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Shuanghua Holdings Limited
雙樺控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1241)

ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2022

The board (the “Board”) of directors (the “Directors”) of Shuanghua Holdings Limited (the “Company”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2022, together with comparative figures as follows. The interim financial information has not been audited, but has been reviewed by the Audit Committee of the Company.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June

	Notes	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue	5	13,037	23,768
Cost of sales		<u>(10,823)</u>	<u>(16,036)</u>
Gross profit		2,214	7,732
Other income, gains and losses	5	150	5,393
Reversal of impairment loss of trade receivables, other receivables and other assets		220	408
Selling and distribution costs		(256)	(1,209)
Administrative expenses		(8,360)	(12,123)
Other expenses		-	(783)
Interest expense		<u>(17)</u>	<u>(36)</u>
Loss before tax	6	(6,049)	(618)
Income tax credit	7	<u>200</u>	<u>31</u>
Loss for the period		<u>(5,849)</u>	<u>(587)</u>
Attributable to:			
Owners of the parent		(5,849)	935
Non-controlling interests		<u>-</u>	<u>(1,522)</u>
		<u>(5,849)</u>	<u>(587)</u>
(Loss)/earnings per share attributable to ordinary equity holders of the parent			
Basic and diluted	9	<u>(0.90) cents</u>	<u>0.14 cents</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the six months ended 30 June

	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
LOSS FOR THE PERIOD AND TOTAL		
 COMPREHENSIVE LOSS FOR THE PERIOD	<u>(5,849)</u>	<u>(587)</u>
Attributable to:		
Owners of the parent	(5,849)	935
Non-controlling interests	<u>-</u>	<u>(1,522)</u>
	<u>(5,849)</u>	<u>(587)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Notes	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	97,434	99,816
Investment properties		52,809	54,606
Right-of-use assets		39,827	40,768
Advance payments for property, plant and equipment		376	376
Financial assets at fair value through profit or loss	11	5,919	6,443
Other receivables		6,469	6,469
Total non-current assets		<u>202,834</u>	<u>208,478</u>
CURRENT ASSETS			
Inventories	12	167	2,148
Trade and bills receivables	13	9,765	5,611
Prepayments, other receivables and other assets		5,920	10,228
Cash and cash equivalents	14	101,250	97,730
Total current assets		<u>117,102</u>	<u>115,717</u>
TOTAL ASSETS		<u>319,936</u>	<u>324,195</u>
CURRENT LIABILITIES			
Trade payables	15	7,735	6,431
Other payables and accruals		5,785	4,611
Provision		146	400
Lease liabilities		444	878
Tax payable		1,090	1,090
Total current liabilities		<u>15,200</u>	<u>13,410</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>304,736</u>	<u>310,785</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 30 June 2022

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
NON-CURRENT LIABILITIES		
Deferred tax liabilities	<u>935</u>	<u>1,135</u>
Total non-current liabilities	<u>935</u>	<u>1,135</u>
NET ASSETS	<u>303,801</u>	<u>309,650</u>
EQUITY		
Equity attributable to owners of the parent		
Issued capital	5,406	5,406
Reserves	<u>298,391</u>	<u>304,240</u>
	303,797	309,646
Non-controlling interests	<u>4</u>	<u>4</u>
TOTAL EQUITY	<u>303,801</u>	<u>309,650</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2022

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 and in Tunxi District, Huangshan City, Anhui Province.

