased mainly because the management have negotiated better terms with suppliers to improve the Group's liquidity.

CAPITAL EXPENDITURES, CAPITAL COMMITMENTS AND HUMAN RESOURCES

For the year ended 31 December 2021, the Group's capital expenditures were approximately RMB7.3 million, mainly due to the construction of the cold storage plant (for the year ended 31 December 2020: approximately RMB49.1 million).

As at 31 December 2021, the Group had 66 employees including Directors, management, sales, logistics supports and other ancillary personnels (as at 31 December 2020: 140). The decrease in employees was mainly due to internal structural optimisation of personnel and more advanced level of the Group's management system and equipment to reduce the need for basic manpower as a result of the adjustment and optimization of the Group's business. The Group's total wages and salaries (excluding directors' and chief executives' remuneration) for the year ended 31 December 2021 amounted to approximately RMB7.5 million (for the year ended 31 December 2020: approximately RMB9.4 million). Our remuneration policy is primarily based on the job responsibilities, work performance and number of years of service of each employee and the current market conditions.

Pursuant to the relevant China labour laws and regulations, the Group has to pay contributions to a number of staff social insurance schemes (including medical, maternity, work injury, unemployment and pension insurances) and staff housing reserve funds. We provide social insurances and pay contributions to housing reserve funds for our employees in accordance with the interpretations to the relevant PRC labour laws and regulations given, and policies and measures executed by local government departments. We have established various welfare plans including the provision of pension funds, medical insurance, unemployment insurance and other relevant insurance for employees who are employed by the Group pursuant to the PRC rules and regulations and the existing policy requirements of the local government. The Group's welfare expenses for the year ended 31 December 2021 amounted to approximately RMB0.7 million (for the year ended 31 December 2020: approximately RMB2.1 million). We have complied, in all material respects, with all statutory requirements on retirement contribution in the jurisdictions where the Group operates.

The determination of the remuneration to the Directors is based on remuneration of directors of comparable companies in the industry, time commitment, duties and responsibilities of the Directors in the Group and our operational and financial performance. The basic salary of each of our executive and non-executive Directors will be reviewed by the remuneration committee of the Board at the end of each financial year. None of the Directors waived any emoluments during the year ended 31 December 2021.

Significant investment, material acquisitions and disposals

The Acquisition of Equity Interest in Anhui Shuanghua

On 10 February 2021, Shuanghua Autoparts, an indirect subsidiary of the Company, entered into an equity transfer agreement with Mr. Cheng Ruicheng (程瑞成) ("Mr. Cheng"), pursuant to which Shuanghua Autoparts acquired approximately 13.51% of the equity interest of Anhui Shuanghua Heat Exchange System Co., Ltd. (currently known as Anhui Shuanghua Intelligent Technology Co., Ltd.) ("Anhui Shuanghua") held by Mr. Cheng, at a consideration of RMB4.6 million (the "Anhui Shuanghua Acquisition"). Pursuant to Rule 14A.101 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Anhui Shuanghua Acquisition was subject to the reporting and announcement requirements, but was exempt from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Board has approved the Anhui Shuanghua Acquisition on 10 February 2021. As at the date of this annual report, the Anhui Shuanghua Acquisition has been completed. For further details, please refer to the announcement of the Company dated 10 February 2021.

Subscription of Structured Deposit Products and Wealth Management Products

Between 9 January 2020 and 1 April 2021, the Group had subscribed for certain structured deposit products offered by Bank of Shanghai Co., Ltd. and China Construction Bank Corporation and wealth management products offered by Shanghai Pudong Development Bank Co., Ltd.. The structured deposit products are principal guaranteed and the wealth management products are non-principal guaranteed. As at the date of this annual report, all structured deposit products and the wealth management products have been fully redeemed. For further details, please refer to the announcement of the Company dated 21 May 2021.

Disposal of Equity Interest in Shuanghua Automobile Technology

On 25 May 2021, Shuanghua New Energy Vehicles Limited ("Shuanghua New Energy Vehicles"), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Shanghai Zeqing Investment Co., Ltd. ("Shanghai Zeqing") (the "Disposal Equity Transfer Agreement"), pursuant to which Shuanghua New Energy Vehicles sold 100% equity interest in Shanghai Shuanghua Automobile Technology Development Co., Ltd. ("Shanghua Automobile Technology") to Shanghai Zeqing, at a consideration of RMB1 (the "Shuanghua Automobile Technology Disposal"). Pursuant to Rule 14A.101 of the Listing Rules, the Shuanghua Automobile Technology Disposal was subject to the reporting and announcement requirements, but was exempt from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios (as defined in the Listing Rules) for the Shuanghua Automobile Technology Disposal exceeded 25% but was/were less than 75%, the Shuanghua Automobile Technology Disposal constituted a major transaction of the Company under the Listing Rules and was subject to reporting, announcement and shareholders' approval requirement under the Listing Rules. The Disposal Equity Transfer Agreement and the transactions contemplated thereunder were approved by the shareholders of the Company at the extraordinary general meeting of the Company held on 20 July 2021. As at the date of this annual report, the Shuanghua Automobile Technology Disposal has been completed. For details, please refer to the announcements dated 25 May 2021 and 27 May 2021 and the circular of the Company dated 2 July 2021.

Save as disclosed in this annual report, for the year ended 31 December 2021, the Group did not have any significant investments, material acquisitions and disposals of subsidiaries, associates and joint ventures.

Foreign exchange risks

The Group's operations are located in the PRC with RMB as the functional and presentation currency. The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the unit's functional currency. The currency exposure of the Group mainly comes from fluctuations in the exchange rates of HKD to RMB and USD to RMB. At present, the Group does not intend to hedge its exposure to foreign exchange fluctuations. However, the management constantly monitors the economic situation and the Group's foreign exchange risk profile and will consider appropriate hedging measures in the future when necessary.

Contingent liabilities

The Group had no significant contingent liabilities as at 31 December 2021 (as at 31 December 2020: nil).

Pledge of assets

As at 31 December 2021, the Group had no pledge of assets (as at 31 December 2020, the Group had no pledge of assets).

SHARE OPTION SCHEME

The Company adopted a share option scheme on 8 June 2011(the "2011 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 2011 Share Option Scheme became effective on 29 June 2011 and expired on 28 June 2021.

The maximum number of Shares which may be issued upon exercise of all options granted and to be granted under the 2011 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 2011 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 2011 Share Option Scheme (including both exercised and outstanding options) within any 12-month period is limited to 1% of the Shares 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 2011 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 in issue and with an aggregate value (based on the closing price of the 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 2011 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 closing price of the Shares on the Stock Exchange 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 closing price of the Shares on the Stock Exchange for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the Shares on the date of offer.

No share options have been granted under the 2011 Share Option Scheme since it became effective. For the year ended 31 December 2021, no share options were granted, exercised, lapsed or cancelled, and as at 31 December 2021, no options under the 2011 Share Option Scheme were outstanding.

In light of the expiry of the 2011 Share Option Scheme, the Board is planning to recommend to the Shareholders to approve the adoption of a new share option scheme at the forthcoming annual general meeting, details of which will be set out in the circular to be despatched by the Company.

As at 31 December 2021, no share options have been granted or exercised pursuant to the share option scheme adopted.

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

Neither the Company nor its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2021.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021 (for the year ended 31 December 2020: nil).

MATERIAL EVENTS AFTER THE REPORTING PERIOD

The Group has no significant events after the reporting period that needs to be disclosed.

Report of the Directors

The Directors have pleasure in submitting their report together with the audited financial statements of the Group for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of its subsidiaries which, in the opinion of the Directors, principally affected the results for the Year or formed a substantial portion of the net assets of the Group, are set out in Note 35 to the consolidated financial statements. There was no significant change in its activities during the Year.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2021 as well as a discussion on the Group's future business development are set out in the sections headed "Chairman's Statement" on page 4 and "Management Discussion and Analysis" on pages 5 to 16 of this annual report.

SEGMENT INFORMATION

The Group's operating segment information, including the geographical information and the information about major customers, are set out in Note 6 to the consolidated financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors are aware that a number of factors may affect the results and operation of the Group, including those which are specific to the Group or the industries in which the Group operates and those that are common to most of other businesses. Risk management and control are of great significance to the Group's long-term stable development, the management will continuously identify and monitor if there is any significant risk which may adversely affect the Group's performance and will immediately take measures if necessary.

Major risks are summarised below and are by no means exhaustive or comprehensive, and there may be other risks, in addition to those shown below, which are not known to the Group or which may not be material now but could turn out to be material in the future.

Macroeconomic environment and market risks

The slowdown in global economic growth, change of market landscape or other uncertainties such as COVID-19 around the globe may result in decline in demand and price for the Group's products, services or technologies. It deteriorates profitability or affects ability to meet business objectives. The management of the Group manages and monitors such risks to ensure appropriate measures are implemented on a timely and effective manner.

Policy and regulatory risks

Increasing road congestion, tight parking spaces and haze from time to time may prompt relevant government agencies to introduce stricter car restrictions or other environmental protection policies, which will adversely affect car sales. In the context of the continuous outbreak and spread of COVID-19 and its variants at home and abroad, the Chinese government departments have strengthened the supervision of cold chain food, especially imported cold chain food, and adopted closed-loop isolation measures for areas with outbreaks of COVID-19, which will affect the supply chain management business to a certain extent.

Intense competition

Competition takes place when companies compete for market share, sales and profitability, and so forth. The Group operates in a industry and market with a large number of domestic, overseas and other potential competitors, and the Group faces price pressure, excessive marketing, customer acquisition and other types of competition. While economy of scale has expanded the scale of production, it has also caused overcapacity in the industry, leading to price cuts and competitive selling. The management of the Group is aware of such keen competition and will constantly review and adjust the Group's sales and marketing strategies and respond to market competition in a timely manner to ensure the sustainable development of the Group.

Operational risks

Operational risks refer to the risks of loss due to insufficient or missing internal procedures, personnel, systems, or external events. Key functions in the Group are guided by their standard operating procedures, limits of authority and reporting structure. The Group's management will identify and assess key operational risks regularly so that appropriate risk response can be taken.

Financial risks

The Group is exposed to financial risks, such as credit risks, foreign exchange risks and liquidity risks. The Group reviews regularly and manages its capital structure to maintain a sound capital position. For details of the Group's management policies on foreign exchange risks, please refer to page 14 of this annual report.

ENVIRONMENTAL POLICY

The Group is committed to support the environmental sustainability. Our commitment to protect the environment is well reflected by our continuous efforts in promoting green measures and awareness in our daily business operations. The Group encourages environmental protection and promote awareness towards environmental protection to the employees. The Group adheres to the principle of recycling and waste reduction, and implements green office practices such as double-sided printing and copying, setting up recycling bins, promoting the use of recycled papers and reducing energy consumption by switching off idled lightings and electrical appliances.

Our Group will review its environmental practices from time to time and will consider implementing further eco-friendly measures in the operation of our Group's businesses to enhance environmental sustainability.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the Year, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

Employees

Employees are regarded as one of the most important and valuable assets of the Group. The Group strives to reward and recognise performing staff by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives, and to promote career development and progression by providing appropriate training and opportunities within the Group for career advancement.

Customers and Suppliers

The Group attaches importance to the relationship with its customers and suppliers. For the automobile parts business, the Group has cooperated with most of its major customers and suppliers for more than five years; and for the supply chain management business, the Group has actively developed and maintained friendly cooperative relations with existing and potential customers.

RESULTS AND DIVIDENDS

The financial performance of the Group for the year ended 31 December 2021 and the financial position of the Group as at that date are set out in the financial statements on pages 60 to 126 of this annual report. The Directors do not recommend payment of any final dividend in respect of the year ended 31 December 2021 (for the year ended 31 December 2020: Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the Year are set out in Note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of the Company's share capital during the Year are set out in Note 28 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company's distributable reserves calculated under Companies Law of the Cayman Islands comprising the share premium and retained profits amounted to approximately RMB157.1 million.

RESERVES

Details of movements in the reserves of the Company and the Group during the Year are set out in Note 40 to the consolidated financial statements and in the consolidated statement of changes in the equity, respectively.

PRE-EMPTIVE RIGHTS

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

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

The Company has not redeemed any of its listed securities during the Year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the Year (2020: nil).

DIRECTORS

The Directors of the Company during the Year and up to the date of this annual report were:

Executive Directors
Mr. Zheng Ping *(Chairman & Chief Executive Officer)*
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

In accordance with article 84 of the Articles of Association, Ms. Zheng Fei, Ms. Tang Lo Nar, and Ms. Guo Ying will retire by rotation at the forthcoming annual general meeting and, being eligible, had offered themselves for re-election as Directors.

DIRECTORS' SERVICES CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

The Directors' interests in contracts are set out in Note 34 to the consolidated financial statements. Apart from the foregoing, no other contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

MANAGEMENT CONTRACTS

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of Directors and senior management are set out on pages 27 to 29 of this annual report.

CONNECTED TRANSACTIONS

For the year ended 31 December 2021, the following connected transactions were, and will continue to be, carried out by our Group in the ordinary and normal course of business, on either normal commercial terms or terms no less favorable to our Group than those available from independent third parties.

Lease of Office Premises

Since 1 January 2011, the Group has leased its three office premises located in Shanghai from Shanghai Automart Investment Co., Ltd. ("Shanghai Automart"). On 12 February 2014, three subsidiaries of the Company, namely Shuanghua Autoparts, Shanghai Youshen Industry Co., Ltd. ("Youshen Industry") and Shanghai Shuanghua Auto Component Co., Ltd. ("Shuanghua Auto Components"), as lessees, entered into the Lease Renewal Agreements with Shanghai Automart, as the lessor, in respect of the office premises for a further term of two years from 1 January 2014 to 31 December 2015, the annual caps were set at RMB2,000,000. The above Lease Agreements were further renewed on 11 December 2015 to cover the period from 1 January 2016 to 31 December 2018 with similar terms and less floor areas. On 20 November 2018, Shuanghua Autoparts, as lessee, entered into a lease agreement with Shanghai Automart, as lessor, in respect of the leasing of the office premises for an initial term of three years from 1 January 2019 to 31 December 2021. On 30 August 2019, Shuanghua Autoparts entered into a supplemental lease agreement with Shanghai Automart to reduce the floor area and shorten the lease period to the end of 2020 such that it would have a chance to re-evaluate its leasing options and budget after another year. For details of these lease agreements, please refer to the Company's prospectus dated 17 June 2011 and the annual reports from 2012 to 2020.

Upon expiry of the above lease agreements, according to the operation conditions and daily office need, on 6 November 2020, Shuanghua Autoparts, as lessee, entered into a lease agreement with Shanghai Automart, as lessor, in respect of the leasing of the office premises for a term of two years from 1 January 2021 to 31 December 2022 (the "Lease Agreement"). During the Year, the Group has paid rental of approximately RMB0.9 million to Shanghai Automart.

Shanghai Automart is held as to 58% by Ms. Kong Xiaoling, the non-executive Director of the Company. Therefore, Shanghai Automart is an associate of Ms. Kong and a connected person of the Company as defined under Chapter 14A of the Listing Rules. As the applicable percentage ratio in respect of the aggregate annual rentals payable by Shuanghua Autoparts under the Lease Agreement is less than 5% and the total consideration is less than HK$3 million, the above office lease rentals paid constituted an exempted connected transaction of the Company under Chapter 14A of the Listing Rules.

The headquarter of the Group is based in Shanghai and needs these premises for its operations. The Directors are of the view that substantial time and costs can be saved if the Group can remain in its existing office premises instead of moving to another office building. The Directors (including the independent non-executive Directors) consider that the connected transaction under the Lease Agreement has been entered into: (1) in the ordinary and usual course of the Group's business; (2) on normal commercial terms or better; and (3) on terms that are fair and reasonable and in the interests of the Company and Shareholders as a whole.

Anhui Shuanghua Acquisition

On 10 February 2021, Shuanghua Autoparts, a subsidiary of the Company, entered into an equity transfer agreement with Mr. Cheng for the Anhui Shuanghua Acquisition, pursuant to which Shuanghua Autoparts acquired approximately 13.51% of the equity interest of Anhui Shuanghua from Mr. Cheng at a consideration of RMB4.6 million. As at the date of the equity transfer agreement, Anhui Shuanghua was an 86.49%-owned subsidiary of Shuanghua Autoparts and Mr. Cheng was a substantial shareholder of Anhui Shuanghua. Thus, Mr. Cheng is a connected person of the Company at the subsidiary level. As such, the Anhui Shuanghua Acquisition constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.101 of the Listing Rules, the Anhui Shuanghua Acquisition was subject to the reporting and announcement requirements, but was exempt from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Board has approved the Anhui Shuanghua Acquisition on 10 February 2021. As at the date of this annual report, the Anhui Shuanghua Acquisition has been completed.

