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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 ANNUAL RESULTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

The board (the “Board”) of directors (the “Directors”) of Shuanghua Holdings Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2021 (the “Year”), together with comparative figures as follows.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the Year ended 31 December

	Notes	2021 RMB'000	2020 RMB'000
Revenue	5	32,690	63,793
Cost of sales		<u>(27,724)</u>	<u>(54,196)</u>
Gross profit		4,966	9,597
Other income, gains and losses	5	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		–	(1,077)
Interest expense	7	<u>(63)</u>	<u>(25)</u>
Loss before tax	6	(18,381)	(8,008)
Income tax credit	8	<u>192</u>	<u>881</u>
Loss for the year		<u>(18,189)</u>	<u>(7,127)</u>
Attributable to:			
Owners of the parent		(18,581)	(5,153)
Non-controlling interests		<u>392</u>	<u>(1,974)</u>
		<u>(18,189)</u>	<u>(7,127)</u>
Loss per share attributable to ordinary equity holders of the parent			
Basic and diluted	9	<u>RMB(2.9) cents</u>	<u>RMB(0.8) cents</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year ended 31 December

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

	<i>Notes</i>	<b>2021</b> <b>RMB'000</b>	2020 <i>RMB'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>99,816</b>	115,373
Investment properties		<b>54,606</b>	–
Right-of-use assets		<b>40,768</b>	69,209
Advance payments for property, plant and equipment		<b>376</b>	15,256
Financial assets at fair value through profit or loss	<i>10</i>	<b>6,443</b>	7,311
Other receivables		<b>6,469</b>	–
Total non-current assets		<b>208,478</b>	207,149
<b>CURRENT ASSETS</b>			
Inventories		<b>2,148</b>	21,097
Trade and bills receivables	<i>11</i>	<b>5,611</b>	24,370
Prepayments, other receivables and other assets		<b>10,228</b>	15,618
Financial assets at fair value through profit or loss	<i>10</i>	–	55,000
Restricted time deposits		–	40,000
Cash and cash equivalents		<b>97,730</b>	19,587
Total current assets		<b>115,717</b>	175,672
<b>CURRENT LIABILITIES</b>			
Trade payables	<i>12</i>	<b>6,431</b>	25,488
Other payables and accruals		<b>4,611</b>	13,333
Provision for warranties		<b>400</b>	483
Lease liabilities		<b>878</b>	837
Tax payable		<b>1,090</b>	1,090
Total current liabilities		<b>13,410</b>	41,231
<b>NET CURRENT ASSETS</b>		<b>102,307</b>	134,441
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>310,785</b>	341,590

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)***As at 31 December*

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

## 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.

### 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	<i>Interest rate benchmark reform – phase 2</i>
Amendments to HKFRS 16	<i>COVID-19-related rent concessions beyond 30 June 2021</i>

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

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>3</sup> No mandatory effective date yet determined but available for adoption

<sup>4</sup> 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

<sup>5</sup> 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. 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).



#### 4. OPERATING SEGMENT INFORMATION (Continued)

##### Segment revenue and results (Continued)

##### Year ended 31 December 2021

	Automobile parts business <i>RMB'000</i>	Supply chain management business <i>RMB'000</i>	Total <i>RMB'000</i>
<b>REVENUE</b>	<u>22,552</u>	<u>10,138</u>	<u>32,690</u>
<b>RESULTS</b>			
Segment results	<u>1,722</u>	<u>3,244</u>	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			<u>(63)</u>
Loss before tax			<u><b>(18,381)</b></u>

##### Year ended 31 December 2020

	Automobile parts business <i>RMB'000</i>	Supply chain management business <i>RMB'000</i>	Total <i>RMB'000</i>
<b>REVENUE</b>	<u>63,793</u>	<u>–</u>	<u>63,793</u>
<b>RESULTS</b>			
Segment results	<u>9,597</u>	<u>–</u>	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			<u>(1,102)</u>
Loss before tax			<u><b>(8,008)</b></u>

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. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

#### 4. OPERATING SEGMENT INFORMATION (Continued)

##### Geographical information

##### *Revenue from external customers*

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

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 <i>RMB'000</i>	2020 <i>RMB'000</i>
Customer A	–*	24,932
Customer B	–*	6,797

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

#### 5. REVENUE, OTHER INCOME, GAINS AND LOSSES

An analysis of revenue is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
– Automobile parts business	22,552	63,793
– Supply chain management business	6,386	–
	<u>28,938</u>	<u>63,793</u>
Revenue from other sources		
– Supply chain management business	3,752	–
	<u>3,752</u>	<u>–</u>
	<u>32,690</u>	<u>63,793</u>

## 5. REVENUE, OTHER INCOME, GAINS AND LOSSES (Continued)

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

For the years ended 31 December 2021 and 2020

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>Timing of revenue recognition</b>		
At a point in time	22,552	63,793
Over time	<u>6,386</u>	<u>–</u>

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 <i>RMB'000</i>	2020 <i>RMB'000</i>
Sale of products	<u>2,621</u>	<u>2,910</u>

