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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 2022

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 2022 (the "**Year**" or the "**Reporting Period**"), together with comparative figures as follows.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December

	Notes	**2022** **RMB'000**	2021 *RMB'000*
Revenue	*5*	**20,406**	32,690
Cost of sales		**(17,174)**	(27,724)
Gross profit		**3,232**	4,966
Other income, gains and losses	*6*	**3,366**	4,477
Impairment losses recognised on			
– trade receivables		**(2,033)**	(5,229)
– other receivables and other assets		**(5,147)**	(519)
Selling and distribution costs		**(1,060)**	(1,426)
Administrative expenses		**(19,657)**	(20,587)
Interest expense	*8*	**(22)**	(63)
Loss before tax	*7*	**(21,321)**	(18,381)
Income tax credit	*9*	**1,372**	192
Loss for the year		**(19,949)**	(18,189)
Attributable to:			
Owners of the parent		**(19,949)**	(18,581)
Non-controlling interests		**–**	392
		(19,949)	(18,189)
Loss per share attributable to ordinary equity owners of the parent			
Basic and diluted	*10*	**RMB(3.1) cents**	RMB(2.9) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December

	2022	2021
	RMB'000	*RMB'000*
LOSS FOR THE YEAR	**(19,949)**	(18,189)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Release of reserves upon deregistration of a subsidiary	**–**	–
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(19,949)**	(18,189)
Attributable to:		
Owners of the parent	**(19,949)**	(18,581)
Non-controlling interests	**–**	392
	(19,949)	(18,189)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December

	Notes	**2022** **RMB'000**	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**95,406**	99,816
Investment properties		**51,048**	54,606
Right-of-use assets		**38,887**	40,768
Advance payments for property, plant and equipment		**376**	376
Financial assets at fair value through profit or loss	*11*	**5,386**	6,443
Other receivables		**–**	6,469
Total non-current assets		**191,103**	208,478
CURRENT ASSETS			
Inventories		**10**	2,148
Trade and bills receivables	*12*	**4,280**	5,611
Prepayments, other receivables and other assets		**18,864**	10,228
Cash and cash equivalents		**89,275**	97,730
Total current assets		**112,429**	115,717
CURRENT LIABILITIES			
Trade payables	*13*	**6,868**	6,431
Other payables and accruals		**6,062**	4,611
Provision for warranties		**96**	400
Lease liabilities		**–**	878
Tax payable		**–**	1,090
Total current liabilities		**13,026**	13,410
NET CURRENT ASSETS		**99,403**	102,307
TOTAL ASSETS LESS CURRENT LIABILITIES		**290,506**	310,785

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

	Notes	**2022** *RMB'000*	2021 *RMB'000*
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**805**	1,135
Total non-current liabilities		**805**	1,135
NET ASSETS		**289,701**	309,650
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**5,406**	5,406
Reserves		**284,291**	304,240
		289,697	309,646
Non-controlling interests		**4**	4
TOTAL EQUITY		**289,701**	309,650

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 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 ("**Anhui**").

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

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 2022

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*
Amendments 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*
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2018-2020*

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

3. ADOPTION OF HKFRSs (continued)

(a) Adoption of new/revised HKFRSs – effective 1 January 2022 (continued)

Amendments to HKFRS 3 Reference to the Conceptual Framework

The amendments update a reference in HKFRS 3 Business Combinations so that it refers to the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the "**Conceptual Framework**") instead of Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting 2010 issued in October 2010), add a requirement that, for transactions and events within the scope of HKAS 37 Provisions, Contingent Liabilities and Contingent Assets or HK(IFRIC)-Int 21 Levies, an acquirer applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination and add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

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

The Group has applied the Amendment to HKFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021 retrospectively for the first time in the current year. The amendment extends the availability of the practical expedient in paragraph 46A of HKFRS 16 Leases ("**HKFRS 16**") by one year so that the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

Amendments to HKAS 16 Property, Plant and Equipment – Proceeds before Intended Use

The Group has applied the amendments for the first time in the current year. The amendments specify that the costs of any item that were produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management and the proceeds from selling such items should be recognised and measured in the profit or loss in accordance with applicable standards. The cost of the items are measured in accordance with HKAS 2 Inventories.