Shuanghua Automobile Technology Disposal

On 25 May 2021, Shuanghua New Energy Vehicles, a subsidiary of the Company, and Shanghai Zeqing entered into the Disposal Equity Transfer Agreement for the Shuanghua Automobile Technology Disposal, pursuant to which Shuanghua New Energy Vehicles sold 100% equity interest in Shanghua Automobile Technology to Shanghai Zeqing at a consideration of RMB1. As at the date of the Disposal Equity Transfer Agreement, Shanghai Zeqing was owned as to 70% by Mr. Jiang Zhengrong, a director and substantial shareholder of Shanghai Lidahang Supply Chain Management Co., Ltd. (the "Lidahang Supply Chain Management"), a 70%-owned subsidiary of the Company. Mr. Jiang Zhengrong was also a substantial shareholder of Lidahang Supply Chain Management by virtue of his 60% equity interest in Shanghai Lidahang Enterprise Registration Agency Co., Ltd., which in turn holds 30% equity interest in Lidahang Supply Chain Management. As such, Shanghai Zeqing is a connected person of the Company at the subsidiary level and the Shuanghua Automobile Technology Disposal constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.101 of the Listing Rules, the Shuanghua Automobile Technology Disposal was subject to the reporting and announcement requirements, but was exempt from the circular, independent financial advice and independent shareholders` approval requirements under Chapter 14A of the Listing Rules. In addition, the Shuanghua Automobile Technology Disposal constituted a major transaction of the Company under the Listing Rules. The Shuanghua Automobile Technology Disposal was approved by the Shareholders at the extraordinary general meeting of the Company held on 20 July 2021. As at the date of this annual report, the Shuanghua Automobile Technology Disposal has been completed.

Details of the related party transactions of the Group are set out in Note 34 to the consolidated financial statements. The Directors (including the independent non-executive Directors) believe that the related party transactions set out in Note 34 to the consolidated financial statements are carried out in the ordinary course of business and on normal commercial terms. The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the related party transactions.

During the Year, save as disclosed above, no other transactions listed in Note 34 to the consolidated financial statements constituted a connected transaction or continuing connected transaction under Chapter 14A of the Listing Rules.

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

As at 31 December 2021, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO); or which were required to be recorded in the register kept by the Company under Section 352 of SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in the Appendix 10 to Listing Rules were as follows:

Long positions in the Shares

As at 31 December 2021, the issued share capital of the Company comprised 650,000,000 Shares.

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

Notes:

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

2. Ms. Kong Xiaoling is a non-executive Director and the spouse of Mr. Zheng Ping. Accordingly, Ms. Kong is deemed to be interested in the 282,750,000 Shares held by Youshen Group under the SFO.

Save as disclosed above, as at 31 December 2021, none of the Directors nor the chief executive of the Company had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 31 December 2021, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in the Shares

As at 31 December 2021, the issued share capital of the Company comprised 650,000,000 Shares.

Name	Capacity	Nature of interest	Number of Shares	Percentage of issued share capital
Youshen Group *(note 1)*	Beneficial owner	Corporate	282,750,000	43.5%
Ms. Zhou Shu Xian	Beneficial owner	Individual	120,160,000	18.5%
Mr. Xu Zong Lin	Beneficial owner	Individual	59,144,000	9.1%

Note:

1. Mr. Zheng Ping is an executive Director and holds 100% interest in Youshen Group and he is deemed to be interested in the 282,750,000 Shares held by Youshen Group. Ms. Kong Xiaoling is the spouse of Mr. Zheng and she is deemed to be interested in the 282,750,000 Shares held by Youshen Group under the SFO.

Save as disclosed, as at 31 December 2021, the Directors were not aware of any persons (not being a Director or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required to be recorded in the register kept by the Company pursuant to Section 336 of the SFO.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACT OF SIGNIFICANCE

Save as disclosed in this annual report, no controlling shareholders of the Company or their subsidiaries had a material interest, either directly or indirectly, in any contract of significance, whether for the provision of services or otherwise, to the Group to which the Company or any of its subsidiaries was a party during the Year.

MAJOR CUSTOMERS AND SUPPLIERS

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

Sales	
– the largest customer	9.0%
– five largest customers combined	31.5%

Three of the five largest customers have been customers of the Group for more than five years. The credit period for trade receivables is generally 30 to 90 days. For the year ended 31 December 2021, there was no recoverability issue with the five largest customers.

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

Purchases	
– the largest supplier	14.1%
– five largest suppliers combined	34.9%

The suppliers generally provide a credit period for 30 to 90 days to the Group. For the year ended 31 December 2021, the Group did not have any major dispute with the five largest suppliers.

None of the Directors, any of their associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the issued capital of the Company) had any beneficial interest in any of the five largest customers and suppliers of the Group for the year ended 31 December 2021.

NEW SUBSIDIARY

For the year ended 31 December 2021, the Group has not established any new subsidiary.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this annual report, based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that there is sufficient public float of more than 25% of the Company's issued Shares as required under the Listing Rules.

INTEREST CAPITALISED

The Group has not capitalised any interest during the Year.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, at no time during the year ended 31 December 2021 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 128 of this annual report.

AUDITOR

Following the retirement of BDO Limited as auditor of the Company on conclusion of the annual general meeting of the Company held on 25 June 2018, Ernst & Young was appointed as the auditor of the Company. The Board confirmed that there was no disagreement between BDO Limited and the Company. On 6 August 2020, Ernst & Young resigned as the auditor of the Company, and BDO Limited was appointed as the auditor of the Company on the same day. The Board confirmed that there was no disagreement between Ernst & Young and the Company. Save as disclosed above, there was no change in auditor of the Company during the past three years.

The financial statements of the Group prepared in accordance with the Hong Kong Financial Reporting Standards for the year ended 31 December 2021 have been audited by BDO Limited, who will retire and offer for re-election at the forthcoming annual general meeting.

On behalf of the Board
Zheng Ping
Chairman and CEO

Hong Kong
31 March 2022

Biography of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Zheng Ping (鄭平), aged 64, is an executive Director, the chairman and the chief executive officer (the "CEO") of the Company. Mr. Zheng is the founder of our Group and joined our Group in 2002. He was appointed to the Board on 19 November 2010. Mr. Zheng is primarily responsible for reviewing and implementing our Group's overall development strategy. From 1990 to 1993, he worked as vice general manager in Fuzhou Far East Auto Parts Company Limited (福州遠東汽車配件有限公司), the business scope of which is mainly manufacture of auto parts. From 1994 to 2001, he was a director and the general manager of Shanghai Youshen International Trade Company Limited (上海友申國際貿易有限公司), the business scope of which is mainly international trade and trade consultancy. From 2002 to 2008, Mr. Zheng served as the director of Automart Holdings Limited. In 2005, Mr. Zheng was appointed as the chairman of Shanghai Automart and the chairman and general manager of Shuanghua Autoparts. Since 2007, Mr. Zheng has been serving as the chairman of the board of directors and general manager of Shuanghua Autoparts. Mr. Zheng obtained his bachelor's degree in Electrical Combustion Management from the Navy Engineering University of the People's Liberation Army of China (中國人民解放軍海軍工程大學) and was the teacher of the power plant department of the University from 1983 to 1990. Mr. Zheng is the spouse of the Company's non-executive Director, Ms. Kong Xiaoling, and father of the executive Director and vice president, Ms. Zheng Fei.

Ms. Zheng Fei (鄭菲), aged 32, is an executive Director and the vice president of the Company. She joined our Group in 2014 and was appointed to the Board on 19 July 2017. Ms. Zheng is primarily responsible for monitoring the business operations of the Group, reviewing and implementing the Group's strategies and policies, and managing risks while in pursuit of the Group's strategic objectives. Since 2014, Ms. Zheng has been involved in assisting the core business of the Group, including sales and distribution, procurement, accounting and finance, corporate management, human resources and operational departments. Ms. Zheng worked as the investment manager of Fu Woo International Limited (富和國際有限公司) from 2012 to 2013, and was responsible for commodity trading and foreign investments. Ms. Zheng received her bachelor's degree in Economics from the University of Chicago (美國芝加哥大學). She interned and worked in major investment banks from 2009 to 2012, dealing with capital markets, investment research and asset management related matters in the Asia Pacific region. Ms. Zheng is the daughter of Mr. Zheng Ping, who is the Company's chairman of the Board, executive Director and controlling Shareholder, and Ms. Kong Xiaoling, the non-executive Director.

Ms. Tang Lo Nar (鄧露娜), aged 49, is an executive Director, the chief financial officer and the company secretary of the Company. She joined our Group in 2011, and was appointed to the Board in April 2012. She has been acting as the independent non-executive director of a Hong Kong Main Board listed company, namely Ganglong China Property Group Limited (stock code: 6968) since May 2020. Ms. Tang was the company secretary of two Hong Kong Main Board listed companies for the periods from 31 December 2008 to 1 April 2010 and from 12 January 2009 to 1 April 2010, respectively, the company secretary of a Hong Kong Main Board listed company from 2 March 2012 to 10 October 2014, and has been the company secretary of a Hong Kong GEM Board listed company from September 2018 to March 2021. She is a Fellow of the Association of Chartered Certified Accountants and a member of Hong Kong Society of Accountants, the Hong Kong Institute of Company Secretaries and the Institute of Chartered Secretaries and Administrators. Ms. Tang obtained a master's degree in Applied Finance from University of Western Sydney in 2004, a master's degree in English for Professions from The Hong Kong Polytechnic University in 2002, and a bachelor's degree in Accountancy from The Hong Kong Polytechnic University in 1995. Ms. Tang has over 20 years of experience in accounting, tax, audit, company secretarial and finance. From 1995 to 2004, Ms. Tang worked in leading accounting firms, handling various matters of accounting, tax and audit matters. Since 2005, Ms. Tang began her own business by establishing a private company in Hong Kong to provide accounting, management consultancy, tax planning and company secretarial services.

NON-EXECUTIVE DIRECTOR

Ms. Kong Xiaoling (孔小玲), aged 61, is a non-executive Director. Ms. Kong joined the Group in 2007 and was appointed to the Board on 8 June 2011. Ms. Kong is primarily responsible for supervising and providing advice to the Board. From 1983 to 1996, she worked in Wuhan City Automation Meter Factory (武漢市自動化儀錶廠) as technician of technology introduction office. From 1997 to 2004, Ms. Kong worked in Shanghai Youshen International Trade Company Limited (上海友申國際貿易有限公司), the business scope of which is mainly international trade and trade consultancy as director. From 2000 to 2007, she worked in Shanghai Zhong Zhi Trade Development Co., Ltd. (上海眾智貿易發展有限公司) as vice general manager. From 2007 to now, she has been appointed as the director of Shuanghua Autoparts. From 1980, Ms. Kong studied on a full-time basis in Huazhong College of Technology (華中工學院) (currently known as Huazhong University of Science and Technology (華中科技大學)) and obtained her diploma majoring in Detection Technology and Automatic Meter in 1983. She is the spouse of the Company's chairman and executive Director, Mr. Zheng Ping, and mother of the executive Director and vice president, Ms. Zheng Fei.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. He Binhui (何斌輝), aged 53, joined the Group in 2007 and was appointed as an independent non-executive Director on 8 June 2011. Mr. He is also a member of the remuneration committee and the nomination committee, and the chairman of the audit committee of the Board. He has been acting as the independent director of the following companies which are listed on the Shanghai Stock Exchange: (i) Jiangsu Bioperfectus Technologies Co., Ltd. (江蘇碩世生物科技股份有限公司) (stock code: 688399) since June 2019; (ii) KraussMaffei Company Limited (克勞斯瑪菲股份有限公司) (stock code: 600579) since November 2020. During 2000 to 2009, he served as the head of capital market department and the general manger of the investment banking department of Shanghai office of China Galaxy Securities Co.,Ltd. (中國銀河證券有限責任公司). In 2007, he joined Shuanghua Autoparts as independent director. Since December 2009, he has been serving as the general manager assistant and the general manager of investment banking department of Cai Tong Securities Co. (財通證券有限公司). From 1987 to 1991, he studied Mathematics on a fulltime basis in the Ningbo University (寧波大學) and obtained his bachelor's degree majoring in Science in 1991. From 1993 to 1996, he studied on a full-time basis in the Hangzhou Electronic Industry University (杭州電子工業學院) (currently known as Hangzhou Dianzi University (杭州電子科技大學) and obtained his master's degree of Economics majoring in Accounting in 1996. He was qualified as auditor in 1997 by Beijing Institute of Chartered Accountants (北京註冊會計師協會). Since July 2016, Mr. He has been the managing director of CMB International Capital Management (Shenzhen) Co., Ltd. (招銀國際資本管理公司) and chairman of Shenzhen Merchants Bank Synergetic Innovation Fund Management Co., Ltd. (招銀協同基金管理公司董事長).

Mr. Chen Lifan (陳禮璠), aged 82, joined the Group and was appointed as an independent non-executive Director on 8 June 2011. Mr. Chen is also a member of the audit committee and remuneration committee, and the chairman of the nomination committee of the Board. From 1957 to 1962, he studied on a full-time basis in the Jilin University of Technology and obtained his bachelor's degree majoring in automobile application engineering in 1962. From 1983 to 1985, he studied as a visiting scholar at the Institute of Vehicle Engineering at the Technical University of Berlin in Germany (德國柏林工業大學車輛工程研究所). In 2008, he attended and completed the training programme for independent executive directors hosted by Shenzhen Stock Exchange (深圳證券交易所). He worked as a professor and doctoral supervisor in the School of Automobile of Jilin University of Technology (吉林工業大學汽車學院), Jiaotong University (交通學院) and School of Automobile Engineering of Tongji University (同濟大學汽車工程學院), CDHK (中德學院) and CDHAW (中德工程學院) and has over 40 years' experience in automobile engineering.

Ms. Guo Ying (郭瀅), aged 41, joined the Group on 19 July 2017 and was appointed as an independent non-executive Director on 19 July 2017. Ms. Guo is also a member of the nomination committee and audit committee, and the chairman of the remuneration committee of the Board. Ms. Guo gained the bachelor's degree in finance from Hubei University (湖北大學) in 2002, received full time education in finance at Saint Mary's University (加拿大聖瑪麗大學) in 2005 and was granted a master degree in finance in 2007. Ms. Guo was a trader of Haitong Securities Co. Limited from 2002 to 2003, a sales trader of BOC International (China) Limited from 2008 to 2013, a trader of China International Capital Corporation (H.K.) Limited from 2015 to 2016, and has been the head of trading of Harmony Capital Group Limited since November 2016.

SENIOR MANAGEMENT

Mr. Zheng Ping (鄭平), aged 64, is an executive Director, the chairman and the chief executive officer of the Company. Biographical details of Mr. Zheng are set out in the paragraph headed "Executive Directors" under this section of this annual report.

Ms. Zheng Fei (鄭菲), aged 32, is an executive Director and the vice president of the Company. Biographical details of Ms. Zheng are set out in the paragraph headed "Executive Directors" under this section of this annual report.

Ms. Tang Lo Nar (鄧露娜), aged 49, is an executive Director, the chief financial officer and the company secretary of the Company. Biographical details of Ms. Tang are set out in the paragraph headed "Executive Directors" under this section of this annual report.

COMPANY SECRETARY

Ms. Tang Lo Nar (鄧露娜), aged 49, is an executive Director, the chief financial officer and the company secretary of the Company. Biographical details of Ms. Tang are set out in the paragraph headed "Executive Directors" under this section of this annual report.

Corporate Governance Report

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

THE BOARD

During the Year, the Board comprised three executive Directors, one non-executive Director and three independent non-executive Directors. The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent.

The Board schedules four meetings a year at approximately quarterly intervals. In addition, special Board meetings are held as necessary. During the Year, the Board held six meetings. Details of the attendance of individual Directors are as follows:

		Attendance	
		Annual/ Extraordinary general meeting	Board of Directors' meeting
(a)	**Executive Directors**		
	Mr. Zheng Ping	2/2	6/6
	Ms. Zheng Fei	2/2	6/6
	Ms. Tang Lo Nar	2/2	6/6
(b)	**Non-executive Director**		
	Ms. Kong Xiaoling	2/2	6/6
(c)	**Independent Non-executive Directors**		
	Ms. Guo Ying	2/2	6/6
	Mr. He Binhui	2/2	6/6
	Mr. Chen Lifan	2/2	6/6

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

Biographies, including relationships among members of the Board are shown on pages 27 and 29 under the section headed "Biography of Directors and Senior Management" of this annual report.

ROLES OF DIRECTORS

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

- to lay down the Group's objectives, strategies and policies;
- to monitor operating and financial performance; and
- to set appropriate policies to manage risks in pursuit of the Group's strategic objectives.

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

BOARD MEETINGS

Proposed regular Board meeting dates for a year are notified to each Director at the beginning of the year. Formal notice of at least seven days will be given in respect of a regular meeting. For special Board meeting, reasonable notice will be given.