During the six months ended 30 June 2022, 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 of the Company, the parent company and the ultimate holding company of the Company is Youshen International Group Limited, which is incorporated in the British Virgin Islands.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by The Hong Kong Institute of Certified Public Accountants (the “HKICPA”). In addition, the interim condensed consolidated financial statements include the applicable disclosures requirements of the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The interim condensed consolidated financial statements 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. The interim condensed consolidated financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

The interim condensed consolidated financial statements should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2021.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2022

3. APPLICATION OF NEW AND REVISED HKFRSs

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) effective for the first time for annual periods beginning on 1 January 2022, the accounting policies and methods of computation used in the interim condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those followed in the preparation of the annual financial statements of the Group for the year ended 31 December 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 3, Reference to the Conceptual Framework
- Amendment to HKFRS 16, Covid-19-Related Rent Concessions beyond 30 June 2021
- Amendments to HKAS 16, Property, Plant and Equipment: Proceeds before Intended Use
- Amendments to HKAS 37, Onerous Contracts – Cost of Fulfilling a Contract
- Annual Improvements to HKFRSs 2018-2020, Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The new or amended HKFRSs that are effective from 1 January 2022 did not have any significant impact on the Group’s accounting policies.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2022

4. OPERATING SEGMENT INFORMATION

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:

Segment revenue and results

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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2022

4. OPERATING SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

For the six months ended 30 June 2022 (unaudited)

	Automobile parts business RMB'000 (Unaudited)	Supply chain management business RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
REVENUE	<u>2,894</u>	<u>10,143</u>	<u>13,037</u>
RESULTS			
Segment results	<u>(483)</u>	<u>2,697</u>	<u>2,214</u>
Other income, gains and losses			150
Reversal of impairment losses on trade receivables, other receivables and other assets			220
Selling and distribution costs			(256)
Administrative expenses			(8,360)
Interest expense			<u>(17)</u>
Loss before tax			<u>(6,049)</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2022

4. OPERATING SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

For the six months ended 30 June 2021 (unaudited)

	Automobile parts business RMB'000 (Unaudited)	Supply chain management business RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
REVENUE	19,282	4,486	23,768
RESULTS			
Segment results	3,288	4,444	7,732
Other income, gains and losses			5,393
Reversal of impairment losses on trade receivables, other receivables and other assets			408
Selling and distribution costs			(1,209)
Administrative expenses			(12,123)
Unallocated expenses			(819)
Loss before tax			(618)

Geographical information

Revenue from external customers

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Mainland China	13,037	21,294
Asia	–	2,474
	13,037	23,768

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2022

4. OPERATING SEGMENT INFORMATION (continued) Geographical information (continued)

Revenue from external customers (continued)

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 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 six months ended 30 June 2022, revenue from one (for the six months ended 30 June 2021: one) customer accounted for more than 10% of the Group's total revenue individually.

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Customer A	—*	2,955
Customer B	2,279	—*
	2,279	2,955

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2022

5. REVENUE, OTHER INCOME, GAINS AND LOSSES

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers within the scope of HKFRS 15		
– Automobile parts business	2,894	19,282
– Supply chain management business	10,143	4,486
	<u>13,037</u>	<u>23,768</u>

Disaggregated revenue information for revenue from contracts with customers

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Timing of revenue recognition		
At a point in time	2,894	19,282
Over time	10,143	4,486

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2022

5. REVENUE, OTHER INCOME, GAINS AND LOSSES (continued)

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Other income		
Interest income	744	1,510
Others	—	77
	<u>744</u>	<u>1,587</u>
Gains and (losses)		
Loss on disposal of items of property, plant and equipment	(2)	(1,418)
Fair value change on financial assets at fair value through profit or loss	(522)	(262)
Foreign exchange gains/(losses), net	188	(303)
Gain on write-back of other payables	—	5,734
Others	(258)	55
	<u>(594)</u>	<u>3,806</u>
Total other income, gains and losses	<u>150</u>	<u>5,393</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2022

6. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	3,377	15,994
Depreciation of property, plant and equipment	3,586	4,732
Depreciation of investment properties	1,797	–
Depreciation of right-of-use assets	941	1,445
Product warranty reversal, net	(254)	(140)
(Reversal)/impairment of write-down of inventories	(108)	1,346
	<hr/>	<hr/>
Employee benefit expense (excluding directors' and chief executives' remuneration):		
Wages and salaries	3,173	4,673
Pension scheme contributions	537	1,048
Staff welfare expenses	118	252
	<hr/>	<hr/>
	3,828	5,973
	<hr/>	<hr/>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2022

7. 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 Group calculated the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax credit in the interim condensed consolidated statement of profit or loss are:

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax:		
Charge for the period	–	–
Deferred tax	<u>(200)</u>	<u>(31)</u>
Total tax credit for the period	<u>(200)</u>	<u>(31)</u>

8. DIVIDENDS

The Board did not recommend the payment of a final dividend in respect of the year ended 31 December 2021 or an interim dividend in respect of the six months ended 30 June 2022.