Amendments to HKAS 37 Onerous Contracts – Cost of Fulfilling a Contract

The Group has applied the amendments for the first time in the current year. The amendments specify that, when an entity assesses whether a contract is onerous in accordance with HKAS 37, the unavoidable costs under a contract should reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. Costs of fulfilling the contract include incremental costs and an allocation of other costs that relate directly to fulfilling contracts (e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Amendments to HKFRSs Annual Improvements to HKFRSs 2018-2020

The Group has applied the amendments for the first time in the current year. The annual improvements make amendments to the following standards:

HKFRS 9 Financial Instruments

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the "10 per cent" test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf. In accordance with the transitional provisions, the Group applies the amendment to financial liabilities that are modified or exchanged as at the date of initial application, 1 January 2022.

3. ADOPTION OF HKFRSs (continued)

(a) Adoption of new/revised HKFRSs – effective 1 January 2022 (continued)

Amendments to HKFRSs Annual Improvements to HKFRSs 2018-2020 (continued)

HKFRS 16 Leases

The amendment to Illustrative Example 13 accompanying HKFRS 16 removes from the example the illustration of reimbursement relating to leasehold improvements by the lessor in order to remove any potential confusion.

HKAS 41 Agriculture

The amendment ensures consistency with the requirements in HKFRS 13 Fair Value Measurement by removing the requirement in paragraph 22 of HKAS 41 to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

(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.

HKFRS 17 (including the October 2020 and February 2022 amendments to HKFRS 17)	Insurance Contracts[1]
Amendments to HKRFS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or 1 January 2024.

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

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:

Supply chain management business	The Group is involved in the business of supply chain management, mainly cold chain supply, leasing, transportation services, etc.
Automobile parts business	The Group is involved in the business of trading, manufacturing and R&D of automobile parts, mainly the automotive HVAC components.

4. OPERATING SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

Year ended 31 December 2022

	Supply chain management business *RMB'000*	**Automobile parts business** *RMB'000*	**Total** *RMB'000*
REVENUE	**16,769**	**3,637**	**20,406**
RESULTS			
Segment results	**2,264**	**968**	**3,232**
Other income, gains and losses			**3,366**
Impairment losses recognised on trade and other receivables and other assets			**(7,180)**
Selling and distribution costs			**(1,060)**
Administrative expenses			**(19,657)**
Interest expense			**(22)**
Loss before tax			**(21,321)**

Year ended 31 December 2021

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

The accounting policies of the operating segments are identical to the Group's accounting policies. Segment results represent the gross profit for each segment without allocation of other income, gains and losses, impairment losses, selling and distribution costs and administrative expenses. Included in the segment results of the supply chain management business and automobile parts business were depreciation charges of RMB5,207,000 and RMB nil, respectively (2021: RMB4,371,000 and RMB1,940,000, respectively) for the year ended 31 December 2022. 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

	2022	2021
	RMB'000	*RMB'000*
Mainland China	**20,406**	30,085
Asia	**–**	2,553
Others	**–**	52
	20,406	32,690

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 2022, 1 customer (2021: nil) accounted for more than 10% of the Group's total revenue individually.

	2022	2021
	RMB'000	*RMB'000*
Customer A	**2,279**	–*

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

5. REVENUE

An analysis of revenue is as follows:

	2022	2021
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15		
– Supply chain management business	**16,141**	6,386
– Automobile parts business	**3,637**	22,552
Revenue from other sources		
– Supply chain management business	**628**	3,752
	20,406	32,690

5. REVENUE (Continued)

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

For the years ended 31 December 2022 and 2021

	2022	2021
	RMB'000	*RMB'000*
Timing of revenue recognition		
Over time	**16,141**	6,386
At a point in time	**3,637**	22,552

The following table shows the amounts of revenue recognised in the 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:

	2022	2021
	RMB'000	*RMB'000*
Sale of products	**69**	2,621

(ii) Performance obligations

At 31 December 2022, 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.

6. OTHER INCOME, GAINS AND LOSSES

	2022	2021
	RMB'000	*RMB'000*
Other income		
Interest income	**2,248**	1,938
Imputed interest income	**678**	–
Dividend income from financial assets at fair value through profit or loss	**367**	366
	3,293	2,304
Gains and losses		
Loss on disposal of items of property, plant and equipment	**(22)**	(2,175)
Loss on disposal of subsidiaries	**(12)**	(196)
Fair value change on financial assets at fair value through profit or loss	**(1,057)**	(868)
Foreign exchange loss, net	**(13)**	(199)
Written back trade payables	**–**	495
Written back other payables	**914**	4,558
Others	**263**	558
	73	2,173
Total other income, gains and losses	**3,366**	4,477