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

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

SUPPLY OF AND ACCESS TO INFORMATION

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

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under the code provision C.2.1 of the CG Code, the roles of chairman and 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 CEO of the Group are not separated and is performed by the same individual. Mr. Zheng Ping acted as both the chairman and CEO throughout the Year. 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.

APPOINTMENTS, RE-ELECTION AND REMOVAL OF DIRECTORS

When appointing new Directors, the Group follows a formal, legal, thoughtful and transparent procedure. The Nomination Committee is chaired by an independent non-executive Director and consists of a majority of independent non-executive Directors. The Nomination Committee has formulated a nomination policy and is responsible for identifying suitable candidates for consideration by the Board as additional Directors or for filling temporary vacancies in the Board, and for making recommendations to Shareholders on any Directors to be re-elected at the general meeting.

The selection process and working summary of the new Directors of the Nomination Committee during the Year are contained in the paragraph headed “Nomination Committee” below.

All non-executive and independent non-executive Directors are appointed for a specific term of not more than three years. Under the Articles of Association, one-third of the Directors must retire and be eligible for re-election at each annual general meeting. All Directors, including the chairman, are required to retire from office by rotation and are subject to re-election by Shareholders at annual general meeting at least once every three years. As such, no Director has a term of appointment longer than three years.

DIRECTORS' TRAINING

All Directors are required to provide the Company with his or her training records on a yearly basis. During the Year, the Company received training records from all Directors. The individual training record of each Director received during the year ended 31 December 2021 is set out below:

		Reading materials in relation to corporate governance/ updates on laws, rules and regulations	Attending seminars/ training in relation to corporate governance/ updates on laws, rules and regulations
(a)	**Executive Directors**		
	Mr. Zheng Ping	Yes	Yes
	Ms. Zheng Fei	Yes	Yes
	Ms. Tang Lo Nar	Yes	Yes
(b)	**Non-executive Director**		
	Ms. Kong Xiaoliang	Yes	Yes
(c)	**Independent Non-executive Directors**		
	Ms. Guo Ying	Yes	Yes
	Mr. He Binhui	Yes	Yes
	Mr. Chen Lifang	Yes	Yes

DIRECTORS' INSURANCE

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct for dealings in securities of the Company by the Directors. The Company, having made specific enquiry with all Directors, confirms that all Directors have complied with the required standard set out in the Model Code during the Year.

DELEGATION BY THE BOARD

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

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

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

BOARD COMMITTEES

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

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 is responsible for nominating potential candidates for Directors, reviewing nominations, evaluating the independence of independent non-executive Directors, and making recommendations to the Board on appointments and re-elections. In addition, the Nomination Committee is responsible for reviewing the Board Diversity Policy (outlined below) to ensure its effectiveness and making recommendations to the Board on necessary amendments.

During the Year, the work performed by the Nomination Committee included the following:

- made recommendations to the Board on matters relating to the re-election of Directors;
- made recommendations to the Board on matters relating to the appointment and change of Board committees members;
- conducted an annual review of the independence of the independence non-executive Directors; and
- reviewed structure, size and composition of the Board.

The Nomination Committee comprises Mr. Chen Lifan, Mr. He Binhui and Ms. Guo Ying, and is chaired by Mr. Chen Lifan.

During the Year, two meetings of the Nomination Committee were held to review and consider the composition of the Board and senior management. The attendance records of the members of the Nomination Committee are as follows:

Name of members of the Nomination Committee	Attendance
Mr. Chen Lifan	2/2
Mr. He Binhui	2/2
Ms. Guo Ying	2/2

Board Diversity Policy

The Board adopted a board diversity policy (the "Board Diversity Policy") on 5 March 2019, which aims to set out the principles and approach to achieve diversity on the Board.

The Group recognizes that diversification at the Board level is one of the important factors to improve corporate performance, optimize leadership structure, improve talent quality, and promote the long-term development of the Group. The candidates selected will be based on a range of diverse categories, including but not limited to, gender, age, ethnicity, cultural and educational background, professional skills, career experience, management level and length of service. The Nomination Committee will ultimately make appointment decisions based on the overall quality of the candidates and their contributions to the Board.

The Board's composition under diversified perspectives was summarized as follows:

Board Diversity *(Note 2)*			
Designation	Executive Director (3)	Non-executive Director (1)	Independent non-executive Director (3)
Gender	Male (3)	Female (4)	
Age Group	25-45 (2)	45-65 (4)	Over 65 (1)
Ethnicity	Chinese (7)		
Education Background	Master Degree (3)	Bachelor's Degree (4)	
Professional Skills & Career Experience *(Note 1)*	Automobile & Industrial Engineering (3)	Financial & Accounting (4)	
	Corporate Management & Commercial (3)	Capital Management & Investor relations (4)	
Length of Service	Less than five years (2)	Five to ten years (5)	Over ten years (0)

Notes:

1. Directors may possess multiple professional skills and career experience.

2. The number in brackets refers to the number of Directors under the relevant category.

The Nomination Committee has reviewed the Board Diversity Policy and monitored the implementation of the Board Diversity Policy. Pursuant to the Board Diversity Policy, the Nomination Committee had taken into account the factors listed on the table above.

During the Year, the Company has achieved the following measurable objectives:

(1) at least one-third of the Board is composed of independent non-executive Directors;

(2) at least one-third of the Board are holders of a Bachelor's degree or above;

(3) at least one Director is a qualified accountant;

(4) at least one Director has relevant experience in motor vehicle industry or cold chain logistics industry;

(5) at least one Director has relevant experience in finance; and

(6) at least one director is of different gender.

Based on the review by the Nomination Committee, the Nomination Committee considers that the Company has achieved the measurable objectives set for implementing the Board Diversity Policy during the Year.

Remuneration Committee

The Company established a Remuneration Committee which is primarily responsible for making recommendations to the Board regarding the Group's policy and structure for remuneration of Directors and senior management and determine the specific remuneration packages of all executive Directors and senior management of the Company.

The Remuneration Committee comprises Ms. Guo Ying, Mr. He Binhui and Mr. Chen Lifan, and is chaired by Ms. Guo Ying.

During the Year, two meetings of the Remuneration Committee were held to review and consider the specific remuneration packages of the Company's executive Directors and senior management. The attendance records of the members of the Remuneration Committee are as follows:

Name of members of the Remuneration Committee	Attendance
Ms. Guo Ying	2/2
Mr. He Binhui	2/2
Mr. Chen Lifan	2/2

Audit Committee

Pursuant to the Listing Rules, an Audit Committee was established on 8 June 2011, comprising three Independent Non-executive Directors, namely Mr. He Binhui, Ms. Guo Ying and Mr. Chen Lifan, and is chaired by Mr. He Binhui.

The written terms of reference which describe the authorities and duties of the Audit Committee were prepared and adopted with reference to "A Guide for the Formation of an Audit Committee" published by the Hong Kong Institute of Certified Public Accountants. The Audit Committee provides an important link between the Board and the Company's auditor in matters coming within the scope of the Group audit. It also reviews the financial reporting process and the adequacy and effectiveness of the Group's internal control system.

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

During the Year, the Audit Committee held four meetings for the purpose of reviewing the Company's financial reports and accounts, and providing advice and recommendations to the Board of Directors. The Audit Committee also reviewed the internal control procedures of the Group. The minutes of the Audit Committee meeting are kept by the company secretary.

The Audit Committee also reviewed the Company's progress in implementing the corporate governance requirements as set out in the CG Code. The attendance records of the members of the Audit Committee are as follows:

Name of members of the Audit Committee	Attendance
Mr. He Binhui	4/4
Ms. Guo Ying	4/4
Mr. Chen Lifan	4/4

The Group's results for the Year have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards.

COMPANY SECRETARY

All Directors have access to the advice and services of the company secretary. During the Year, the company secretary confirmed she had taken not less than 15 hours professional trainings in accordance with Rule 3.29 of the Listing Rules.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE ACCOUNTS

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

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The Company's consolidated financial statement are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently and that judgments and estimates made are prudent and reasonable. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group. The responsibilities of the auditor for the accounts are set out in the Independent Auditor's Report on pages 55 to 59 of this annual report.

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

A general review of the effectiveness of the Group's system of risk management and internal control covering all key control, including financial, operational and compliance, is conducted twice annually by the Audit Committee with the assistance of relevant internal staff. The review and evaluation consisted of enquiry, discussion and validation through observation and inspection (if necessary). The result of review will be reported to the Board and some measures would be proposed if there is any area for improvement. For the year ended 31 December 2021, the Group's system of risk management and internal control was effective. No material violation of risk management and internal control system or significant risk were detected.

REPORTING BASIS AND SCOPE

This is the sixth Environmental, Social and Governance ("ESG") Report issued by the Company. The report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") set out in Appendix 27 to the Listing Rules to present the corporate social responsibilities of the Group over the years and during the Year. The annual basis of this report is the same as the annual report period of the Company.

The report mainly covers the plants of the Group in the PRC, including Shuanghua Autoparts, Shanghai Shuanghua Machinery Manufacturing Co., Ltd., and Anhui Shuanghua. The report has two versions, English and Chinese. If there is any inconsistency or ambiguity between the English version and Chinese version, the English version shall prevail. This report is incorporated in the Group's annual report and available to Shareholders in hard copy and posted on the Internet for public access. The Internet version can be downloaded from the website of the Stock Exchange, http://www.hkexnews.hk, and the website of the Company, http://www.shshuanghua.com. Questions or suggestions regarding the contents of this report can be directed to us by phone or email as follows:

Shuanghua Holdings Limited
Tel: (86 21) 5058 6337
Email: ir@shshuanghua.com
Website: http://www.shshuanghua.com

REPORTING PRINCIPLES

The reporting principles outlined in the ESG Reporting Guide have been adopted during the preparation of the report:

Materiality: This report covers material ESG information identified by the Group. When formulating the business development strategies of the Group, the Group takes into account of the views of investors and stakeholders on ESG-related issues. We conducted materiality assessments via stakeholder engagements on a regular basis to identify and prioritise the material ESG factors.

Quantitative: As far as practicable, the Group discloses its key environmental and social performance indicators with quantitative measures.

Balance: The Group has identified and disclosed the ESG issues involved in the business operation in the report, and has demonstrated the actual ESG performance of the Group by using appropriate tables.

Consistency: The Group has adopt consistent methodology and presentation methods, to make effective comparison of relevant data.

Chairman's Statement

Since its establishment, the Group has been committed to producing and providing quality and green products and services. While striving for value creation, we always keep corporate social responsibilities in mind and integrate the sustainable development concept with consideration to environmental, social and corporate governance in all procedures of the Company.

We attach great importance to the use of sources and environmental management. In recent years, we have shortened the low-efficiency production lines through the transformation of equipment and technology to improve production efficiency and reduce energy consumption. We also have handled emissions strictly in accordance with the regulations.

We attach great importance to every employee. We deeply understand that ensuring their occupational health and safety is an important component of maintaining the Group's sustainable development. With striving to improve the level of safe production, we properly manage the environment of our factories and offices to provide our employees with a fair, safe and healthy working environment.

We attach great importance to social commonweal. We actively engage in social welfare activities, contributing to the balanced development of the society.

Attaching importance to product and service quality and safety, supporting employees' development and nurturing talents for the Group, we will never stop breakthrough and innovations. The Board is responsible for the management of the environmental, social and governance work of the Company. The Board conducts a comprehensive review of the Company's environmental, social and governance work every year. Under the leadership of the Board, the managers organize and implement relevant work, establish necessary working organizations, and various professionals continuously provide necessary support for environmental, social and governance work, carry out management research, establish relevant management systems, and formulate work plans and major deployment. This Environmental, Social and Governance Report is prepared in accordance with the ESG Reporting Guide issued by the Stock Exchange to disclose the existing projects such as energy conservation and emission reduction, staff and social participation of Shuanghua. We hope that you will have a better understanding of Shuanghua. In the future, we will pursue better performance in the environmental and social aspects, striving assiduously for the development and well-being for the Group, the society and our next generation.

Zheng Ping
Chairman and CEO

Hong Kong
31 March 2022

ABOUT US

Shuanghua Holdings Limited (1241.HK) was incorporated in the Cayman Islands on 19 November 2010 as an exempted company with limited liability, and is an investment holding company, which was listed on the Stock Exchange on 30 June 2011.

During the Report, the Group was principally involved in two major businesses, being the business of trading, manufacturing and R&D of automobile parts, mainly the automotive HVAC components, and the business of supply chain management, mainly the cold chain supply, leasing, transportation services, etc. Based on the changes of market environment and the actual situation of the Group, the Group has steadily promoted the transformation from manufacturing industry to modern service industry.The plants of the Group are located in Fengxian District, Shanghai and in Tunxi District, Huangshan City, Anhui Province. The Group has been working intensively for more than two decades in the automotive industry and accumulated the wealth of industry experiences and resources to form its core competitive advantages in technology, products and customers. With its technology and experience in ventilation and cooling system, the Group planned to use its vacant properties in Shanghai to develop supply chain management business, so as to transform the Group's business in Shanghai from traditional manufacturing to cold chain supply and storage services. The Group's cold storage plant business has been successfully put into operation and the Group has built core competitiveness in the cold chain logistics industry.

STAKEHOLDER ENGAGEMENT

Effective stakeholder engagement is an important part of ESG management. Our major stakeholders include shareholders and investors, government and regulatory authorities, employees, customers, suppliers and business partners, and we communicate with various stakeholders through diverse methods and channels to understand their needs and expectations and respond accordingly. Focusing on the expectations and demands of various stakeholders, the Company conducts indepth communication and investigation, and collects the concerns of various stakeholders. On this basis, the Company comprehensively ranks various social responsibility issues from the dimensions of the impact on business operations and the impact on stakeholders, so as to reflect the impact of business operations on the environment, society, etc., and to better respond the expectations and demands of various stakeholders.

Communication Methods

Stakeholders	Communication Channels
Shareholders and investors	– General meetings – Annual reports, interim reports – Results announcements – Announcements and circulars
Government and regulatory authorities	– Written documents or reports – Face to face communication – Compliance management
Employees	– Employee handbook – Employee trainings – Satisfactory remuneration and benefits
Customers	– Meetings – Emails, telephone, WeChat, QQ – Customer feedback
Suppliers and business partners	– Open tender – Email, telephone and WeChat – Review and performance evaluation – Internal monitoring and risk management

Materiality Assessment

The Group has conducted assessments on its related ESG issues to have better understanding of the expectation of stakeholders, so as to formulate the framework and contents of disclosure, in response to the requests of the stakeholders.

Our assessment on major issues comprised the following procedures:

Identification of stakeholders	—	Identify each of the important stakeholders and formulate specific engagement plans for them.
Engagement of stakeholders	—	Conduct study of stakeholders through questionnaires to understand their concerns and expectations on the Group in respect of ESG issues.
Prioritisation of material issues	—	Analyse and prioritise the ESG issues after quantification of the result on study of the stakeholders.
Confirmation by the management	—	Submit the analysis result to the management for final confirmation.

The materiality assessment shows that product and service responsibility remains of highest importance to the Group. High quality products and services and supply chain management are the cornerstone of supporting the sustainable development of the Group. Employment, health and safety, labor standards, development and training are also relatively important to the Group, and employees are an important driving force for the business development of the Group. In terms of the environmental aspects, the use of electricity and water are key as they have not only environmental impacts but also significant implications on the daily operation costs of the Group's facilities and thus, the Group internally attaches great importance to the management of these usage.

ENVIRONMENT

The plants of the Group belong to the automobile parts manufacturing industry and cold chain logistics industry, and mainly comply with the *Environmental Protection Law of the PRC, Law of the PRC on the Prevention and Control of Air Pollution, Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste, Law of the PRC on the Prevention and Control of Environmental Noise Pollution, Regulations of Shanghai Municipality on Environmental Protection, Regulations of Anhui Province on Environmental Protection* and the various emissions discharging standards and other relevant laws and regulations issued by the relevant government departments. For the year ended 31 December 2021, the Group had not been punished by Environmental Protection Bureau of the PRC.

Emissions

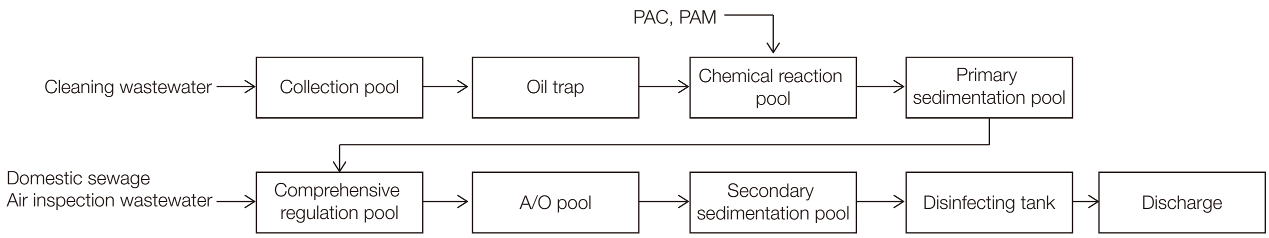
The main emissions generated in the business operation of the Group are as follows:

Wastewater

Wastewater generated in the plants mainly includes industrial wastewater and domestic sewage. Industrial wastewater includes the water for parts surface cleaning and the regularly-replaced testing wastewater in the air inspection flume. Products and parts need to be cleaned before soldering to remove the surface oil, using the LT-1 special cleaning agent for aluminum products. The main pollutants in the wastewater after cleaning are CODcr, SS, PH, petroleum, total phosphorus, anionic surfactants, etc. The cleaning wastewater emission is about 0.91 ton/day. Air inspection wastewater refers to the wastewater produced by the periodic replacement of the water stored in the air inspection flume for checking the product's air tightness, of which the discharge volume is about 0.73 ton/day.