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

The calculation of the (loss)/earnings per share amount is based on the loss for the period attributable to ordinary equity holders of the parent, and the number of ordinary shares in issue during the period is 650,000,000 (for the six months ended 30 June 2021: 650,000,000).

The Group did not have any dilutive potential ordinary shares in issue during the period (for the six months ended 30 June 2021: nil).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2022

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group acquired items of property, plant and equipment with a cost of RMB1,223,000 (for the six months ended 30 June 2021: RMB21,437,000).

During the six months ended 30 June 2022, the Group disposed of items of property, plant and equipment and resulted in a loss on disposal of RMB2,000 (loss for the six months ended 30 June 2021: RMB1,418,000).

None of the Group's buildings were pledged as at 30 June 2022 (as at 31 December 2021: nil).

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Listed equity investment, at fair value	<u>5,919</u>	<u>6,443</u>

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.

12. INVENTORIES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Raw materials	–	1,610
Finished goods	<u>167</u>	<u>538</u>
	<u>167</u>	<u>2,148</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2022

13. TRADE AND BILLS RECEIVABLES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Trade receivables	23,757	19,770
Bills receivable	44	77
	23,801	19,847
Impairment allowance	(14,036)	(14,236)
	9,765	5,611

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 30 June 2022, bills receivable of RMB44,000 (31 December 2021: RMB77,000) 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 period.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2022

13. TRADE AND BILLS RECEIVABLES (continued)

An ageing analysis of the trade receivables as at the end of the reporting periods as indicated, based on the invoice dates and net of provisions, are as follows:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 1 month	4,277	1,335
1 to 3 months	–	–
3 to 12 months	1,245	1,398
Over 12 months	4,199	2,801
	<hr/> 9,721	<hr/> 5,534

14. CASH AND CASH EQUIVALENTS

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Cash and cash equivalents	101,250	97,730

As at 30 June 2022, cash and cash equivalents of the Group denominated in RMB amounted to RMB98,892,000 (as at 31 December 2021: RMB92,895,000). 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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2022

15. TRADE PAYABLES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Trade payables	<u>7,735</u>	<u>6,431</u>

An ageing analysis of the trade payables as at the end of the reporting periods as indicated, based on the invoice dates, are as follows:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 1 month	1,151	435
1 to 3 months	1,075	3
3 to 6 months	398	172
6 to 12 months	336	1,600
Over 12 months	<u>4,775</u>	<u>4,221</u>
	<u>7,735</u>	<u>6,431</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 June 2022 (the “Period” or “Period under Review”), Shuanghua Holdings Limited (“Shuanghua” or the “Company”) and its subsidiaries (collectively referred to as the “Group”) have been principally engaged in the business of supply chain management, mainly the cold chain supply, leasing, transportation services, etc. and the business of trading, manufacturing and research and development (“R&D”) of automobile parts.

In the first half of 2022, the global economy was facing all kinds of interference and challenges, such as the Russia-Ukraine conflict, the continuing novel coronavirus (the “COVID-19”) epidemic, trade chaos, and the world economy struggling for recovery. As the COVID-19 epidemic rebounded in many regions in mainland China, Shanghai, where the Group’s businesses were mainly operated in, was forced to adopt strict lockdown measures to contain the spread of the COVID-19, which made the overall economy of Shanghai be almost at a standstill, and affected the Group’s business operations to a certain extent. According to the changes in the market environment and the actual situation of the Company, the Group actively promoted its business transformation and upgrade strategy by actively reducing the unprofitable part of the traditional fuel automobile parts business and developing the new energy vehicle parts business and supply chain management business with potential good profit prospects and sustainable development. During the Period under Review, the Group achieved sales revenue of approximately RMB13.0 million, a decrease of approximately RMB10.8 million as compared to the corresponding period of last year.