7. LOSS BEFORE TAX

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

	2022	2021
	RMB'000	*RMB'000*
Cost of inventories sold	**4,047**	20,697
Write-down of inventories to net realisable value	**88**	133
Depreciation of property, plant and equipment	**7,118**	7,154
Depreciation of investment properties	**3,558**	3,427
Depreciation of right-of-use assets	**1,881**	1,885
Product warranty provision, net of reversal	**(295)**	(74)
Lease payments not included in the measurement of lease liabilities	**1,259**	1,098
Auditor's remuneration	**720**	720
Employee benefit expense (excluding directors' and chief executives' remuneration)		
Wages and salaries	**5,717**	7,542
Pension scheme contributions*	**624**	622
Staff welfare expenses	**12**	114
	6,353	8,278

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

8. INTEREST EXPENSE

	2022	2021
	RMB'000	*RMB'000*
Interest on lease liabilities	**22**	63

9. 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 BVI is not subject to BVI CIT as it does not have a place of business (other than a registered office) or carry on any business in the BVI.

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

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

	2022	2021
	RMB'000	*RMB'000*
Current tax:		
Corporate income tax		
– Over-provision in respect of prior years	**(1,042)**	–
Deferred tax	**(330)**	(192)
Total tax credit for the year	**(1,372)**	(192)

9. INCOME TAX (Continued)

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

	2022	2021
	RMB'000	*RMB'000*
Loss before tax	**(21,321)**	(18,381)
At the PRC's statutory income tax rate of 25%	**(5,330)**	(4,595)
Tax effect of income not taxable	**(170)**	–
Tax effect of expenses not deductible for tax	**39**	48
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	**(330)**	(192)
Temporary differences not recognised	**1,779**	(982)
Over-provision in respect of prior years	**(1,042)**	–
Tax losses not recognised	**3,682**	5,529
Tax credit at the Group's effective rate	**(1,372)**	(192)

10. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY OWNERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the Year attributable to ordinary equity owners of the parent, and the number of ordinary shares of 650,000,000 (2021: 650,000,000) in issue during the Year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2022 and 2021.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022	2021
	RMB'000	*RMB'000*
Listed equity investment, at fair value	**5,386**	6,443

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. TRADE AND BILLS RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
Trade receivables	**20,502**	19,770
Bills receivable	**47**	77
	20,549	19,847
Impairment allowance	**(16,269)**	(14,236)
	4,280	5,611

12. TRADE AND BILLS RECEIVABLES (Continued)

As at 31 December 2022, bills receivable of RMB47,000 (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 Year.

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

	2022	2021
	RMB'000	*RMB'000*
Within 1 month	**1,442**	1,335
1 to 3 months	**144**	–
3 to 12 months	**1,392**	1,398
Over 12 months	**1,255**	2,801
	4,233	5,534

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

	2022	2021
	RMB'000	*RMB'000*
At beginning of year	**14,236**	9,731
Released on disposal of subsidiaries	**–**	(724)
Impairment losses, net	**2,033**	5,229
At end of year	**16,269**	14,236

13. TRADE PAYABLES

	2022	2021
	RMB'000	*RMB'000*
Trade payables	**6,868**	6,431

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

	2022	2021
	RMB'000	*RMB'000*
Within 1 month	**442**	435
1 to 3 months	**272**	3
3 to 6 months	**378**	172
6 to 12 months	**705**	1,600
Over 12 months	**5,071**	4,221
	6,868	6,431

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 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, mainly the automotive heating, ventilation and air-conditioning ("**HVAC**") components. In 2022, the reoccurrence of the COVID-19 outbreaks and the uncertainty of the Russia-Ukraine war and the Sino-U.S. relations brought major challenges to the global economy. In the global context of geopolitical tension, supply chain crisis and rising inflation, coupled with the reoccurrence of COVID-19 outbreaks across many places in China (especially in the first half of the Year, when Shanghai, as the international economic, financial and trade center of China, underwent lockdown for a long time to control the spread of COVID-19), save for the Group's cold storage and food supply business which remained in operation, the automobile parts and other supply chain management businesses were negatively affected by the lockdown. The impact of the lockdown on the businesses continued in the second half of 2022, including but not limited to (i) the diversion of imported cold chain goods from Shanghai port to other ports, which caused a decline in the supply levels of cold storage and food in Shanghai; and (ii) the significant increase in COVID cases in China after the ease of COVID control measures by the Chinese Government towards the end of 2022, resulting in a decrease in economic activity and consumption. Despite the aforesaid challenges, the Group has done its very best to maintain its operation to provide goods and services to its customers during the Year.