Wastewater generated in the construction and operation of the cold storage plant is mainly the domestic sewage, and generally no production wastewater is generated.

The sewage treatment facilities are installed in the plant area. After being collected by the collection pool and going through the oil trap, flocculation and precipitation, the cleaning wastewater goes into a comprehensive regulation pool, together with the domestic sewage and air inspection wastewater, and discharges through municipal sewage pipe after biochemical treatment, precipitation and disinfection. The specific sewage treatment process is as follows:



The processing capacity of the sewage treatment facilities in the plant area is over 100 tons/day. Wastewater after treatment reaches the quality standards issued by relevant departments without adverse effects to the surrounding water environment.

Exhaust

A small amount of brazing dust is generated in the brazing furnace during the soldering of the products in production process, and discharged into the air 15 meters high above the plant roof after the treatment by the filter device equipped in the brazing equipment at about 6.05mg/m^3 of concentration and 9.08*10^{-3}kg/h of speed, which meets the emission limits of particulates in the *Integrated Emission Standard of Air Pollutants* (GB16297-1996). When the plant was designed, we took into consideration the adverse effects of trace amounts of HF generated in the soldering process by reaction of flux and water, and filled the entire baking and brazing furnace with liquefied nitrogen to prevent HF from being generated. During the manual soldering process, a small amount of soldering dust is generated in the argon arc welder and discharged out of the workshop through the exhaust fan, and the concentration of the dust in workshop meets the requirements of the *Occupational Exposure Limit for Workplace Hazards* (GZ2.1-2007).

The exhaust gas and dust generated in the construction of the cold storage plant meet the relevant national air quality standards such as the *Law of the PRC on the Prevention and Control of Air Pollution and the Integrated Emission Standard of Air Pollutant*s, measures include, but not limit to, water sprinkling for dust suppression during excavation, burying and crushing works, covering, curing, greening and hardening the main roads on the sites to conform with the requirements of the supervisory limit for non-organised emission of particulates – less than 1.0 mg/m^3 as set out under the *Integrated Emission Standard of Air Pollutants*; and earthwork backfilling, transhipment and other construction processes that may cause dust pollution are prohibited when windstorm level 4 or above is hoisted.

In order to ensure the compliance of national environmental standards, Shuanghua Autoparts commissioned Shanghai Star Environmental Protection Technology Co., Ltd. to design, manufacture, install and debug the exhaust treatment system (15,000m^{-3}/h) in 2016. This system is effective and still in use. The processed exhaust has reached the relevant standards in the *Integrated Emission Standard of Air Pollutants of Shanghai* (DB31-933-2015). Anhui Shuanghua specially commissioned Huangshan Yuanxing Environmental Technology Co., Ltd. to monitor the pollutants in the plant area of Anhui Shuanghua in August 2020, so as to ensure that the pollutant discharge meets the requirements of *Regulations of Anhui Province on Prevention and Control of Air Pollutants*.

Greenhouse gas emissions

The major greenhouse gas emissions of the Group were mainly accounted for the Carbon dioxide (“CO_2”) emissions for gasoline combustion in commercial vehicles and operation electricity consumption of the Group’s cold storage plants. During the Reporting year, the Company’s direct greenhouse gas emissions generated by electricity consumption were equivalent to 303 tonnes CO_2, the indirect greenhouse gas emissions generated by commercial vehicles were equivalent to 0.6 tonnes CO_2, and the total greenhouse gas emissions were equivalent to 303.6 tonnes CO_2. The greenhouse gas emission intensity was 92.9kg CO_2 equivalent/RMB10,000 of revenue.

As for the reduction of greenhouse gas emissions, the Group will also set targets on eliminating CO_2 emissions to achieve carbon peak and carbon neutrality in the plant by using natural light as much as possible in the office area, introducing ERP system for purchase and production management of the Group’s automobile parts business, WMS system for warehouse and logistics management of the Group’s supply chain management business and DingTalk system for paperless approval of personnel, seals, contracts, reimbursements and payments, etc., advocating low-carbon travel for employees, and increasing of green vegetation in the office area, etc.

Solid waste

The scraps, substandard products and waste packaging materials (for the Year: approximately 14.6 tonnes) generated in production processes, including parts pre – cut, stamping and fins, etc., are collected by the industrial waste recycling department; a small amount of waste oil, waste oil tarpaulins and waste saponified solution are regularly disposed of by the commissioned qualified contractor; the sludge from sewage treatment station and the brazing furnace purification dust are also recycled and disposed of by the commissioned qualified contractor; and the household refuse and office waste are regularly cleared and disposed of by public sanitation departments.

The solid waste generated during the construction of the cold storage plant mainly contains construction waste and earthwork. Our solid waste management during the construction is complied with the Standards for Pollution Control on the Storage and Disposal Site for General Industrial Solid Wastes and other relevant requirements. Recyclable solid waste such as wasted steel materials should be handled by the approved recycling department, the surplus earthwork and building materials should be backfilled, and the non-recyclable waste should be handled by the qualified departments.

Noise

Noise is mainly generated from metal processing equipment, furnace exhaust fan, air compressor and cooling towers, etc. The impact of the plants’ production on the external environment has been reduced through reasonable layout, placing the equipment in isolated processing room, as well as installing shock absorbers and sound insulation windows. The noise within plant area was able to meet the standards in the *Environmental Noise Emission Standards at the Boundary of Industrial Enterprises*.

The major sources of noise during the construction of the cold storage plant come from construction machines and vehicles. We strictly comply with the requirements of on the *Emission Standard of Environment Noise for Boundary of Construction Site*, reasonably schedule construction timetable as well as use machines and equipment with qualified noise emission standards during the construction.

Use of Resources

Green and environmental protection has always been the Group's philosophy and goal. The Group has formulated a series of environmental protection system to actively improve the production lines with a view to increase production efficiency and reduce consumption of energy and resources. The consumption of energy and resources by the Group's plants in the past two years was as follows. In 2021, the Group's cold storage and cold chain business was put into operation, which required a lot of electricity consumption. Therefore, the Group's electricity consumption in 2021 increased significantly compared with last year.

Year	Electricity consumption (KWH)	Water consumption (ton)	Use of packing materials (ton)
2020	715,520	6,425	35
2021	3,043,716	15,386	5

Energy Management

The Group closely monitors and reviews current energy consumption settings and systems and will set up policies and procedures in the coming years. Currently, the following management measures are in place to reinforce the Group's energy saving practices, so as to improve the energy efficiency of business operation:

- Use energy-efficient lighting equipment and adopt natural light wherever possible;
- Turn off equipments when staff leaves the premises to save electricity;
- Introduce intelligent equipment into our cold storage operation to reduce energy consumption; and
- Conduct monthly count on electricity consumption and prepare relevant records; if the consumption exceeds the range of the benchmark, the reasons for such will be analysed and timely remedial actions will be taken.

Water Management

The majority of water consumption was incurred by domestic usage for employees. we will implemented various measures to mitigate our water consumption, including:

- Expand the scope of recycled water, to the greatest extent, for greening and for restrooms to increase the recycling rate;

- Conduct monthly review on water consumption and prepare relevant records. If the consumption exceeds the range specified, reasons for such would be analysed for timely remedial actions; and

- Encourage staff to save water in factories, offices as well as in their living quarters.

Emission and Waste Reduction Targets

In respect of greenhouse gas emission, The Group actively responds to the national energy conservation guidelines and policies, and has set medium and long-term energy conservation and emission reduction targets. Energy cost is the main cost of the Group's cold storage business. In the operation of the cold storage, intelligent equipment and systems will be gradually equipped and improved to reduce energy consumption. At the same time, the Group will reduce the energy loss in the daily operating process through more standardized operation, so as to reduce greenhouse gas emissions and reduce operation costs.

In respect of wastewater, the Group intends to gradually set emission targets for each plant area, and is expected to recover all domestic sewage in the medium and short term for irrigation of green space in the plant area, so as to achieve zero discharge of domestic sewage in the long run. As to industrial wastewater, the Group strives for zero discharge of sewage through implementing high-end sewage treatment facilities into the production plants.

In respect of exhaust, generally no exhaust is generated during the operation of the cold storage. For the exhaust in industrial production, the Group entrusted a qualified company to design, manufacture and install the exhaust treatment system, and entrusted a professional qualified company to monitor the exhaust pollutants in the plant. We will continuously upgrade the waste gas treatment system and reduce the exhaust emission.

In respect of solid waste, the Group strives to enhance the daily collection, storage and recycle of solid waste, and has contracted qualified disposal agencies for all non-recyclable solid waste.

Climate Change

Climate change as an emerging global risk, may impact companies in the form of physical risks ranging from acute weather events such as flooding and storms, to chronic physical risks arising from the rising temperature and sea levels. Climate change will have certain effects on the Group's operations and the Group will continue to monitor the climate-related risks and implement relevant measures to minimize its potential impact.

The Group's main business is located in Fengxian District of Shanghai and in Tunxi District, Huangshan City of Anhui Province in China. Climate change may lead to more frequent extreme weather events. Natural disasters such as heavy rains, floods and typhoon may directly damage the Group's assets, and affect the normal operation of the Group. In order to mitigate the impact of climate change on us in the long term, precautionary measures such as contingency plans at our operations and flexible working arrangement at our offices has been adopted in response to the possible extreme weather scenarios of typhoon and flooding. We regularly carry out hidden danger investigation and management to ensure the sufficient supply of emergency materials and equipment, and at the same time improve the emergency response capabilities of employees to improve the overall emergency management level of the Group. During the Reporting Period, the Group has been closely connected with Meteorological Bureau of Shanghai and Anhui, paying attention to weather and climate change 24 hours a day, and formulating targeted plans and measures to predict climate change from a scientific perspective and make timely adjustments to ensure the safe and stable operation of production facilities and equipment.

In the future, we plan to address the various impacts of climate-related risks through robust enterprise risk management and strategic plans, and actively take corresponding measures to seize the potential opportunities arising therefrom.

SOCIETY

Employment

In respect of employment of labour, the Group has strictly complied with the relevant laws and administrative regulations of China, such as the *Labour Law of the PRC, the Labour Contract Law of the PRC* and the *Special Provisions on the Labour Protection of Women Workers*. In accordance with the needs of each post, the Group recruits all the talents regardless of race, gender, age, religion, region and nationality. As at 31 December 2021, the total number of employees of the Group was 66. All employees came from the PRC except for three of them. All of them are full-time employees which can be categorised as follows:

Gender	Male					Female					Total
Age	Headcount at beginning of 2021	New recruits	Resignation	Rate of resignation	Headcount at end of 2021	Headcount at beginning of 2021	New recruits	Resignation	Rate of resignation	Headcount at end of 2021	Headcount at end of 2021
30 or below	29	4	29	20.7%	4	6	7	8	5.7%	5	9
31-50	37	16	32	22.9%	21	37	17	38	27.1%	16	37
50 or above	18	11	13	9.3%	16	13	2	11	7.9%	4	20
Total	84	31	74	52.9%	41	56	26	57	40.7%	25	66

Educational background	Headcount at beginning of 2020	New recruits	Resignation	Rate of resignation	Headcount at end of 2020
Bachelor's degree or above	22	10	11	7.9%	21
College	24	12	23	16.4%	13
High school or below	94	35	97	69.3%	32
Total	140	57	131	93.6%	66

Region	Headcount at beginning of 2020	New recruits	Resignation	Rate of resignation	Headcount at end of 2020
Outside the PRC	3	0	0	0.0%	3
Eastern Region of the PRC	135	57	131	93.6%	61
Middle Region of the PRC	2	0	0	0.00%	2
Western Region of the PRC	0	0	0	0.00%	0
Total	140	57	131	93.6%	66

Health and Safety

The Group is committed to providing employees with a safe, harmless and comfortable working environment. Besides the security, cooling, heating and other hardware installed in the plants and offices, Shuanghua has also made significant investment in green projects. Green trees, grass and red flowers can be seen everywhere in the plant area of Shuanghua, so that the employees can work in the garden-style plant joyfully. The hardware facilities in respect of labour safety and hygiene and main construction work in the plant and office area are designed and carried out simultaneously and put into use at the same time. The Group provides workers with the necessary labour protection products and regular health checks for workers engaging in works with occupational hazards. The Group has formulated the *Safety Production Management System* and the safety production process and operating procedures. The new recruits and trainees must attend the safety production training at three different levels, from the working unit, team and operation position. Workers who change jobs must be re-educated. Those who are engaged in special work of electrical, soldering, vehicle driving, flammable and explosive substance, etc. must attend professional safety and technical training, and obtain a qualified operating permit (license) after strict examination by the relevant departments before operating independently. The plants organises fire safety training regularly to enhance the safety awareness of employees. The plants set up a special quality and safety department to check, correct and educate the irregularities every day, including not wearing labour insurance products and operations in violations of rules, etc., to prevent accidents in the working process and reduce the occurrence of safety incidents. The plants have also formulated a contingency plan for various emergencies to ensure the safe and orderly operation and the safety of the staff to the greatest extent.

In the context of COVID-19 and its variants repeated outbreak and spread at home and abroad, cold storage is more likely to cause the spread of COVID-19 due to the storage of cold chain food. The Group actively responds to the call of the government, strengthens the operation management of the cold storage plant in the four dimensions of “personnel, vehicles, goods and sites”, strictly registers and verifies the vehicles and personnel entering into the cold storage area. Personnel is obliged to wear masks when entering into the cold storage area and all goods can only be store into the storage after disinfection. The Group also increased the frequency of nucleic acid detection and strengthens environmental cleaning and disinfection. Throughout the past three years, the Group recorded zero work-related fatal incidents. There were no lost days due to work injury.

During the Year, the total working hours and accidents in the Group’s plants were as follows:

Gender	Total working hours (hrs)	Work injuries (times)	Death from work (per)	Rate of death from work (%)
Male	47,646	0	0	0
Female	28,069	0	0	0

Development and Training

The Group attaches importance to the improvement of the employees’ ability, and various training measures have been implemented to continuously improve their professional knowledge and skills, enhance the management skills and develop their problem-solving ability, in order to ensure the innovation within the Group and maintain the competitive advantage.

The training courses of the Group include: new recruits training, first aid knowledge and non-smoking training, fire drill, labour laws training, accountant’s re-education, safety management training, equipment operation training, special vehicle operation training and professional experience training, etc. The Group fully subsidises the internal and external training courses and partly subsidises the voluntary study and further education of the employees. The training measures above cover all employees in the Group.

In 2021, the Company continued to focus on building a high quality, high technology and skilled talent team, which organized a total of 86 training sessions and carried out various training for 1,730 persons.

	By gender		By position level		
Staff to be trained	Male	Female	Senior management	Mid-level management	General staff
Percentage of trainees	99%	98%	100%	100%	98%
Average training hours	46	46	72	60	39

Labour standards

In order to safeguard the health and safety of employees and fully comply with the labour laws and regulations, the Group has never employed child labour under 16 years old since its establishment, and strictly forbids forced labours or untrained employees to be engaged in dangerous work. Under the premise of consensus, the Group signs labour contract with the employees in accordance with the *Labour Law of the PRC and Labour Contract Law of the PRC*, and offers compensation according to the position. Employees work within the legal working hours and enjoy the rest periods regulated by the State and a free lunch is provided by the Group. The Group provides social insurances such as medical, maternity, work injury, unemployment and pension to its employees and makes contributions to the housing reserve funds for them. The Group offers special protection to female employees through the prohibition on hazardous works to female employees and appropriate rest periods offered during their pregnancy, postpartum period and lactation. Since the establishment of the Group and its predecessor, no female employees have involved in deduction of salary, dismissal or termination of labour contracts because of their pregnancy, fertility or lactation. After maternity leave, female employees are arranged to return to their original department and position and reintegrate into the workplace with active assistance from the Group. During the Year, 100% of the pregnant female employees return to their position after maternity leave.

The Group strictly observes the requirements of laws. The human resources department of the Group will regularly inspect whether the labour practice is in compliance with the labour laws and regulations. Any non-compliance, such as employment of child or forced labour, will be met with the following measures:

1) Investigate the incident and report to the local labour department;

2) If the investigation reveals that the incident occurred due to negligence, the Group will immediately terminate the labour contract with the party concerned and make compensation to the party concerned for the loss and injury caused by the incident.