During the Period, the first cold storage plant of the Group actively undertook the task of acting as one of the bases for guaranteeing the market supply of daily necessities (the “Guaranteed Supply”). The Group supplied emergency supplies such as vegetables, frozen meat, eggs and dairy products to the local people, and supported the operation of other Guaranteed Supply service providers such as Fresh Hema, Wal-Mart and Costco, which was highly publicised and recognized by local governments. During the lockdown of Shanghai, the Group’s supply chain management business remained operation, while the volume and scale of the operation, turnover rate and the relevant business development were inevitably affected to a certain extent. For the six months ended 30 June 2022, the Group’s revenue from the supply chain management business amounted to approximately RMB10.1 million.

Affected by the COVID-19 epidemic, the profit margin of the Group's traditional fuel automobile parts business was compressed, which made some products of the Group's traditional fuel automobile parts in a state of low profit or loss. The Group actively reduced the proportion of traditional fuel automobile parts business to reduce the Group's loss, and actively developed new energy vehicle parts business with potential profitability and good growth prospects. For the six months ended 30 June 2022, the Group's revenue from the automobile parts business amounted to approximately RMB2.9 million.

For the first half of 2022, affected by the COVID-19 epidemic, (i) the cost of the Group's traditional fuel automobile parts increased, which in turn affected the products profits; and (ii) the government's enhanced epidemic prevention and control measures and regulatory requirements have led to an increase in the operating costs of the Group's supply chain management business and delay in the development of relevant businesses, thereby limiting the overall profitability. The Company recorded loss attributable to its owners of approximately RMB5.8 million for the six months ended 30 June 2022, while the profit attributable to its owners was approximately RMB1 million for the corresponding period last year.

OUTLOOK AND STRATEGY

In the second half of 2022, as the spread of the COVID-19 and its variants remains uncertain, the outlook of the macro economy and political environment remain unclear. The Group will continue to implement the formulated business plan and focus on (i) expanding food supply chain business, to enhance the “Shuanghua (雙樺)” brand reputation in the cold chain logistics industry; (ii) launching the recycling of lithium batteries for potential applications in the new energy vehicle business, by using the Group's resource advantages in the automobile industry; (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 to become a leading listed company with sustainable growth driven by its professional management and expertise, business cooperation and advanced technological strengths and capabilities.

(i) Expanding food supply chain business, to enhance the “Shuanghua (雙樺)” brand reputation in the cold chain logistics industry

The Group will take advantage of the upstream and downstream resources accumulated in the cold chain logistics industry, as well as the software and hardware facilities and equipment such as its cold storages, warehouses, and management system, to vertically extend the supply chain management business service chain. During the Period, the Group has obtained food business qualification to provide food supply services for the Yangtze River Delta region centered around Shanghai. During the outbreak of COVID-19 epidemic in Shanghai, Shanghai Longhua Food Co., Ltd., a wholly-owned subsidiary of the Group, timely put through the supply and storage links, to provide food supply services for Shanghai residents. In the future, the Group will continue to actively undertake the work of Guaranteed Supply of food for the people, and practice the social responsibility of serving the people. To further improve the scale and volume of the cold chain business, the Group aims to build a regional supply chain service network, to realize the horizontal expansion of the Group’s supply chain management business.

(ii) Launching the recycling of lithium batteries for potential applications in the new energy vehicle business, by using the Group’s resource advantages in the automobile industry

As an important component of new energy vehicles, lithium batteries have great potential for development in China. The Group will take advantages of the upstream and downstream resources in the automobile industry, and actively cooperate with partners and professionals from well-known universities at home and abroad to explore the establishment of lithium battery recycling business, so as to expand the Group’s new energy vehicle parts business.