Through two years of operation and development, the Group's cold storage plant has built a competitive advantage in the cold chain logistics industry, and has been highly recognised by the industry and local community. During the lockdown of Shanghai in 2022, the Group's cold storage plant actively undertook the task of guaranteeing food supply and storage base assigned by the local government, distributed emergency supplies to local residents, and fully supported the distribution of goods for domestic and foreign food chain supermarkets such as Fresh Hema, Wal-Mart and Costco, thereby upholding the spirit of social responsibility of serving people and ensuring people's livelihood, which greatly enhanced the social influence of the Group and the "Shuanghua (雙樺)" brand. Meanwhile, taking advantage of the upstream and downstream resources, the Group vertically extended the supply chain management business to develop food supply business. Shanghai Longhua Food Co., Ltd., a wholly-owned subsidiary of the Group, successfully obtained the food business license in early 2022, and provided high-quality and customised food supply services for the Yangtze River Delta region centered in Shanghai with the brand of "Longhuazhen (龍樺臻)", covering fruits, processed fruit products, etc. Yet due to the lockdown in the first half of 2022 and the consequential effect to the business in the second half of 2022, the scale of storage, the speed of circulation and the development of food supply business were affected to a certain extent. For the year ended 31 December 2022, the revenue of the Group's supply chain management business was approximately RMB16.8 million.

Affected by the COVID-19 and uncertain political and economic conditions, the traditional fuel automobile enterprises were facing greater pressure in the context of the declining profitability of the traditional fuel automobiles. The Group actively reduced the unprofitable part of traditional fuel automobile parts to control and reduce risks of loss during the epidemic and the lockdown. For the year ended 31 December 2022, the Group's revenue from automobile parts business amounted to approximately RMB3.6 million, in which the sales revenue of evaporators amounted to approximately RMB2.0 million. Other revenue comprised primarily of the sales of heaters, intercoolers, oil-coolers, coolant reservoirs, water tank and lubricating oil, etc.

In accordance with changes in the market environment, the Group strictly managed risks and focused more resources on selected profitable and sustainable products and services. For the year ended 31 December 2022, the Group achieved sales revenue of approximately RMB20.4 million, a decrease of approximately RMB12.3 million as compared to the same period of last year.

For the year ended 31 December 2022, the Company recorded loss attributable to its owners of approximately RMB19.9 million for the year ended 31 December 2022, an increase of approximately RMB1.3 million from the loss attributable to its owners of approximately RMB18.6 million for the same period of last year. The increase in loss attributable to the owners of the Company was primarily attributable to decrease in revenue and increase in provision for impairment.

OUTLOOK AND STRATEGY

In 2023, although countries around the world have gradually relaxed the epidemic prevention and control measures, there are still many uncertainties in geopolitical conflicts and Sino-U.S. relations, which will weaken the momentum of global economic growth to some extent.

In formulating the Group's business strategies, the Group has considered a number of factors, including but not limited to the change of the global political and economic environment, the market potential of the Group's relevant products and services, 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) launching more supply chain management business models to meet various market demands; (ii) promoting the new energy business and specialised vehicles business to seize industry development opportunities; and (iii) developing the Group's supply chain business of other goods, services and technologies, to foster further expansion and diversification of the Group's businesses.

Launching more supply chain management business models to meet various market demands

The Group will strengthen the joint development of domestic and imported food cold chain business, and promote cooperation with domestic and foreign food processors, supermarkets, food e-commerce platforms and food traders, in order to expand the scale of cold chain business and improve the turnover rate of goods in storage. By integrating the Group's experience and resources of the cold storage business, the Group has launched more business models to meet various market demands such as "one-piece" shipping service (一件代發服務), 24-hour urban distribution and transportation services. We are committed to achieve a multi-win situation where storage efficiency is improved, service types are diversified, and goods are delivered to customers promptly.

The Group will strengthen the development of its food supply business through a combination of online and offline methods, including but not limited to live streaming, online stores, etc., and promote high-quality and cost-effective products to the public under the brand "Longhuazhen (龍樺臻)". The Group will continue to establish close ties with suppliers and customers for joint development, and continue to refine the supply side, customer base, risk management and business model.