In case of fraud, the Group will take the necessary legal measures and actions.

Supply Chain Management

The main suppliers of the Group include raw material suppliers, service suppliers and engineering suppliers. The Group establishes a long-term strategic cooperative relationship with suppliers of good performances in qualification, reputation, product quality, environmental protection and social responsibility, and is committed to establish an efficient and green supply chain together with the suppliers. The Group has formulated a procurement control procedure to standardise our approaches in selecting, auditing, and evaluating all of our suppliers. We strive to leverage our influence to advocate an ethical and sustainable supply chain by incorporating considerations of suppliers' corporate responsibilities and sustainable performance into our supply chain management.

The Group requires all of the suppliers to fulfill the Group's environmental and social requirements. During process of selecting new suppliers, the procurement department of the Group reviews and selects quality suppliers from a number of supplier candidates, covering their ESG related policies, environmental certificate and labour practices. We require suppliers to commit themselves to complying with ESG related national and local laws and regulations, and to seek effective methods to reduce impact on environment and protect natural resources. To ensure suppliers' compliance with the Group's requirements, the procurement department of the Group will inspect the suppliers at least once a year to enhance the control and assess the supplier's sustainability performance. Inspection includes data checking and employee interview to ensure in-depth understanding of suppliers' performance.

As at 31 December 2020, the Group had a total of 114 suppliers, distribution of which were as follows:

Region	Number
Shanghai	43
Anhui	43
Jiangsu	13
Zhejiang	10
Hubei	2
Sichuan	2
Tianjin	1
Total	114

Product and Service Responsibility

We have been committed to producing the best automotive HVAC components and providing the best supply chain management services. We attach great importance to product and service quality and reputation, by enhancing the product quality review and sales management to ensure the delivery of quality products to our customers, and by enhancing high standard hardware and software facilities and the management of all links in and out of the cold storage plant to provide best services to customers. The Group strictly implements its job quality standards and quality responsibilities, and improves the product and service quality management and development plan. In the production and sales process, we enhance the product quality management and develop a reasonable and flexible program aimed at meeting market and customer needs. We have obtained the ISO14001 quality management system certification.

The Group has formulated the *Control Procedure for Product Inspection and Measurement and the Control Procedure for Unqualified Products*. If a quality issue of the delivered product does exist in spite of our best efforts in guaranteeing product quality, the customer can submit the case to our customer service staff who will then inform the relevant departments and responsible person to verify the causes and arrange product return or exchange. The Group has installed temperature control equipment in the cold storage plant. If the goods are damaged due to temperature of the cold storage and losses caused by wrong delivery, mixed delivery, missed delivery, etc., customers can propose to our service staff, and compensation can be arranged after verification. The products and the services of the Group are safe and harmless, no sold or delivered products had been recalled due to safety health issues, no compensation for the loss of services provided had been caused due to service problems, and the Group has received no complaint from any of its customers on products or services provided by the Group during the Year.

The Group respects and protects intellectual rights. The Group currently conducts relevant business under its core brand "SHUANGHUA (雙樺)" trademark. The Group has completed the necessary registration and has taken proactive measures to protect its trademarks and other intellectual properties. A professional institution has been commissioned to protect our products and trademarks and apply for the patents according to the Patent Law of the PRC and the Trademark Law of the PRC. Any fake and inferior products against the Company will be punished by all possible measures.

In order to ensure the safety and rational use of customer information, the Company has taken appropriate measures for privacy protection, such as setting data management permission and distinguishing the management permission of written data and system data, to ensure that unauthorised persons cannot browse or access the information, and the expired documents or information will be destroyed accordingly. Since its establishment, the personal and customer information of the Group has never been stolen, tampered, damaged or leaked out.

Anti-corruption

The Group has formulated a comprehensive internal control structure and prudent policies (including a whistle-blowing mechanism), and signed honesty agreements with relevant staff to prevent and control corruption, fraud, cheat or unethical behaviours. Employees can report any irregularities, such as dereliction of duty, abuse of power, bribery, embezzlement of the Company's property, etc., to the Company's board of supervisors and internal audit department through letter, email, telephone, etc., and the relevant departments will investigate and collect the evidence to verify the report, followed by punishment after a conclusion is drawn.

We organised training programmes on anti-corruption in new employees orientation for all new-hired, and we regularly organise training related to business ethics, Code of Conduct and anti-corruption to our employees and the Board. 266 hours of anti-corruption training were provided to our employees and Board members during the Year.

Since the establishment of the Group, no cases of corruption, bribery, extortion, fraud or money laundering have occurred and the Group has complied with the relevant laws and regulations that have a significant impact on the Group relating to bribery, extortion, fraud and money laundering. The Group will continue to adhere to its code of ethics, uphold good reputation and prevent any incidents of corruption in the future.

Social Investment

As a corporate citizen, the Group sees shouldering of corporate social responsibility as its mission and actively participates in the community and charity works with a view to bring corporate value into full play, and assumes its corporate responsibility. The Group is not only devoted to its business operation but also strives to contribute, show care and give help to the society. The Group also sets aside reserved funds for social services every year and has taken practical measures to contribute to the society and actively perform its corporate civic responsibility by making donations to help underprivileged families.

In 2005, RMB2,000 was donated to the tsunami disaster area of Southeast Asia.

In 2006, RMB4,000 was donated to "Beloved under the Blue Sky".

In 2007, RMB10,000 was donated to "Daily Charity".

In 2008, RMB15,000 was donated to "Daily Charity", RMB30,000 was donated to Fengxian District Sports Day, RMB300,000 was donated to Wenchuan earthquake disaster area, and RMB20,000 was donated to "New Rural Construction" in CSPGP of Fengxian District.

In 2010, RMB20,000 was donated to "Beloved under the Blue Sky".

In 2011, RMB20,000 was donated to "Beloved under the Blue Sky".

In 2012, RMB50,000 was donated to Preference for Military Families Foundation of Shanghai, and RMB20,000 was donated to "Beloved under the Blue Sky".

In 2014, RMB250,000 was donated to Silk Road Peace Prize Foundation of Shanghai.

In 2015, RMB30,000 was donated to "Beloved under the Blue Sky".

In 2016, RMB50,000 was donated to "Beloved under the Blue Sky" (including 2017 advance donation of RMB30,000).

In 2018, RMB20,000 was donated to "Beloved under the Blue Sky".

In 2019, RMB2,000,000 was donated to "Huangshan United Applied Technology Research Institute".

AUDITOR

BDO Limited has been appointed as auditor of the Company for the year ended 31 December 2021.

AUDITOR'S REMUNERATION

The fees in relation to the audit and other services provided to the Company and its subsidiaries by the external auditor of the Group for the year ended 31 December 2021 amounted to approximately RMB720,000. No non-audit service was provided by the external auditor of the Group for the year ended 31 December 2021.

SHAREHOLDERS' RIGHTS

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

If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

COMMUNICATION WITH SHAREHOLDERS

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

The chairman of the Board and other Board members would attend the forthcoming annual general meeting in 2022 to answer questions, if any, at the meeting.

DIVIDEND POLICY

Before announcing the distribution or recommendation of dividends, the Board shall take into account factors including the Group's actual and expected performance, retained profits, allocable reserves, working capital requirements, capital expenditure, future business development plans, liquidity status, the inherent and potential effects of domestic and foreign economic conditions, policies on the Company's industry, business, finance and positioning, as well as other factors that the Board considers appropriate. The Board will review the Company's dividend policy from time to time.

CONSTITUTIONAL DOCUMENTS

During the Year, there were no changes in the constitutional documents of the Company. A copy of the latest consolidated version of the Articles of Association is posted on the Company's and the Stock Exchange's respective websites.

On 31 March 2022, the Board has proposed the amendments to the Articles of Association (the "Proposed Amendments") in order to, among others, (i) bring the Articles of Association in line with amendments made to the Listing Rules and the laws of the Cayman Islands; and (ii) make certain minor housekeeping amendments to the Articles of Association for the purpose of clarifying existing practice and making consequential amendments in line with the amendments to the Articles of Association. In this regard, the Proposed Amendments will be subject to the approval of the Shareholders by way of a special resolution at the forthcoming annual general meeting. A circular containing, among other matters, further details of the Proposed Amendments and the notice of the forthcoming annual general meeting will be despatched to the Shareholders in due course.

Independent Auditor's Report

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

To the Shareholders of Shuanghua Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Shuanghua Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 60 to 126, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

KEY AUDIT MATTERS (CONTINUED)

Impairment of property, plant and equipment and right-of-use assets

As at 31 December 2021, the carrying values of the Group's property, plant and equipment and right-of-use assets amounted to RMB99,816,000 and RMB40,768,000 respectively.

Management is required to perform impairment assessment on an asset if there is an indicator that the asset's recoverable amount may be lower than its carrying amount. The impairment reviews performed by the Group's management include a number of significant judgements and estimates including cash generating unit ("CGU") identification, future sales expectation, operating profit forecasts, discount rate, fair value, costs of disposal and overall market and economic conditions. Changes in these assumptions may have a significant impact on the impairment assessment.

As a result of the Group's impairment review completed during the year, no impairment charge was recognised.

The Group's disclosures about impairment of property, plant and equipment and right-of-use assets are included in notes 4(c), 5(b) and 16 to the consolidated financial statements, which also explain the accounting policies and management's accounting estimates.

Our responses:

- We evaluated management's identification of indicators of impairment.
- For recoverable amount determined based on value in use, we obtained the calculation of value-in-use, checked the mathematical accuracy of the calculation and evaluated the key assumptions by comparing to the Group's development plan.
- For recoverable amount determined based on fair value less costs of disposal, we assessed the appropriateness of valuation methodologies applied and the reasonableness of key inputs and assumptions used in the fair value less costs of disposal determination.

Impairment assessment of trade receivables, prepayments, other receivables and other assets

As at 31 December 2021, the carrying values of the Group's trade receivables, and prepayments, other receivables and other assets amounted to RMB5,611,000 and RMB16,697,000, respectively, for which respective impairment losses of RMB5,229,000 and RMB519,000 were recognised during the year.

The expected credit loss ("ECL") calculations of financial assets at amortised cost under HKFRS 9 "Financial Instruments" ("HKFRS 9") involved management's significant judgement and high level of estimation uncertainty. It includes key assumptions such as probability of default rates, expected recovery rates in the event of loss-given default and forward-looking information specific to the debtors and the macroeconomic environment where the debtors are located.

We identified the impairment assessment of trade receivables, and prepayments, other receivables and other assets as a key audit matter because of the significant judgement and high level of estimation uncertainty involved in the ECL calculations and the carrying amounts thereof are material to the consolidated financial statements.

Our responses:

– Assessing the appropriateness of the ECL models by challenging the reasonableness of key assumptions and inputs used by the management in estimating the ECL, including evaluating the accuracy and relevance of the historical default rates and whether they are properly adjusted based on the recent credit loss experience and forward-looking information; and

– Evaluating the reasonableness of disclosures relating to impairment assessment of trade receivables, and prepayments, other receivables and other assets.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The audit committee of the Company (the "Audit Committee") assists the directors in discharging their responsibility in the regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants
Alfred Lee
Practising Certificate Number: P04960

Hong Kong, 31 March 2022

Consolidated Statement of Profit or Loss

For the Year ended 31 December

	Notes	2021 RMB'000	2020 RMB'000
Revenue	*7*	**32,690**	63,793
Cost of sales		**(27,724)**	(54,196)
Gross profit		**4,966**	9,597
Other income, gains and losses	*7*	**4,477**	11,969
Impairment losses recognised on			
– trade receivables		**(5,229)**	(591)
– other receivables and other assets		**(519)**	(6)
Selling and distribution costs		**(1,426)**	(1,984)
Administrative expenses		**(20,587)**	(25,891)
Other expenses	*8*	**–**	(1,077)
Interest expense	*10*	**(63)**	(25)
Loss before tax	*9*	**(18,381)**	(8,008)
Income tax credit	*14*	**192**	881
Loss for the year		**(18,189)**	(7,127)
Attributable to:			
Owners of the parent		**(18,581)**	(5,153)
Non-controlling interests		**392**	(1,974)
		(18,189)	(7,127)
Loss per share attributable to ordinary equity holders of the parent			
Basic and diluted	*15*	**RMB(2.9) cents**	RMB(0.8) cents

Consolidated Statement of Comprehensive Income

For the Year ended 31 December

	2021 RMB'000	2020 RMB'000
LOSS FOR THE YEAR	**(18,189)**	(7,127)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Release of reserves upon deregistration of a subsidiary	**–**	251
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(18,189)**	(6,876)
Attributable to:		
Owners of the parent	**(18,581)**	(4,902)
Non-controlling interests	**392**	(1,974)
	(18,189)	(6,876)

Consolidated Statement of Financial Position

As at 31 December

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*16*	**99,816**	115,373
Investment properties	*17*	**54,606**	–
Right-of-use assets	*18*	**40,768**	69,209
Advance payments for property, plant and equipment		**376**	15,256
Financial assets at fair value through profit or loss	*19*	**6,443**	7,311
Other receivables	*22*	**6,469**	–
Total non-current assets		**208,478**	207,149
CURRENT ASSETS			
Inventories	*20*	**2,148**	21,097
Trade and bills receivables	*21*	**5,611**	24,370
Prepayments, other receivables and other assets	*22*	**10,228**	15,618
Financial assets at fair value through profit or loss	*19*	**–**	55,000
Restricted time deposits	*23*	**–**	40,000
Cash and cash equivalents	*23*	**97,730**	19,587
Total current assets		**115,717**	175,672
CURRENT LIABILITIES			
Trade payables	*24*	**6,431**	25,488
Other payables and accruals	*25*	**4,611**	13,333
Provision for warranties	*26*	**400**	483
Lease liabilities	*18*	**878**	837
Tax payable		**1,090**	1,090
Total current liabilities		**13,410**	41,231
NET CURRENT ASSETS		**102,307**	134,441
TOTAL ASSETS LESS CURRENT LIABILITIES		**310,785**	341,590

Consolidated Statement of Financial Position

As at 31 December

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT LIABILITIES			
Lease liabilities	*18*	**–**	878
Deferred tax liabilities	*27*	**1,135**	1,327
Total non-current liabilities		**1,135**	2,205
NET ASSETS		**309,650**	339,385
EQUITY			
Equity attributable to owners of the parent			
Issued capital	*28*	**5,406**	5,406
Reserves	*29*	**304,240**	327,921
		309,646	333,327
Non-controlling interests		**4**	6,058
TOTAL EQUITY		**309,650**	339,385

Zheng Ping
Director

Tang Lo Nar
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December

	Attributable to owners of the parent									
	Share capital RMB'000 *(note 28)*	Share premium RMB'000 *(note 29)*	Capital reserve RMB'000 *(note 29)*	Statutory surplus reserve RMB'000 *(note 29)*	Merger reserve RMB'000 *(note 29)*	Exchange fluctuation reserve RMB'000 *(note 29)*	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2020	5,406	133,658	168,183	42,857	(119,378)	(251)	102,954	333,429	4,832	338,261
Loss for the year	–	–	–	–	–	–	(5,153)	(5,153)	(1,974)	(7,127)
Other comprehensive income for the year:										
Release of reserves upon deregistration of a subsidiary	–	–	–	–	–	251	–	251	–	251
Total comprehensive loss for the year	–	–	–	–	–	251	(5,153)	(4,902)	(1,974)	(6,876)
Change in equity interest in a subsidiary without change in control *(note 22(a))*	–	–	–	–	–	–	4,800	4,800	3,200	8,000
As at 31 December 2020 and 1 January 2021	5,406	133,658	168,183	42,857	(119,378)	–	102,601	333,327	6,058	339,385
(Loss)/profit and total comprehensive loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(18,581)**	**(18,581)**	**392**	**(18,189)**
Disposal of subsidiaries *(note 30)*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,103**	**1,103**
Transaction with non-controlling interests *(note (35))*	**-**	**-**	**(49)**	**-**	**-**	**-**	**(5,051)**	**(5,100)**	**(7,549)**	**(12,649)**
As at 31 December 2021	**5,406**	**133,658**	**168,134**	**42,857**	**(119,378)**	**-**	**78,969**	**309,646**	**4**	**309,650**

Consolidated Statement of Cash Flows

For the year ended 31 December

	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	**(18,381)**	(8,008)
Adjustments for:		
Interest income	**(1,938)**	(1,255)
Dividend income from financial assets at fair value through profit or loss	**(366)**	(364)
Loss/(gain) on disposal of items of property, plant and equipment	**2,175**	(5,440)
Fair value change on financial assets at fair value through profit or loss	**868**	1,265
Depreciation of items of property, plant and equipment	**7,154**	7,308
Depreciation of investment properties	**3,427**	–
Depreciation of right-of-use assets	**1,885**	2,822
Investment income from financial assets at fair value through profit or loss	**–**	(2,024)
Foreign exchange differences, net	**199**	322
Impairment of trade receivables, other receivables and other assets	**5,748**	597
Interest expense	**63**	25
Write-down of inventories to net realisable value	**133**	7,473
Written off assets arising from deregistration of a subsidiary	**–**	646
Written back trade payables	**(495)**	–
Written back other payables	**(4,558)**	–
Loss on disposal of subsidiaries	**196**	–
Operating (loss)/profit before working capital changes	**(3,890)**	3,367
Decrease/(increase) in trade and bills receivables	**964**	(9,341)
Increase in prepayments, other receivables and other assets	**(11,123)**	(3,479)
Decrease/(increase) in inventories	**4,678**	(8,105)
Decrease in provision for warranties	**(83)**	(762)
Increase in trade payables	**3,898**	18,392
Increase/(decrease) in other payables and accruals	**6,986**	(986)
Cash generated from/(used in) operations	**1,430**	(914)
Interest received	**767**	256
Net cash flows from/(used in) operating activities	**2,197**	(658)

Consolidated Statement of Cash Flows

For the year ended 31 December

	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	**(30,507)**	(35,475)
Decrease/(increase) in prepayment for property, plant and equipment	**14,880**	(13,636)
Purchases of financial assets at fair value through profit or loss	**–**	(55,000)
Proceeds from disposal of investments at fair value through profit or loss	**55,000**	–
Dividend income from financial assets at fair value through profit or loss	**366**	364
Investment income from financial assets at fair value through profit or loss	**–**	2,024
Proceeds from disposal of items of property, plant and equipment	**2,029**	7,430
Interest received for restricted time deposits	**1,171**	894
Decrease in restricted time deposits	**40,000**	96,782
Disposal of subsidiaries	**(1,294)**	–
Net cash flows from investing activities	**81,645**	3,383
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	**(63)**	(25)
Principal portion of lease payments	**(837)**	(1,037)
Transactions with non-controlling interests	**(4,600)**	–
Net cash flows used in financing activities	**(5,500)**	(1,062)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**78,342**	1,663
Cash and cash equivalents at beginning of year	**19,587**	17,995
Effect of foreign exchange rate changes, net	**(199)**	(71)
CASH AND CASH EQUIVALENTS AT END OF YEAR	**97,730**	19,587

1. CORPORATE AND GROUP INFORMATION

Shuanghua Holdings Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands on 19 November 2010. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal places of business in the People's Republic of China (the "PRC") are located in Fengxian District, Shanghai ("Shanghai") and in Tunxi District, Huangshan City, Anhui Province ("Anhui").