(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

The Chinese government promotes energy conservation and consumption reduction, and accelerates the formation of a digital economy led and supported by innovation. The Group aims to seize the development opportunities of China’s economic digitalization, actively explore and expand the hashrate services, which is an important productive force in the era of big data, and work with partners to achieve development of the hashrate services to optimise and upgrade the Group’s business.

(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

In order to satisfy the growing demand for other goods or services, the Group intends to develop supply chain business of 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 six months ended 30 June 2022, the Group's revenue was approximately RMB13.0 million, a decrease of approximately RMB10.8 million from that of the corresponding period of 2021, which was approximately RMB23.8 million.

The following table sets forth the breakdown of the Group's revenue by business segments for the periods indicated:

Revenue	For the six months ended 30 June			
	2022	% of	2021	% of
	RMB'000	revenue	RMB'000	revenue
Supply chain management business				
Leasing and Services	10,143	77.8%	4,486	18.9%
Sub-total	10,143	77.8%	4,486	18.9%
Automobile parts business				
Evaporators	290	2.2%	3,720	15.7%
Condensers	11	0.1%	1,873	7.9%
Compressors	–	–	13,250	55.7%
Others	2,593	19.9%	439	1.8%
Sub-total	2,894	22.2%	19,282	81.1%
Total	13,037	100.0%	23,768	100.0%

Gross profit

For the six months ended 30 June 2022, the Group recorded a gross profit of approximately RMB2.2 million (gross profit for the six months ended 30 June 2021: approximately RMB7.7 million), mainly attributable to the following: the cost of the Group's traditional fuel automobile parts increased, which in turn affected the products profits; and the government's enhanced epidemic prevention and control measures and regulatory requirements have led to an increase in the operating costs of the Group's supply chain management business and delay in the development of relevant businesses.

The following table sets forth the breakdown of the Group's gross profit by business segments for the periods indicated:

Gross profit/(loss)	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Supply chain management business		
Leasing and Services	<u>2,697</u>	<u>4,444</u>
Sub-total	<u>2,697</u>	<u>4,444</u>
Automobile parts business		
Evaporators	(198)	987
Condensers	2	708
Compressors	–	1,486
Others	<u>(287)</u>	<u>107</u>
Sub-total	<u>(483)</u>	<u>3,288</u>
Total	<u>2,214</u>	<u>7,732</u>

Other income, gains and losses

For the six months ended 30 June 2022, the Group's other income, gains and losses amounted to approximately RMB0.2 million, decreased by approximately RMB5.2 million as compared to the corresponding period of last year, mainly attributable to the gain occurred from write-back of other payables last year, while there was no such item this year.

Reversal of impairment loss of trade receivables under expected credit loss model

For the six months ended 30 June 2022, the Group's reversal of impairment loss under expected credit loss model amounted to approximately RMB0.2 million. For the six months ended 30 June 2021, the Group's reversal of impairment loss under expected credit loss model amounted to approximately RMB0.4 million.

Selling and distribution costs

Selling and distribution costs primarily comprised of staff-related costs, sales transportation fees, operating lease rental expenses, entertainment and travelling expenses. For the six months ended 30 June 2022, the Group's selling and distribution costs amounted to approximately RMB0.3 million, decreased by approximately 75% as compared to the same period of last year, mainly due to the decrease of transportation fee and warranty fee.

Administrative expenses

Administrative expenses primarily comprised 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 six months ended 30 June 2022, the Group's administrative expenses amounted to approximately RMB8.4 million, decreased by approximately 30.6% as compared to the same period of last year, mainly attributable to decrease in the staff expense because of internal structural optimisation and the reclassification of the depreciation of property, plant and equipment.

Other expenses

Other expenses primarily comprised of written off of assets and miscellaneous expenses. For the six months ended 30 June 2022, the Group did not record any other expenses (for the six months ended 30 June 2021: approximately RMB0.8 million).