### (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.

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>Other income</b>		
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	<u>366</u>	<u>364</u>
	<u>2,304</u>	<u>7,854</u>
<b>Gains and losses</b>		
(Loss)/gain on disposal of property, plant and equipment	(2,175)	5,440
Loss on disposal of subsidiaries	(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	<u>558</u>	<u>262</u>
	<u>2,173</u>	<u>4,115</u>
Total other income, gains and losses	<u>4,477</u>	<u>11,969</u>

## 6. LOSS BEFORE TAX

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

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

## 7. INTEREST EXPENSE

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
Interest on lease liabilities	<b>63</b>	25

## 8. 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.

## 8. INCOME TAX (Continued)

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 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current tax	–	–
Deferred tax	<u>(192)</u>	<u>(881)</u>
Total tax credit for the year	<u>(192)</u>	<u>(881)</u>

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 <i>RMB'000</i>	2020 <i>RMB'000</i>
Loss before tax	<u>(18,381)</u>	<u>(8,008)</u>
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/(Reversal of temporary differences) not recognised	(982)	(12,988)
Tax losses not recognised	<u>5,529</u>	<u>14,896</u>
Tax credit	<u>(192)</u>	<u>(881)</u>

## 9. 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.

## 10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Listed equity investment, at fair value	6,443	7,311
Investments in bank financial products, at fair value	–	55,000
	<u>6,443</u>	<u>62,311</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.

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.

## 11. TRADE AND BILLS RECEIVABLES

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

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.

## 11. 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 <i>RMB'000</i>	2020 <i>RMB'000</i>
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
	<u>5,534</u>	<u>23,564</u>

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

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

## 12. TRADE PAYABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade payables	<u>6,431</u>	<u>25,488</u>

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
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
	<u>6,431</u>	<u>25,488</u>

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

## 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 announcement, 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, and overseas countries are expected to face serious "stagflation". 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 announcement, 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:

Revenue	For the year ended 31 December			
	2021		2020	
	RMB'000	% of revenue	RMB'000	% of revenue
<b>Automobile parts business</b>				
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%
<i>Sub-total</i>	<u>22,552</u>	<u>69.0%</u>	<u>63,793</u>	<u>100.0%</u>
<b>Supply chain management business</b>				
Leasing and services	10,138	31.0%	–	–
<i>Sub-total</i>	<u>10,138</u>	<u>31.0%</u>	<u>–</u>	<u>–</u>
<b>Total</b>	<u>32,690</u>	<u>100.0%</u>	<u>63,793</u>	<u>100.0%</u>

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

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

## 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 People's Republic of China ("PRC") labour laws and regulations, the Group has to pay contributions to a number of staff social insurance schemes (including medical, maternity, work injury, unemployment and pension insurances) and staff housing reserve funds. We provide social insurances and pay contributions to housing reserve funds for our employees in accordance with the interpretations to the relevant PRC labour laws and regulations given, and policies and measures executed by local government departments. We have established various welfare plans including the provision of pension funds, medical insurance, unemployment insurance and other relevant insurance for employees who are employed by 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.



## **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 is subject to the reporting and announcement requirements, but is 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 announcement, 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 announcement, 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\* (雙樺新能源汽車有限公司) (“Shuanghua New Energy Vehicles”), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Shanghai Zeqing Investment Co., Ltd.\* (上海澤青投資有限公司) (“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.\* (上海雙樺汽車科技發展有限公司) (“Shuanghua Automobile Technology”) to Shanghai Zeqing, at a consideration of RMB1 (the “Shuanghua Automobile Technology Disposal”). 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 announcement, the Shuanghua Automobile Technology Disposal has been completed. For details, please refer to the announcements of the Company dated 25 May 2021 and 27 May 2021 and the circular of the Company dated 2 July 2021.

Save as disclosed in this announcement, 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 announcement. 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 the new share option scheme will be set out in the circular to be despatched to the shareholders in due course.

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.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Company has adopted all the requirements of the code provisions of the Corporate Governance Code and Corporate Governance Report (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 Year, except the deviation from provision A.2.1 as explained below.

Under provision A.2.1 of the Corporate Governance Code, the roles of the chairman 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 and the CEO of the Group are not separated and are performed by the same individual. Mr. Zheng Ping acted as both the chairman and CEO throughout the period under review. The Directors met 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 the Group and believe that this structure will enable the Group to make and implement decisions promptly and efficiently.

## **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 requirements under the Corporate Governance 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 Corporate Governance 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 reports and accounts, and providing advice and recommendations to the Board. The audit committee also reviewed the internal control procedures of the Group and the Company’s progress in implementing the corporate governance requirements as set out in the Corporate Governance Code. The minutes of the audit committee meeting are kept by the company secretary of the Company.

The Group’s results for the year ended 31 December 2021 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards.

## **SCOPE OF WORK OF BDO LIMITED**

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Group’s independent auditor, BDO Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year ended 31 December 2021. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

## **COMPLIANCE WITH THE MODEL CODE**

The Model Code for Securities Transactions by Directors of Listed Issuers (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 Year.

## **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.

## **ANNUAL GENERAL MEETING**

The date of annual general meeting of the Company will be announced shortly, notice of which will be published and dispatched to the shareholders as soon as practicable in accordance with the Company’s articles of association and the Listing Rules.

By order of the Board  
**Shuanghua Holdings Limited**  
**Zheng Ping**  
*Chairman*

Hong Kong, 31 March 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.*