Promoting the new energy business and specialised vehicles business to seize industry development opportunities

The Group leverages on its accumulated upstream and downstream resources in the automobile industry, as well as its technology and experience in ventilation and refrigeration systems, to promote the new energy business and specialised vehicles and related parts business. The Group will continue to actively promote cooperation with business partners and research institutions. The Group believes that in the context of geopolitical tension, energy crisis and the promotion of China's Belt and Road, the demand for new energy related products and services and specialised vehicles is expected to increase, which will help facilitate the achievement of the Group's goal of business growth and long-term sustainable development.

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

The Group actively expands supply chain services for other goods, services and technologies, including but not limited to lithium battery recycling, recycling technology and energy saving businesses, to meet the growing demand. The management is committed to laying a solid foundation for the diversification and further expansion of the Group's businesses.

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.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2022, the Group's revenue was approximately RMB20.4 million, a decrease of approximately RMB12.3 million from that of the corresponding period of 2021, which was approximately RMB32.7 million.

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

	For the year ended 31 December			
	2022		2021	
Revenue	***RMB'000***	**% of revenue**	*RMB'000*	% of revenue
Supply chain management business				
Leasing and services	**16,769**	**82.2%**	10,138	31.0%
Sub-total	**16,769**	**82.2%**	10,138	31.0%
Automobile parts business				
Evaporators	**1,996**	**9.8%**	4,043	12.4%
Condensers	**–**	**–**	2,104	6.4%
Compressors	**–**	**–**	14,469	44.3%
Others	**1,641**	**8.0%**	1,936	5.9%
Sub-total	**3,637**	**17.8%**	22,552	69.0%
Total	**20,406**	**100.0%**	32,690	100.0%

Gross profit/(loss) and gross margin

For the year ended 31 December 2022, the Group recorded a gross profit of approximately RMB3.2 million, a decrease of approximately RMB1.8 million as compared to the same period of last year (for the year ended 31 December 2021: gross profit of approximately RMB5.0 million). The Group's gross margin was approximately 15.8% for the year ended 31 December 2022, and the gross margin was approximately 15.2% for the year ended 31 December 2021. The decease in gross profit was mainly due to decrease in revenue of the Group affected by the COVID-19. The increase in gross margin was mainly due to the business transformation of the Group.

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

	For the year ended 31 December	
	2022	2021
Gross profit/(loss)	***RMB'000***	*RMB'000*
Supply chain management		
Leasing and services	**2,264**	3,005
Sub-total	**2,264**	3,005
Automobile parts business		
Evaporators	**990**	103
Condensers	**–**	(94)
Compressors	**–**	1,616
Others	**(22)**	336
Sub-total	**968**	1,961
Total	**3,232**	4,966

Other income, gains and losses

For the year ended 31 December 2022, the Group's other income, gains and losses amounted to approximately RMB3.4 million, a decrease of approximately RMB1.1 million as compared to the same period of last year (for the year ended 31 December 2021: approximately RMB4.5 million). The decrease of other income, gains and losses was mainly attributable to the gain occurred from write-back of other payables last year, while there was no such item this year.

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

For the year ended 31 December 2022, the Group's impairment loss recognised on trade receivables, other receivables and other assets amounted to approximately RMB7.2 million, an increase by approximately RMB1.5 million as compared to the same period of last year (for the year ended 31 December 2021: approximately RMB5.7 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 2022, the Group's selling and distribution costs amounted to approximately RMB1.1 million, decreased by approximately 21.4% as compared to the same period of last year (for the year ended 31 December 2021: approximately RMB1.4 million), mainly due to the decrease of transportation fee and warranty fee.

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 2022, the Group's administrative expenses amounted to approximately RMB19.7 million, decreased by approximately 4.4% as compared to the same period of last year (for the year ended 31 December 2021: approximately RMB20.6 million), mainly due to the decrease in the staff expense because of internal structural optimisation.

Interest expense

The Group's interest expense for the year ended 31 December 2022 amounted to approximately RMB22,000 (for the year ended 31 December 2021: approximately RMB63,000).

Income tax credit

For the year ended 31 December 2022, the Group's income tax credit was approximately RMB1.4 million (for the year ended 31 December 2021: approximately RMB0.2 million).

Loss for the Year

For the year ended 31 December 2022, the loss attributable to the owners of the Company was approximately RMB19.9 million, while the loss attributable to the owners of the Company for the same period of last year was approximately RMB18.6 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 RMB99.4 million as at 31 December 2022.