Interest expense

Since the adoption of HKFRS 16 *Leases* on 1 January 2019, the Group's interest income for the six months ended 30 June 2022 amounted to approximately RMB16,573 (for the six months ended 30 June 2021: approximately RMB36,649).

Income tax credit

For the six months ended 30 June 2022, the Group's income tax credit was approximately RMB199,831. For the six months ended 30 June 2021, the Group's income tax credit was approximately RMB30,257.

Loss for the Period

For the six months ended 30 June 2022, the loss attributable to the owners of the Company was approximately RMB5.8 million, while the profit attributable to the owners of the Company for the same period of last year was approximately RMB1.0 million.

LIQUIDITY AND FINANCIAL RESOURCES

Net current assets

The Group's net current assets decreased from approximately RMB102.3 million as at 31 December 2021 to approximately RMB101.9 million as at 30 June 2022.

Financial position and bank borrowings

As at 30 June 2022, the Group's total cash and cash equivalents and financial assets at fair value through profit or loss amounted to approximately RMB107.2 million. 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 30 June 2022 and 2021, the Group did not have any borrowings. The gearing ratio was not applicable to the Group (as at 31 December 2021: nil).

Save as aforesaid or otherwise disclosed in the notes to the financial information, and apart from intra-group liabilities, as at 30 June 2022, the Group did not have any outstanding mortgages, charges, debentures, debt securities or other loan capitals or bank overdrafts or loans or similar indebtedness or finance lease commitments, liabilities under acceptances or acceptance credits or hire purchase commitments, guarantees or other material contingent liabilities (as at 31 December 2021: nil).

Directors have confirmed that there has not been any material change in the indebtedness and contingent liabilities of the Group during the period since 31 December 2021.

Working capital

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

For the six months ended 30 June 2022, the average inventory turnover days were 19 days (for the six months ended 30 June 2021: 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 180 days. The decrease in the average inventory turnover days was primarily attributable to acceleration of destocking and the transformation of the business.

For the six months ended 30 June 2022, the average turnover days of trade and bills receivables were 106 days (for the six months ended 30 June 2021: 143 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 180 days. The average turnover days of trade and bills receivables decreased mainly due to the shorter trade receivables turnover period of the supply chain management.

For the six months ended 30 June 2022, the average turnover days of trade and bills payables were 118 days (for the six months ended 30 June 2021: 181 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 180 days. The average turnover days of trade and bills payables decreased mainly because the shorter trade payables turnover period of the supply chain management.

CAPITAL EXPENDITURES, CAPITAL COMMITMENTS AND HUMAN RESOURCES

For the six months ended 30 June 2022, the Group's capital expenditures were approximately RMB1.2 million, mainly due to the maintenance of the cold storage (for the six months ended 30 June 2021: approximately RMB21.4 million).

As at 30 June 2022, the Group had 79 employees including Directors, management, sales, manufacture, logistics supports and other ancillary personnel. For the six months ended 30 June 2022, the Group's total wages and salaries amounted to approximately RMB3.2 million (excluding directors' and chief executives' remuneration). 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 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. The Group provides social insurances and pays contributions to housing reserve funds for its employees in accordance with the interpretations to the relevant labour laws and regulations given, and policies and measures executed by local government departments. The Group has established various welfare plans including the provision of pension funds, medical insurance, unemployment insurance and other relevant insurance for employees who are employed by our Group pursuant to the PRC rules and regulations and the existing policy requirements of the local government. For the six months ended 30 June 2022, the Group's welfare expenses amounted to approximately RMB0.7 million. The Group has 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 its 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 of the Company at the end of each financial year.

Significant investments, material acquisitions and disposals

For the six months ended 30 June 2022, the Group did not have any significant investments, material acquisitions and disposals of subsidiaries, associates and joint ventures.