During the year, the Company and its subsidiaries (the "Group") were principally involved in two major businesses, being the business of trading, manufacturing and research and development ("R&D") of automobile parts, mainly the automotive heating, ventilation and air-conditioning ("HVAC") components, and the business of supply chain management, mainly cold chain supply, leasing, transportation services, etc.

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

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of Rules Governing the Listing of securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss and debt instruments at fair value through other comprehensive income, which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2. BASIS OF PREPARATION (CONTINUED)

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

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

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

3. ADOPTION OF HKFRSs

(a) Adoption of new/revised HKFRSs – effective 1 January 2021

The HKICPA has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest rate benchmark reform – phase 2*
Amendment to HKFRS 16	*COVID-19-related rent concessions beyond 30 June 2021*

The new or amended HKFRSs that are effective from 1 January 2021 did not have any significant impact on the Group's accounting policies.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16: Interest rate benchmark reform – phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the "Reform"). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

Amendment to HKFRS 16: COVID-19-related rent concessions beyond 30 June 2021

The amendment exempts lessees from having to consider individual lease contract to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19-related rent concessions that reduce lease payments due on or before 30 June 2021. The amendment does not affect lessors.

3. ADOPTION OF HKFRSs (CONTINUED)

(b) New/revised HKFRSs that have been issued but are not yet effective

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

Amendments to HKFRS 3	Reference to the Conceptual Framework[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 17	Insurance Contracts[2,5]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[2,4]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to HKAS 8	Definition of Accounting Estimates[2]
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use[1]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[1]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[1]

1 Effective for annual periods beginning on or after 1 January 2022
2 Effective for annual periods beginning on or after 1 January 2023
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised in October 2020 to align the corresponding wording with no change in conclusion
5 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

The Group is not yet in a position of state whether these new pronouncements will result is substantial to the Group's accounting policies and financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Business combinations and goodwill (continued)

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in the consolidated statement of profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in the consolidated statement of profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Fair value measurement

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;

Level 2: Fair value measured based on valuation techniques using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs; or

Level 3: Fair value measured based on valuation techniques using significant unobservable inputs (i.e. not derived from market data).

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

(c) Impairment of non-financial assets

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Impairment of non-financial assets (continued)

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

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

(d) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

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

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

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

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

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

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

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Company's parent.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Related parties (continued)

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

(e) Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

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

Buildings	4.75%
Machinery and equipment	9.50%
Computer and office equipment	19.00%
Motor vehicles	23.75%

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

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

Construction in progress represents a building and machinery and equipment under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost is the direct costs of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Investment property

Investment property is property held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment property is stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. Depreciation is charged so as to write off the cost of investment property net of expected residual value over the estimated useful live using straight-line method. The useful live, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

Buildings	4.75%
Leasehold land	48 to 50 years

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

(g) Lease

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful life of the assets as follows:

Leasehold land	48 to 50 years
Office rental	2 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Lease (continued)

Group as a lessee (continued)

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g. a change to future lease payments resulting from a change in an index or rate) or a change in the assessment to purchase the underlying asset.

The Group's lease liabilities are presented separately in the consolidated statement of financial position.

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of warehouses (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in other income in the consolidated statement of profit or loss due to its non-operating nature.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, 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. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest rate method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Investments and other financial assets (continued)

Subsequent measurement (continued)

Financial assets at fair value through other comprehensive income (debt instruments)

For debt instruments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the consolidated statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the consolidated statement of profit or loss.

Financial assets designated at fair value through other comprehensive income (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 "Financial Instruments: Presentation" and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the consolidated statement of profit or loss. Dividends are recognised as other income in the consolidated statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss.

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the consolidated statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Derecognition of financial assets

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

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

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

Continuing involvement that takes the form of a guarantee over the transferred assets is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(j) Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. 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, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment of financial assets (continued)

General approach (continued)

At each reporting date, the Group evaluates whether the debt investments at fair value through other comprehensive income are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 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. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs.
Stage 2	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs.
Stage 3	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs.

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities include trade payables, other payables and accruals and lease liabilities.

Subsequent measurement

The subsequent measurement of loans and borrowings is as follows:

Financial liabilities at amortised cost (loans and borrowings)

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

(l) Derecognition of financial liabilities

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

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

(m) Offsetting of financial instruments

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

(n) Inventories

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired and form an integral part of the Group's cash management.

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

(p) Provisions

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

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

The Group provides for warranties in relation to the sale of certain products for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are recognised based on sales volume and past experience of the level of repairs, discounted to their present values as appropriate.

(q) Income tax

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Income tax (continued)

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

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

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

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

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

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

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

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Sale of products

Revenue from the sale of products is recognised at the point in time when control of the asset is transferred to the customer, generally on receipt of the products.

Supply chain management business income

Revenue from the provision of supply chain management business income is recognised when the services have been provided.

Leasing income

Leasing income is recognised on a time proportion basis over the lease terms.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Revenue recognition (continued)

Other income (continued)

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(s) Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

(t) Employee benefits

Defined contribution retirement plans

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

(u) Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Foreign currencies

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

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

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

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

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

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

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Estimation uncertainty

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

(a) Provision for ECLs on trade and other receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on ageing for groupings of various customer segments that have similar loss patterns (i.e., by customer type and rating).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

For other receivables, the loss allowance is calculated by 12-month ECL assessment. However, when there has been a significant increase in credit risk since initial recognition, the loss allowance will be calculated by lifetime ECL assessment.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of debtors' actual default in the future. The information about ECLs on the Group's trade and other receivables is disclosed in notes 21 and 22 to the consolidated financial statements.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

(b) Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of the reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. As at 31 December 2021, the Company's market capitalisation was lower than the Group's net assets value which is an indicator of impairment for non-financial assets. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and chooses a suitable discount rate in order to calculate the present value of those cash flows.

(c) Provision for slow-moving inventories and net realisable value of inventories

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

6. OPERATING SEGMENT INFORMATION

Segment revenue and results

During the year ended 31 December 2021, the Group's supply chain management business, mainly cold chain supply, leasing, transportation services, etc., has been successfully put into operation. The Group determines its operating segments based on the internal reports reviewed by the executive directors, who are the chief operating decision-maker, that are used to allocate resources and assess performance, which are analysed based on business as follows:

Automobile parts business	The Group is involved in the business of trading, manufacturing and R&D of automobile parts, mainly the automotive HVAC components.
Supply chain management business	The Group is involved in the business of supply chain management, mainly cold chain supply, leasing, transportation services, etc. (2020: no leasing services were recognised under revenue).

6. OPERATING SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (continued)

Year ended 31 December 2021	Automobile parts business RMB'000	Supply chain management business RMB'000	Total RMB'000
REVENUE	**22,552**	**10,138**	**32,690**
RESULTS			
Segment results	**1,722**	**3,244**	**4,966**
Other income, gains and losses			**4,477**
Impairment losses recognised on trade and other receivable and other assets			**(5,748)**
Selling and distribution costs			**(1,426)**
Administrative expenses			**(20,587)**
Interest expense			**(63)**
Loss before tax			**(18,381)**

Year ended 31 December 2020	Automobile parts business RMB'000	Supply chain management business RMB'000	Total RMB'000
REVENUE	63,793	–	63,793
RESULTS			
Segment results	9,597	–	9,597
Other income, gains and losses			11,969
Impairment losses recognised on trade and other receivable and other assets			(597)
Selling and distribution costs			(1,984)
Administrative expenses			(25,891)
Unallocated expenses			(1,102)
Loss before tax			(8,008)

The accounting policies of the operating segments are identical to the Group's accounting policies. Segment results represent the gross profit for each segment without allocation of other income, gains and losses, impairment losses, selling and distribution costs and administrative expenses. Included in the segment results of the automobile parts business and supply chain management business were depreciation charges of RMB1,940,000 and RMB4,371,000, respectively (2020: RMB2,332,000 and nil, respectively) for the year ended 31 December 2021. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

6. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

Revenue from external customers

	2021 RMB'000	2020 RMB'000
Mainland China	**30,085**	58,522
Asia	**2,553**	5,008
Others	**52**	263
	32,690	63,793

The place of domicile of the Group's operating entities is in the PRC and the revenue information above is based on the locations of the customers.

All of the non-current assets other than financial instruments of the Group were located in the Mainland China.

No information about the segment assets and liabilities is presented as such information is not regularly provided to the chief operating decision maker for resource allocation and performance assessment purposes.

Information about major customers

For the year ended 31 December 2021, no customer (2020: 2) accounted for more than 10% of the Group's total revenue individually.

	2021 RMB'000	2020 RMB'000
Customer A	**–***	24,932
Customer B	**–***	6,797

* Less than 10% of the Group's revenue.

7. REVENUE, OTHER INCOME, GAINS AND LOSSES

An analysis of revenue is as follows:

	2021 RMB'000	2020 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
– Automobile parts business	**22,552**	63,793
– Supply chain management business	**6,386**	–
Revenue from other sources		
– Supply chain management business	**3,752**	–
	32,690	63,793

(i) Disaggregated revenue information for revenue from contracts with customers

For the years ended 31 December 2021 and 2020

	2021 RMB'000	2020 RMB'000
Timing of revenue recognition		
At a point in time	**22,552**	63,793
Over time	**6,386**	–

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

	2021 RMB'000	2020 RMB'000
Sale of products *(note 25(a))*	**2,621**	2,910

(ii) Performance obligations

At 31 December 2021, the remaining performance obligations (unsatisfied or partially unsatisfied) are expected to be recognised within one year. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied or partially unsatisfied contracts is not disclosed.

7. REVENUE, OTHER INCOME, GAINS AND LOSSES (CONTINUED)

	Note	2021 RMB'000	2020 RMB'000
Other income			
Gross rental income		**–**	3,606
Investment income from financial assets at fair value through profit or loss		**–**	2,024
Interest income		**1,938**	1,255
Technology services income		**–**	605
Dividend income from financial assets at fair value through profit or loss		**366**	364
		2,304	7,854
Gains and losses			
(Loss)/gain on disposal of items of property, plant and equipment		**(2,175)**	5,440
Loss on disposal of subsidiaries	*30*	**(196)**	–
Fair value change on financial assets at fair value through profit or loss		**(868)**	(1,265)
Foreign exchange loss, net		**(199)**	(322)
Written back trade payables		**495**	–
Written back other payables		**4,558**	–
Others		**558**	262
		2,173	4,115
Total other income, gains and losses		**4,477**	11,969

8. OTHER EXPENSES

	2021 RMB'000	2020 RMB'000
Written off assets arising from deregistration of a subsidiary	–	646
Others	–	431
	–	1,077

9. LOSS BEFORE TAX

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

	Notes	2021 RMB'000	2020 RMB'000
Cost of inventories sold		20,697	46,723
Write-down of inventories to net realisable value		133	7,473
Depreciation of property, plant and equipment	*16*	7,154	7,308
Depreciation of investment properties	*17*	3,427	–
Depreciation of right-of-use assets	*18*	1,885	2,822
Product warranty provision, net of reversal	*26*	(74)	2
Lease payments not included in the measurement of lease liabilities	*18(c)*	1,098	138
Auditor's remuneration		720	720
Employee benefit expense (excluding directors' and chief executives' remuneration) *(note 12)*:			
Wages and salaries		7,542	9,382
Pension scheme contributions*		622	785
Staff welfare expenses		114	1,297
		8,278	11,464

* There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

10. INTEREST EXPENSE

	2021 RMB'000	2020 RMB'000
Interest on lease liabilities	63	25

11. DIVIDEND

No dividend was declared and paid during the year ended 31 December 2021 (2020: nil).

12. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2021 **RMB'000**	2020 RMB'000
Fees	**480**	480
Other emoluments:		
Salaries, bonus, allowances and benefits in kind	**2,040**	2,040
Pension scheme contributions	**16**	16
	2,056	2,056
	2,536	2,536

(a) Independent non-executive directors

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

	2021 **RMB'000**	2020 RMB'000
He Binhui	**60**	60
Guo Ying	**60**	60
Chen Lifan	**60**	60
	180	180

There were no other emoluments payable to the independent non-executive directors during the year (2020: nil).

12. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(b) Executive directors and a non-executive director

	Fees RMB'000	Salaries, bonuses, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total RMB'000
For the year ended 31 December 2021				
Executive directors:				
Zheng Ping (chief executive)	120	1,000	–	1,120
Zheng Fei	60	480	16	556
Tang Lo Nar	60	320	–	380
	240	1,800	16	2,056
Non-executive director:				
Kong Xiaoling	60	240	–	300
	300	2,040	16	2,356
For the year ended 31 December 2020				
Executive directors:				
Zheng Ping (chief executive)	120	1,000	–	1,120
Zheng Fei	60	480	16	556
Tang Lo Nar	60	320	–	380
	240	1,800	16	2,056
Non-executive director:				
Kong Xiaoling	60	240	–	300
	300	2,040	16	2,356

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

13. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included 3 directors (2020: 3 directors), details of whose remuneration are set out in note 12 above. Details of the remuneration for the year of the remaining 2 (2020: 2) highest paid employee who is neither a director nor chief executive of the Company are as follows:

	2021 RMB'000	2020 RMB'000
Salaries, allowances and benefits in kind	**635**	826
Pension scheme contributions	**69**	82
	704	908

The remuneration of the above non-director and non-chief executive highest paid employee is within HK$1,000,000.

No bonus was paid or receivable by directors or five highest paid employees after considering the Group's operational and financial performance during the year (2020: nil).

14. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate. The Company was incorporated in the Cayman Islands as an exempted company with limited liability under Companies Law of the Cayman Islands and accordingly is not subject to Cayman Islands corporate income tax ("CIT").

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

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the year.

The provision for Mainland China income tax has been made at the applicable income tax rate of 25% on the assessable profits of certain PRC subsidiaries of the Group in accordance with the PRC Corporate Income Tax Law.