Financial position and bank borrowings

As at 31 December 2022, the Group's cash and cash equivalents, restricted time deposits and financial assets at fair value through profit or loss amounted to approximately RMB94.7 million (as at 31 December 2021: approximately RMB104.2 million). As at 31 December 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 statements, and apart from intra-group liabilities, as at 31 December 2022, 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 2021.

Working capital

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

For the year ended 31 December 2022, the average inventory turnover days were 23 days (for the year ended 31 December 2021: 153 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 decrease in the average inventory turnover days was primarily attributable to the transformation of the business.

For the year ended 31 December 2022, the average turnover days of trade and bills receivables were 88 days (for the year ended 31 December 2021: 167 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 decrease in the average turnover days of trade and bills receivables was mainly due to the shorter trade receivables turnover period of the supply chain management business.

For the year ended 31 December 2022, the average turnover days of trade and bills payables were 141 days (for the year ended 31 December 2021: 241 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 decreased mainly because the shorter trade payables turnover period of the supply chain management business.

CAPITAL EXPENDITURES, CAPITAL COMMITMENTS AND HUMAN RESOURCES

For the year ended 31 December 2022, the Group's capital expenditures were approximately RMB2.8 million, mainly due to the construction of the cold storage plant and other properties (for the year ended 31 December 2021: approximately RMB30.5 million). Payment of capital expenditures decreased by approximately RMB27.7 million as compared to the same period of 2021.

At 31 December 2022, the Group's capital commitments were approximately RMB7.3 million, mainly due to the construction of the cold storage plant (2021: approximately RMB7.3 million).

As at 31 December 2022, the Group had 64 employees including Directors, management, sales, logistics supports and other ancillary personnels (as at 31 December 2021: 66). The decrease in employees was mainly due to internal structural optimisation of personnel and implementation of the Group's more advanced management system and equipment to reduce the need for manpower as a result of the adjustment and optimisation of the Group's business. The Group's total wages and salaries (excluding Directors' and chief executives' remuneration) for the year ended 31 December 2022 amounted to approximately RMB5.7 million (for the year ended 31 December 2021: approximately RMB7.5 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. The Group may provide incentives to talents by granting them share options pursuant to the share option scheme of the Company.

Pursuant to the relevant China labour laws and regulations, the Group has to pay contributions to a number of staff social insurance schemes (including medical, maternity, work injury, unemployment and pension insurances) and staff housing reserve funds. We provide social insurances and pay contributions to housing reserve funds for our employees in accordance with the interpretations to the relevant PRC labour laws and regulations given, and policies and measures executed by local government departments. We have established various welfare plans including the provision of pension funds, medical insurance, unemployment insurance and other relevant insurance for employees who are employed by the Group pursuant to the PRC rules and regulations and the existing policy requirements of the local government. The Group's welfare expenses for the year ended 31 December 2022 amounted to approximately RMB0.6 million (for the year ended 31 December 2021: approximately RMB0.7 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 for the Directors is based on remuneration of directors of comparable companies in the industry, time commitment, duties and responsibilities of the Directors in the Group and our operational and financial performance. The basic salary of each of our executive and non-executive Directors will be reviewed by the remuneration committee of the Board at the end of each financial year. None of the Directors waived any emoluments during the year ended 31 December 2022.

Significant investment, material acquisitions and disposals

For the year ended 31 December 2022, the Group did not have any significant investments, material acquisitions and disposals of subsidiaries, associates and joint ventures, and has no future plans for material investments or capital assets as at the date of this announcement.

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 situation of the economy 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 2022 (as at 31 December 2021: nil).

Pledge of assets

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

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 2022.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022 (for the year ended 31 December 2021: 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 (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 C.2.1 as explained below.

Under provision C.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 of the Board (the "**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 HKICPA. 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 2022 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 2022 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 2022. 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 HKICPA 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 annual general meeting of the Company ("**AGM**") will be held on Friday, 30 June 2023. The notice of the AGM will be published and dispatched to the Shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 27 June 2023 to Friday, 30 June 2023, both days inclusive, for the purpose of determining entitlement of the Shareholders to attend and vote at the AGM. During this period, no share transfer will be registered. In order to qualify for attending and voting at the AGM, all completed share transfer forms, accompanied by the relevant certificates, must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Monday, 26 June 2023.

By order of the Board
Shuanghua Holdings Limited
Zheng Ping
Chairman

Hong Kong, 31 March 2023

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.