Foreign exchange risk

The Group's operations are located in the PRC with RMB as the functional and presentation currency. The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the unit's functional currency. The currency exposure of the Group mainly comes from 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

As at 30 June 2022, the Group had no significant contingent liabilities (as at 31 December 2021: nil).

Pledge of assets

As of 30 June 2022, the Group had no pledge of assets (as at 31 December 2021, the Group had no pledge of assets).

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

As at 30 June 2022, no proceeds from the initial public offering of the Company remained unutilized.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2022 (for the six months ended 30 June 2021: nil).

MATERIAL EVENTS AFTER THE REPORTING PERIOD

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

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

Neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2022 (as at 31 December 2021: nil).

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted all the requirements of the code provisions of the Corporate Governance Code (the "Corporate Governance Code") contained in Appendix 14 to the Listing Rules. None of the Directors is aware of any information which would reasonably indicate that the Company was not in compliance with the Corporate Governance Code during the six months ended 30 June 2022, except the deviation from provisions C.2.1 as explained below.

Code provision C.2.1

Under provision C.2.1 of the Corporate Governance Code, the roles of the chairman of the Board and the chief executive officer ("CEO") of the Group should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and CEO of the Group should be clearly established and set out in writing.

The roles of the chairman of the Board and the CEO of the Group are not separated and are performed by the same individual. Mr. Zheng Ping acted as both the chairman of the Board and CEO throughout the Period under Review. The Directors met regularly to consider major matters affecting the operations of the Group. The Directors considered that this structure will not impair the balance of power and authority between the Directors and management of the Group and believed that this structure will enable the Group to make and implement decisions promptly and efficiently.

COMPLIANCE WITH THE MODEL CODE

The Model Code set out in Appendix 10 to the Listing Rules has been adopted by the Company as the code of conduct for securities transactions by the Directors. The Directors have also been reminded of their responsibilities under the Model Code regularly by the Company. Having made specific enquiries with them, all Directors confirmed that they have complied with the required standards of the Model Code during the six months ended 30 June 2022.

COMPETITION AND CONFLICT OF INTERESTS

None of the Directors or any of their respective associates (as defined under the Listing Rules) has interest in any business that competes or may compete, either directly or indirectly, with the businesses of the Group, or has any other conflict of interests with the Group as at the date of this announcement.

NOMINATION COMMITTEE

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

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 Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time.

REMUNERATION COMMITTEE

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

AUDIT COMMITTEE

The Company established an Audit Committee comprising three independent non-executive Directors, namely Mr. He Binhui, Ms. Guo Ying and Mr. Chen Lifan, and is chaired by Mr. He Binhui. The written terms of reference which describe the authorities and duties of the Audit Committee were prepared and adopted with reference to “A Guide for Effective 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’s audit. It also reviews the financial reporting process and the adequacy and effectiveness of the Group’s internal control and risk management system. The Audit Committee is of the view that the risk management and internal control system at present have been valid and adequate.

REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed the unaudited consolidated results of the Company for the six months ended 30 June 2022 and this announcement. In particular, the Audit Committee has reviewed with management of the Company on the accounting principles and practices adopted by the Group and held meetings to discuss the internal controls and financial reporting matters regarding the Group’s unaudited consolidated financial information for the six months ended 30 June 2022.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is accessible on the website of the Stock Exchange at www.hkex.com.hk and the website of the Company at www.shshuanghua.com. The interim report of the Company for the six months ended 30 June 2022 will be dispatched to the Shareholders and will be available on the websites of the Stock Exchange and the Company in due course.

On behalf of the Board
Shuanghua Holdings Limited
Zheng Ping
Chairman

Hong Kong, 31 August 2022

As at the date of this announcement, the Board consists of three executive Directors, Mr. Zheng Ping, Ms. Zheng Fei and Ms. Tang Lo Nar, one non-executive Director, Ms. Kong Xiaoling, and three independent non-executive Directors, Ms. Guo Ying, Mr. He Binhui and Mr. Chen Lifan.