	2021 RMB'000	2020 RMB'000
Current tax	**–**	–
Deferred tax *(note 27)*	**(192)**	(881)
Total tax credit for the year	**(192)**	(881)

14. INCOME TAX (CONTINUED)

A reconciliation of the tax credit applicable to loss before tax at the statutory rate in the Mainland China to the tax credit at the effective tax rate is as follows:

	2021 **RMB'000**	2020 RMB'000
Loss before tax	**(18,381)**	(8,008)
At the PRC's statutory income tax rate of 25%	**(4,595)**	(2,002)
Expenses not deductible for tax	**48**	94
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	**(192)**	(881)
Temporary differences not recognised	**(982)**	(12,988)
Tax losses not recognised	**5,529**	14,896
Tax credit at the Group's effective rate	**(192)**	(881)

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

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent, and the number of ordinary shares of 650,000,000 (2020: 650,000,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2021 and 2020.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery and equipment RMB'000	Computer and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost						
At 1 January 2021	148,625	17,587	2,309	5,077	11,319	184,917
Additions	4,355	114	403	–	25,635	30,507
Disposal	–	(4,738)	–	–	–	(4,738)
Disposal of subsidiaries *(note 30)*	–	(3,135)	(568)	–	(128)	(3,831)
Transfer	19,125	2,177	663	–	(21,965)	–
Transfer to investment properties *(note 17)*	(61,572)	–	–	–	–	(61,572)
At 31 December 2021	110,533	12,005	2,807	5,077	14,861	145,283
Depreciation						
At 1 January 2021	63,680	628	1,067	4,169	–	69,544
Depreciation charge for the year	4,717	1,563	504	370	–	7,154
Eliminated on disposal	–	(534)	–	–	–	(534)
Eliminated on disposal of subsidiaries *(note 30)*	–	(351)	(251)	–	–	(602)
Transfer to investment properties *(note 17)*	(30,095)	–	–	–	–	(30,095)
At 31 December 2021	38,302	1,306	1,320	4,539	–	45,467
Carrying values						
At 31 December 2021	72,231	10,699	1,487	538	14,861	99,816

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings RMB'000	Machinery and equipment RMB'000	Computer and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost						
At 1 January 2020	125,974	97,669	4,041	6,560	18,517	252,761
Additions	–	17,336	901	97	17,141	35,475
Disposal	(1,431)	(97,675)	(2,633)	(1,580)	–	(103,319)
Transfer	24,082	257	–	–	(24,339)	–
At 31 December 2020	148,625	17,587	2,309	5,077	11,319	184,917
Depreciation						
At 1 January 2020	62,861	92,278	3,306	5,120	–	163,565
Depreciation charge for the year	2,087	4,517	261	443	–	7,308
Eliminated on disposal	(1,268)	(96,167)	(2,500)	(1,394)	–	(101,329)
At 31 December 2020	63,680	628	1,067	4,169	–	69,544
Carrying values						
At 31 December 2020	84,945	16,959	1,242	908	11,319	115,373

The recoverable amounts of the automobile parts business' cash-generating unit as at 31 December 2021 have been determined based on the fair value less costs of disposal. The recoverable amount as at 31 December 2020 have been determined based on a value-in-use calculation which was approved by management using cash flow projection based on financial budgets covering a five-year period, and extrapolated by using an estimated 3% long-term growth rate beyond the budget period. The discount rate used as at 31 December 2020 was 14%.

The recoverable amounts of the supply chain management business' cash-generating unit as at 31 December 2021 and 2020 have been determined based on a value-in-use calculation which was approved by management using cash flow projection based on financial budgets covering a five-year period, and extrapolated by using an estimated 3% long-term growth rate (2020: 3%) beyond the budget period. The discount rate used as at 31 December 2021 was 13% (2020: 14%).

No impairment expense was recognised in the consolidated statement of profit or loss for the years ended 31 December 2021 and 2020.

17. INVESTMENT PROPERTIES

During the year ended 31 December 2021, there were changes in the use of certain of the Group's owner-occupied properties to generate leasing services income or for capital appreciation purposes. As a results, these properties were reclassified from property, plant and equipment and right-of-use assets to investment properties at their carrying amounts and measured using the cost model.

Changes to the carrying amounts presented in the consolidated statement of financial position are summarised as follows:

	RMB'000
Cost	
At 1 January 2021	–
Transfer from property, plant and equipment *(note 16)*	61,572
Transfer from right-of-use assets *(note 18)*	37,777
At 31 December 2021	99,349
Depreciation	
At 1 January 2021	–
Transfer from property, plant and equipment *(note 16)*	30,095
Transfer from right-of-use assets *(note 18)*	11,221
Depreciation charge for the year	3,427
At 31 December 2021	44,743
Carrying values	
At 31 December 2021	54,606

The fair value of the Group's investment properties was approximately RMB125,740,000 as at 31 December 2021, as determined by the directors of the Company with reference to the valuation performed by an independent qualified professional valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment properties being valued. Valuation was performed using the combination of income and cost approach which best reflect the current condition and available market information of the properties under valuation. During the year, no direct operating expenses, including repairs and maintenance, arising from investment property that generated or did not generate leasing services income.

18. LEASES

The Group as a lessee

The Group has a lease contract for office rental. Lump sum payments were made upfront to acquire the leased land from the authorised government departments of Shanghai and Anhui with lease periods of 48 to 50 years, and no ongoing payments will be made under the terms of these land leases. A lease of office has lease term of 2 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) *Right-of-use assets*

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Prepaid land lease payments RMB'000	**Office RMB'000**	**Total RMB'000**
As at 1 January 2021	**67,494**	**1,715**	**69,209**
Transfer to investment properties *(note 17)*	**(26,556)**	**–**	**(26,556)**
Depreciation charge	**(1,048)**	**(837)**	**(1,885)**
Carrying amount at 31 December 2021	**39,890**	**878**	**40,768**

	Prepaid land lease payments RMB'000	Office RMB'000	Total RMB'000
As at 1 January 2020	69,262	1,054	70,316
New leases	–	1,715	1,715
Depreciation charge	(1,768)	(1,054)	(2,822)
Carrying amount at 31 December 2020	67,494	1,715	69,209

18. LEASES (CONTINUED)

The Group as a lessee (Continued)

(b) *Lease liabilities*

The carrying amount of lease liabilities and the movements during the year are as follows:

	2021 RMB'000	2020 RMB'000
Carrying amount at 1 January	**1,715**	1,037
New leases	**–**	1,715
Accretion of interest recognised during the year	**63**	25
Payments	**(900)**	(1,062)
	878	1,715
Less: Amount due for settlement with 12 months shown under current liabilities	**(878)**	(837)
Amount due for settlement after 12 months shown under non-current liabilities	**–**	878

The maturity analysis of lease liabilities is disclosed in note 38 to the consolidated financial statements.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2021 RMB'000	2020 RMB'000
Interest on lease liabilities	**63**	25
Depreciation charge of right-of-use assets	**1,885**	2,822
Expense relating to short-term leases included in administrative expenses	**1,098**	138
Total amount recognised in profit or loss	**3,046**	2,985

(d) The total cash outflow for leases is disclosed in note 32(a) to the consolidated financial statements.

18. LEASES (CONTINUED)

The Group as a lessor

The Group leases part of its properties consisting mainly warehouses in the Mainland China under operating lease arrangements. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Leasing services income recognised by the Group during the year was RMB3,752,000 (2020: RMB3,606,000).

At 31 December 2021 and 2020, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2021 **RMB'000**	2020 RMB'000
Within one year	**900**	977
After one year but within two years	**–**	–
	900	977

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 **RMB'000**	2020 RMB'000
Listed equity investment, at fair value	**6,443**	7,311
Investments in bank financial products, at fair value	**–**	55,000
	6,443	62,311

The listed equity investments represent an equity investment in Bank of Shanghai which is listed on the Shanghai Stock Exchange. The investment is measured at fair value based on the quoted market price of the investee.

The above investments in bank financial products were structured deposits and wealth management products issued by banks in the Mainland China. Included in financial assets at fair value through profit or loss as at 31 December 2020 represents contracts of structured deposits entered with a bank for period up to one month, amounting to RMB50,000,000. While the structured deposits are principal guaranteed, their returns were determined by reference to the performance of the underlying instruments in the commodity market. The fair value of these structured deposits were RMB50,000,000 as at 31 December 2020; and their expected return rates vary from 1.0% to 3.2% per annum. The amount has also included the other wealth management product issued by a bank, amounting to RMB5,000,000. These investments in bank financial products were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

20. INVENTORIES

	2021 RMB'000	2020 RMB'000
Raw materials	**1,610**	10,245
Work in progress	**–**	508
Finished goods	**538**	10,344
	2,148	21,097

21. TRADE AND BILLS RECEIVABLES

	2021 RMB'000	2020 RMB'000
Trade receivables	**19,770**	33,295
Bills receivable	**77**	806
	19,847	34,101
Impairment allowance	**(14,236)**	(9,731)
	5,611	24,370

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

As at 31 December 2021, bills receivable of RMB77,000 (2020: RMB806,000) whose fair values approximate to their carrying values were classified as financial assets at fair value through other comprehensive income under HKFRS 9. The fair value changes of these bills receivable at fair value through other comprehensive income were insignificant during the year.

21. TRADE AND BILLS RECEIVABLES (CONTINUED)

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

	2021 RMB'000	2020 RMB'000
Within 1 month	**1,335**	5,075
1 to 3 months	**–**	6,980
3 to 12 months	**1,398**	10,731
Over 12 months	**2,801**	778
	5,534	23,564

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

	2021 RMB'000	2020 RMB'000
At beginning of year	**9,731**	9,140
Released on disposal of subsidiaries	**(724)**	–
Impairment losses	**5,229**	591
At end of year	**14,236**	9,731

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on ageing for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

21. TRADE AND BILLS RECEIVABLES (CONTINUED)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2021

	Gross carrying amount RMB'000	**Expected credit loss rate**	**Expected credit losses RMB'000**
Trade receivables aged, based on the invoice date:			
Less than 1 year	**3,186**	**14.2%**	**453**
Between 1 and 2 years	**8,903**	**68.8%**	**6,129**
Between 2 and 3 years	**2,072**	**98.7%**	**2,045**
Over 3 years	**5,609**	**100.0%**	**5,609**
	19,770	**72%**	**14,236**

As at 31 December 2020

	Gross carrying amount RMB'000	Expected credit loss rate	Expected credit losses RMB'000
Trade receivables aged, based on the invoice date:			
Less than 1 year	24,037	5.2%	1,251
Between 1 and 2 years	2,099	69.2%	1,453
Between 2 and 3 years	3,342	96.1%	3,210
Over 3 years	3,817	100.0%	3,817
	33,295	29.2%	9,731

22. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2021 RMB'000	2020 RMB'000
Other receivables	**697**	781
Prepayments	**3,531**	1,213
Prepaid expenses	**–**	28
Interest receivables	**122**	470
Amount due from a non-controlling shareholder of a subsidiary *(note (a))*	**–**	8,000
Other receivables from disposed subsidiaries *(note (b))*	**8,859**	–
Value-added tax recoverable	**4,252**	5,835
	17,461	16,327
Impairment allowance	**(764)**	(709)
	16,697	15,618
Portion classified as current assets	**(10,228)**	(15,618)
Non-current portion *(note (b))*	**6,469**	–

Notes:

(a) On 28 June 2020, the Company (as the seller) entered into the sale and purchase agreement with Fuzhou Anda Shengdong Logistic Co., Ltd. (as the purchaser), pursuant to which the seller has agreed to sell and the purchaser has agreed to acquire 40% equity interests of Shanghai Shuanghua Supply Chain Management Co., Ltd ("Shuanghua Supply Chain"), a subsidiary of the Company, at the consideration of RMB1 and shall pay up the outstanding capital contribution to the sales interest of RMB8,000,000. During the year ended 31 December 2021, the purchaser failed to pay up outstanding capital contribution. During the year ended 31 December 2021, the Company agreed to buy back this 40% equity interests from non-controlling interests at nil consideration and does not require them to pay the outstanding capital contribution of RMB8,000,000. As a result, the Company resumed 100% equity interests of Shuanghua Supply Chain as at 31 December 2021.

(b) The Group disposed certain subsidiaries during the year ended 31 December 2021. This represents the amount due from the then subsidiaries, disposal of which was mentioned in note 30, which is unsecured, interest free and with fixed repayment terms.

The movements in the loss allowance for impairment of other receivables, prepayments and other assets are as follows:

	2021 RMB'000	2020 RMB'000
At beginning of year	**709**	713
Impairment losses, net	**519**	6
Written-off	**(464)**	(10)
At end of year	**764**	709

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts.

23. CASH AND CASH EQUIVALENTS AND RESTRICTED TIME DEPOSITS

	2021 RMB'000	2020 RMB'000
Cash and bank balances	**97,730**	19,587
Restricted time deposits	**–**	40,000
	97,730	59,587
Less: restricted time deposits	**–**	(40,000)
Cash and cash equivalents	**97,730**	19,587
Denominated in RMB	**92,895**	15,042
Denominated in United States dollars	**3,122**	3,474
Denominated in other currencies	**1,713**	1,071
Cash and cash equivalents	**97,730**	19,587

As at 31 December 2021, cash and cash equivalents of the Group denominated in RMB amounted to RMB92,895,000 (2020: RMB15,042,000). RMB is not freely convertible into other currencies. However, under the 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 31 December 2020, RMB40,000,000 represented restricted time deposits carrying a fixed interest rate from 2.5% to 2.6% per annum, which were restricted and could not be redeemed until maturity date.

24. TRADE PAYABLES

	2021 RMB'000	2020 RMB'000
Trade payables	**6,431**	25,488

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

	2021 RMB'000	2020 RMB'000
Within 1 month	**435**	5,792
1 to 3 months	**3**	10,669
3 to 12 months	**172**	1,987
6 to 12 months	**1,600**	4,582
Over 12 months	**4,221**	2,458
	6,431	25,488

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

25. OTHER PAYABLES AND ACCRUALS

	2021 RMB'000	2020 RMB'000
Contract liabilities *(note (a))*	**1,782**	5,881
Other payables *(note (b))*	**495**	3,538
Taxes payable other than corporate income tax	**941**	1,589
Payroll payables	**1,390**	2,322
Accrued expenses	**3**	3
	4,611	13,333

Notes:

(a) Details of contract liabilities are as follows:

	2021 RMB'000	2020 RMB'000
At 1 January	**5,881**	4,643
Amounts included in contract liabilities that was recognised as revenue during the period	**(2,621)**	(2,910)
Cash received in advance of performance and not recognised as revenue during the period	**224**	4,148
written-back	**(1,702)**	-
At 31 December	**1,782**	5,881

Contract liabilities include short-term advances received to deliver products. The decrease in contract liabilities in 2021 and 2020 was mainly due to the decrease in short-term advances received from customers in relation to the sale of goods at the end of the year.

(b) Other payables are non-interest-bearing and repayable on demand.

26. PROVISION FOR WARRANTIES

	2021 RMB'000	2020 RMB'000
Warranties		
At 1 January	**483**	1,245
Additional provision	**120**	90
Amounts utilised during the year	**(9)**	(764)
Reversal of unutilised amounts	**(194)**	(88)
At 31 December	**400**	483

The Group provides two-year warranties to its customers on certain of its industrial products for general repairs of defects occurring during the warranty period. The amount of the provision is estimated based on sales volumes and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

27. DEFERRED TAX

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

	Fair value adjustments arising from acquisition of a subsidiary RMB'000	Withholding tax RMB'000	Total RMB'000
At 1 January 2020	36	2,172	2,208
Deferred tax credited to the consolidated statement of profit or loss during the year *(note 14)*	–	(881)	(881)
At 31 December 2020 and 1 January 2021	36	1,291	1,327
Deferred tax credited to the consolidated statement of profit or loss during the year *(note 14)*	**–**	**(192)**	**(192)**
At 31 December 2021	**36**	**1,099**	**1,135**

27. DEFERRED TAX (CONTINUED)

As at 31 December 2021, the Group has tax losses arising in Hong Kong of RMB nil (2020: RMB2,329,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

The Group also has tax losses arising in the Mainland China of RMB120,251,000 (2020: RMB119,662,000) that will expire in one to five years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses and deductible temporary differences as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

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

	2021 RMB'000	2020 RMB'000
Tax losses	**120,251**	121,991
Deductible temporary differences	**3,585**	21,113
At end of year	**123,836**	143,104

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the Mainland China. A lower withholding tax rate may be applied if there is a tax treaty between the Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in the Mainland China in respect of earnings generated.

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

28. SHARE CAPITAL

Shares

	2021 RMB'000	2020 RMB'000
Authorised:		
10,000,000,000 (2020: 10,000,000,000) ordinary shares of HK$0.01 each	**83,293**	83,293
Issued and fully paid:		
650,000,000 (2020: 650,000,000) ordinary shares of HK$0.01 each	**5,406**	5,406

29. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

(i) Share premium

The application of the share premium account is governed by the Companies Law of the Cayman Islands. Under the constitutional documents and the Companies Law of the Cayman Islands, the share premium is distributable as dividend on condition that the Company is able to pay its debts when they fall due in the ordinary course of business at the time the proposed dividend is to be paid.

(ii) Capital reserve

The capital reserve represents the aggregated amount of the paid-up capital of those companies comprising the Group prior to the incorporation of the Company.

(iii) Statutory surplus reserve

In accordance with the Company Law of the PRC, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserve may be converted to increase share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

(iv) Merger reserve

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

(v) Exchange fluctuation reserve

The exchange fluctuation reserve is used to record exchange differences arising from the translation of the financial statements of entities of which the functional currency is not RMB.

30. DISPOSAL OF SUBSIDIARIES

On 25 May 2021, the board announced that the Company's subsidiary had entered into an equity transfer agreement with a purchaser to dispose of its entire equity interest of an indirectly wholly-owned subsidiary, Shanghai Shuanghua Automobile Technology Development Co., Ltd. ("Shuanghua Automobile Technology"), at a consideration of RMB1. Shuanghua Automobile Technology and its subsidiary are principally engaged in the supply and sales of automobile components that require relatively low technical requirements and the fair values of the identifiable assets and liabilities of Shuanghua Automobile Technology and its subsidiary as at the date of disposal were as follows:

	2021 **RMB'000**
Net assets disposed of:	
Property, plant and equipment *(note 16)*	**3,229**
Cash and cash equivalents	**1,294**
Trade receivables	**12,517**
Other receivables	**120**
Inventories	**14,138**
Trade payables	**(22,460)**
Other payables	**(9,745)**
Non-controlling interest	**1,103**
	196
Loss on disposal of subsidiaries *(note 7)*	**(196)**
	–
Satisfied by:	
Cash	**–***

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2021 **RMB'000**
Cash consideration	**–***
Cash and bank balances disposed of	**(1,294)**
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	**(1,294)**

* Amount less than RMB1,000

31. CONTINGENT LIABILITIES

At the end of the reporting period, the Group did not have any significant contingent liabilities.

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

	2021 **RMB'000**	2020 RMB'000
Within operating activities	**1,098**	138
Within financing activities	**900**	1,062
	1,998	1,200

33. CAPITAL COMMITMENTS

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

	2021 **RMB'000**	2020 RMB'000
Contracted but not portion for:		
Property, plant and equipment	**7,262**	12,149

34. RELATED PARTY TRANSACTIONS

Details of the Group's principal related party are as follows:

Name	Relationship
Shanghai Automart Investment Co., Ltd. ("Shanghai Automart")	An entity controlled by a director

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

	2021 RMB'000	2020 RMB'000
Office rental paid to Shanghai Automart	**900**	1,062

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

The above transaction was a one-off connected transaction as defined in Chapter 14A of the Listing Rules.

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

	2021 RMB'000	2020 RMB'000
Short term employee benefits	**3,371**	3,563
Pension scheme contributions	**144**	301
Total compensation paid to key management personnel	**3,515**	3,864

Further details of the emoluments of the directors and the chief executive are set out in note 12 to the consolidated financial statements.

35. INTERESTS IN SUBSIDIARIES

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of Incorporation/ registration and business	Principal activity	Issued ordinary/ registered capital	Percentage of equity attributable to the Company	
				Direct	Indirect
Automart Holdings Limited ("BVI Automart")	Incorporated BVI	Investment holding	US$100,000	100%	–
Automart Holdings Limited ("Hong Kong Automart")	Incorporated in Hong Kong ("HK")	Investment holding and import and export of automobile air-conditioner parts and components	HK$1,200,000	–	100%
Shanghai Shuanghua Autoparts Co., Ltd. ("Shuanghua Autoparts") *(note (i))*	Incorporated in the PRC/ Mainland China	Manufacture and sale of automobile air-conditioner parts and components and supply chain management	RMB389,289,704	–	99.999%
Shanghai Shuanghua Machinery Manufacturing Co., Ltd. ("Shuanghua Machinery") *(note (ii))*	Incorporated in the PRC/ Mainland China	Manufacture and sale of automobile air-conditioner parts and components	RMB60,000,000	–	99.999%
Shanghai Youshen Industry Co., Ltd. ("Youshen Industry") *(note (ii))*	Incorporated in the PRC/ Mainland China	Import and export of air-conditioner parts and components	RMB10,000,000	–	99.999%
Shanghai Shuanghua Auto Components Co., Ltd. ("Shuanghua Auto Components") *(note (ii))*	Incorporated in the PRC/ Mainland China	Sale of automobile air-conditioner parts and components	RMB2,000,000	–	99.999%
Shanghai Eagle Investment Limited ("Eagle Investment") *(note (ii))*	Incorporated in the PRC/ Mainland China	Investment holding and sale of automotive lubricants	RMB150,000,000	–	100%
Anhui Shuanghua Intelligent Technology Co., Ltd. ("Anhui Shuanghua") *(note (ii))*	Incorporated in the PRC/ Mainland China	Manufacture and sale of automobile air-conditioner parts and components	RMB37,000,000	–	99.999%
Shuanghua Supply Chain *(note (ii))*	Incorporated in the PRC/ Mainland China	Supply chain management	RMB20,000,000	–	100%
Shanghai Longhua Food Co., Ltd ("Longhua Food") *(note (ii))*	Incorporated in the PRC/ Mainland China	Food business	RMB30,000,000	–	100%

35. INTERESTS IN SUBSIDIARIES (CONTINUED)

Notes:

(i) This entity is a Sino-foreign equity company established under PRC law.

(ii) These entities are limited liability enterprises established under PRC law.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Transactions with non-controlling interests

During the year ended 31 December 2021, the Group entered into two transactions that change the Group's ownership in certain subsidiaries that does not result in loss of control. The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity holders of the Group. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity.

During the year ended 31 December 2021, the Group acquired the remaining 13.51% equity interests of Anhui Shuanghua at a total consideration of RMB4,600,000. Upon completion of this transaction, Anhui Shuanghua became the subsidiary of the Company with 99.999% equity interests owned by the Company.

As detailed in note 22(a), during the year ended 31 December 2021, the non-controlling interests of Shuanghua Supply Chain failed to pay up an outstanding capital contribution of RMB8,000,000. During the year ended 31 December 2021, the Company agreed to buy back the 40% equity interests from non-controlling interests at nil consideration and at the same time does not require the purchaser to pay this outstanding capital contribution. As a result, the Company resumed 100% equity interest of Shuanghua Supply Chain as at 31 December 2021.

36. FINANCIAL INSTRUMENTS BY CATEGORY

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

Financial assets

31 December 2021

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total
		Debt instrument		
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at fair value through profit of loss	**6,443**	**–**	**–**	**6,443**
Trade and bills receivables	**–**	**77**	**5,534**	**5,611**
Financial assets included in prepayments, other receivables and other assets	**–**	**–**	**8,914**	**8,914**
Cash and cash equivalents	**–**	**–**	**97,730**	**97,730**
	6,443	**77**	**112,178**	**118,698**

31 December 2020

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total
		Debt instrument		
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at fair value through profit of loss	62,311	–	–	62,311
Trade and bills receivables	–	806	23,564	24,370
Financial assets included in prepayments, other receivables and other assets	–	–	8,776	8,776
Restricted time deposits	–	–	40,000	40,000
Cash and cash equivalents	–	–	19,587	19,587
	62,311	806	91,927	155,044

36. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Financial liabilities – at amortised cost

	2021 RMB'000	2020 RMB'000
Trade payables	**6,431**	25,488
Financial liabilities included in other payables and accruals	**498**	3,541
Lease liabilities	**878**	1,715
	7,807	30,744

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

All the carrying amounts of the Group's financial instruments approximate to their fair values.

Management has assessed that the fair values of cash and cash equivalents, restricted time deposits, trade and bills receivables, financial assets included in prepayments, other receivables and other assets, trade payables, financial liabilities included in other payables and accruals and lease liabilities approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the finance manager. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the finance manager. The valuation process and results are discussed with the directors once a year for annual financial reporting.

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

The fair values of listed equity investments are based on quoted market prices.

The fair values of the bills receivable classified as financial assets at fair value through other comprehensive income under HKFRS 9 have been calculated by discounting the expected future cash flows, which are the par values of the bills receivable. In addition, the bills receivable will mature within six months, thus their fair values approximate to their carrying values.

The Group invests in unlisted investments, which represent wealth management products issued by banks in the Mainland China. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the quoted interest rates of the instruments.

Fair value hierarchy

The fair values of the non-current portion of lease liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for lease liabilities as at the end of the reporting period was assessed to be insignificant.

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

The following table illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2021

	Fair value measurement using			
	Quoted price in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Debt investments at fair value through other comprehensive income:				
Bills receivable	**–**	**77**	**–**	**77**
Financial assets at fair value through profit or loss:				
Listed equity investments	**6,443**	**–**	**–**	**6,443**
	6,443	**77**	**–**	**6,520**

As at 31 December 2020

	Fair value measurement using			
	Quoted price in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Debt investments at fair value through other comprehensive income:				
Bills receivable	–	806	–	806
Financial assets at fair value through profit or loss:				
Listed equity investments	7,311	–	–	7,311
Investments in bank financial products, at fair value	–	55,000	–	55,000
	7,311	55,806	–	63,117

The Group did not have any financial liabilities measured at fair value as at 31 December 2021 (2020: nil).

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2020: nil).

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between the RMB and other currencies in which the Group conducts business may affect the Group's financial condition and results of operations. The Group seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in foreign exchange rates, with all other variables held constant, of the Group's loss before tax (due to changes in the fair values of monetary assets and liabilities).

2021

	Increase/ (decrease) in rate of foreign currency %	**Decrease/ (increase) in loss before tax RMB'000**
If RMB weakens against United States dollar	**5**	**271**
If RMB strengthens against United States dollar	**(5)**	**(271)**
If RMB weakens against Hong Kong dollar	**5**	**33**
If RMB strengthens against Hong Kong dollar	**(5)**	**(33)**
If RMB weakens against Japanese Yen	**5**	**23**
If RMB strengthens against Japanese Yen	**(5)**	**(23)**

2020

	Increase/ (decrease) in rate of foreign currency %	Decrease/ (increase) in loss before tax RMB'000
If RMB weakens against United States dollar	5	514
If RMB strengthens against United States dollar	(5)	(514)
If RMB weakens against Hong Kong dollar	5	30
If RMB strengthens against Hong Kong dollar	(5)	(30)
If RMB weakens against Japanese Yen	5	23
If RMB strengthens against Japanese Yen	(5)	(23)

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

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

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2021

	12-month ECLs	Lifetime ECLs		Simplified	
	Stage 1	Stage 2	Stage 3	approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables *	–	–	–	19,770	19,770
Bills receivable **	77	–	–	–	77
Financial assets included in prepayments, other receivables and other assets					
– Normal **	9,678	–	–	–	9,678
Cash and cash equivalents					
– Not yet past due	97,730	–	–	–	97,730
	107,485	–	–	19,770	127,255

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

As at 31 December 2020

	12-month ECLs	Lifetime ECLs		Simplified	
	Stage 1	Stage 2	Stage 3	approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables *	–	–	–	33,295	33,295
Bills receivable **	806	–	–	–	806
Financial assets included in prepayments, other receivables and other assets					
– Normal **	8,776	–	–	–	8,776
– Doubtful **	–	–	475	–	475
Restricted time deposits					
– Not yet past due	40,000	–	–	–	40,000
Cash and cash equivalents					
– Not yet past due	19,587	–	–	–	19,587
	69,169	–	475	33,295	102,939

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 20 to the consolidated financial statements.

** The credit quality of the bills receivable and financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and other receivables are disclosed in notes 21 and 22 to the consolidated financial statements.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty and by geographical region. At 31 December 2021, the Group had certain concentrations of credit risk as 13% (2020: 21%) and 50% (2020: 50%) of the Group's trade receivables were due from the Group's largest customer and five largest customers, respectively.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

All the Group's financial liabilities at the end of the reporting period are due within one year or payable on demand.

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

2021

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	Over 1 year RMB'000	Total RMB'000
Trade payables	**6,431**	**–**	**–**	**–**	**6,431**
Financial liabilities included in other payables and accruals	**498**	**–**	**–**	**–**	**498**
Lease liabilities	**–**	**215**	**663**	**–**	**878**
	6,929	**215**	**663**	**–**	**7,807**

2020

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	Over 1 year RMB'000	Total RMB'000
Trade payables	9,027	16,461	–	–	25,488
Financial liabilities included in other payables and accruals	3,541	–	–	–	3,541
Lease liabilities	–	206	631	878	1,715
	12,568	16,667	631	878	30,744

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management

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

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirement. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 31 December 2020.

The Group did not have any borrowings as at 31 December 2021 and 2020.

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. Net debt includes lease liabilities, less cash and cash equivalents and pledged deposits.

As at 31 December 2021 and 2020, the Group's cash and cash equivalents exceeded the total of lease liabilities. As such, no gearing ratio at 31 December 2021 and 2020 is presented.

39. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Lease liabilities RMB'000
At 1 January 2020	1,037
Financing cash flows	
– Repayment of lease liabilities	(1,037)
– Interest paid on lease liabilities	(25)
Non-cash changes	
– Recognition of lease liabilities	1,715
– Interest expense recognised	25
At 31 December 2020 and 1 January 2021	1,715
Financing cash flows	
– Repayment of lease liabilities	**(837)**
– Interest paid on lease liabilities	**(63)**
Non-cash changes	
– Interest expense recognised	**63**
At 31 December 2021	**878**

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2021	2020
	RMB'000	RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**117,174**	117,131
Total non-current assets	**117,174**	117,131
CURRENT ASSETS		
Amounts due from subsidiaries	**161,670**	165,314
Cash and cash equivalents	**987**	2,230
Total current assets	**162,657**	167,544
CURRENT LIABILITIES		
Amounts due to subsidiaries	**130**	130
Other payables and accruals	**34**	34
Total current liabilities	**164**	164
NET CURRENT ASSETS	**162,493**	167,380
TOTAL ASSETS LESS CURRENT LIABILITIES	**279,667**	284,511
NET ASSETS	**279,667**	284,511
EQUITY		
Issued capital	**5,406**	5,406
Reserves *(note)*	**274,261**	279,105
TOTAL EQUITY	**279,667**	284,511

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Information about the statement of financial position of the Company at the end of the reporting period is as follows (continued):

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Capital reserve RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2020	133,658	117,131	37,306	288,095
Loss and total comprehensive loss for the year	–	–	(8,990)	(8,990)
At 31 December 2020 and 1 January 2021	133,658	117,131	28,316	279,105
Loss and total comprehensive loss for the year	**–**	**–**	**(4,844)**	**(4,844)**
At 31 December 2021	**133,658**	**117,131**	**23,472**	**274,261**

41. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 31 March 2022.

Particular of Major Investment Properties

Location	Lot number	Use	Our Group's interest %	Lease term	Government lease expiry
No. 488, Yaoqiao Village, Zhelin Town, Fengxian District, Shanghai	Lot No. 5 / 10, Block 6, Huqiao Town, Fengxian District, Shanghai	Industrial	99.999%	Medium	2055
No. 88, Lane 3111, Huancheng West Road, Fengxian District, Shanghai	Lot No. 78 / 19, Block 1, Xidu Town, Fengxian District, Shanghai	Industrial	99.999%	Medium	2058

Five Year Financial Summary

	Year ended 31 December				
	2017	2018	2019	2020	**2021**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
REVENUE	83,751	55,166	28,616	63,793	**32,690**
Cost of sales	(72,323)	(44,313)	(34,354)	(54,196)	**(27,724)**
Gross profit/(loss)	11,428	10,853	(5,738)	9,597	**4,966**
Other income, gains and losses	5,752	9,688	7,640	11,969	**4,477**
Reversal of impairment/(impairment losses) recognised on					
– trade receivables	(55)	(2,158)	(3,747)	(591)	**(5,229)**
– other receivables and other assets	–	1,293	(695)	(6)	**(519)**
Selling and distribution expenses	(4,631)	(4,788)	(1,120)	(1,984)	**(1,426)**
Administrative expenses	(19,416)	(21,726)	(29,481)	(25,891)	**(20,587)**
Other expenses	(194)	(6,877)	(11)	(1,077)	**–**
Interest expense	–	–	(128)	(25)	**(63)**
Share of (loss)/gain of a joint venture	–	(231)	181	–	**–**
LOSS BEFORE TAX	(7,116)	(13,946)	(33,099)	(8,008)	**(18,381)**
Income tax credit/(expenses)	(10,071)	701	1,551	881	**192**
LOSS FOR THE YEAR	(17,187)	(13,245)	(31,548)	(7,127)	**(18,189)**
Attributable to:					
Owners of the parent	(17,187)	(13,245)	(31,377)	(5,153)	**(18,581)**
Non-controlling interests	–	–	(171)	(1,974)	**392**
	(17,187)	(13,245)	(31,548)	(7,127)	**(18,189)**

	Year ended 31 December				
	2017	2018	2019	2020	**2021**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Total assets	430,317	409,175	365,256	382,821	**324,195**
Total liabilities	(51,990)	(44,368)	(26,995)	(43,436)	**(14,545)**
Non-controlling interests	(5)	(5)	(4,832)	(6,058)	**(4)**
	378,332	364,802	333,429	333,327	**309,646**