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 2023

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 2023 (the "**Year**" or the "**Reporting Period**"), together with comparative figures as follows.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December

	Notes	**2023** *RMB'000*	2022 *RMB'000*
Revenue	*5*	**100,685**	20,406
Cost of sales		**(86,229)**	(17,174)
Gross profit		**14,456**	3,232
Other income, gains and losses	*6*	**4,729**	3,366
Impairment losses recognised on			
– trade receivables		**(1,900)**	(2,033)
– other receivables and other assets		**(8,452)**	(5,147)
Selling and distribution costs		**(1,875)**	(1,060)
Administrative expenses		**(17,546)**	(19,657)
Interest expense	*8*	**(50)**	(22)
Loss before tax	*7*	**(10,638)**	(21,321)
Income tax (expense)/credit	*9*	**(1,469)**	1,372
Loss and other comprehensive income for the year		**(12,107)**	(19,949)
Attributable to:			
Owners of the parent		**(12,107)**	(19,949)
		(12,107)	(19,949)
Loss per share attributable to ordinary equity owners of the parent			
Basic and diluted	*10*	**RMB(1.9) cents**	RMB(3.1) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**76,124**	95,406
Investment properties		**76,927**	51,048
Right-of-use assets		**23,535**	38,887
Advance payments for property, plant and equipment		**–**	376
Financial assets at fair value through profit or loss	*11*	**5,847**	5,386
Other receivables		**2,605**	–
Total non-current assets		**185,038**	191,103
CURRENT ASSETS			
Inventories		**2,148**	10
Trade and bills receivables	*12*	**46,461**	4,280
Prepayments, other receivables and other assets		**19,080**	18,864
Cash and cash equivalents		**65,349**	89,275
Total current assets		**133,038**	112,429
CURRENT LIABILITIES			
Trade payables	*13*	**25,369**	6,868
Other payables and accruals		**12,088**	6,062
Provision for warranties		**–**	96
Lease liabilities		**751**	–
Tax payable		**1,265**	–
Total current liabilities		**39,473**	13,026
NET CURRENT ASSETS		**93,565**	99,403
TOTAL ASSETS LESS CURRENT LIABILITIES		**278,603**	290,506

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

	2023 *RMB'000*	2022 *RMB'000*
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**1,009**	805
Total non-current liabilities	**1,009**	805
NET ASSETS	**277,594**	289,701
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**5,406**	5,406
Reserves	**272,184**	284,291
	277,590	289,697
Non-controlling interests	**4**	4
TOTAL EQUITY	**277,594**	289,701

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

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 Company and its subsidiaries (the "**Group**") were principally involved in the business of supply chain management, mainly supply chain services and food supply, and the business of research and development ("**R&D**") of automobile parts.

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

2. BASIS OF PREPARATION

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

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2023. A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

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

3. ADOPTION OF NEW/REVISED HKFRSs

(a) Adoption of new/revised HKFRSs – effective 1 January 2023

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

HKFRS 17	*Insurance Contracts*
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*International Tax Reform – Pillar Two Model Rules*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The other new amendments effective for the year ended 31 December 2023 had no impact on the Group's consolidated financial statements.

(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 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[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current
Amendments to HKAS 1	Non-current Liabilities with Covenants[1]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[1]
Amendments to HKAS 21	Lack of Exchangeability[3]

[1] Effective for annual periods beginning on or 1 January 2024.
[2] Effective for annual periods beginning on or after a date to be determined.
[3] Effective for annual periods beginning on or 1 January 2025.

The Group is in the process of making an assessment, and is not yet in a position of state whether the effects of these new amendments to standards would be 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 supply chain services and food supply.
Automobile parts business	The Group is involved in the business of R&D of automobile parts.

4. OPERATING SEGMENT INFORMATION (Continued)

Segment revenue and results (continued)

Year ended 31 December 2023

	Supply chain management business *RMB'000*	**Automobile parts business** *RMB'000*	**Total** *RMB'000*
REVENUE	**100,685**	**–**	**100,685**
RESULTS			
Segment results	**14,456**	**–**	**14,456**
Other income, gains and losses			**4,729**
Impairment losses recognised on			
– trade receivables	**–**	**(1,900)**	**(1,900)**
– other receivables and other assets	**–**	**(8,452)**	**(8,452)**
Selling and distribution costs			**(1,875)**
Administrative expenses			**(17,546)**
Interest expense			**(50)**
Loss before tax			**(10,638)**

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 receivables	220	(2,253)	(2,033)
– other receivables and other assets	–	(5,147)	(5,147)
Selling and distribution costs			(1,060)
Administrative expenses			(19,657)
Interest expense			(22)
Loss before tax			(21,321)

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 RMB9,198,000 and RMB nil, respectively (2022: RMB5,207,000 and RMB nil, respectively) for the year ended 31 December 2023. 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

The place of domicile of the Group's operating entities is in the PRC. The Group renders services and goods transfer in the PRC and all its revenue for the year ended 31 December 2023 and 2022 were derived in the PRC.

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

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 2023, 4 customers (2022: 1) accounted for more than 10% of the Group's total revenue individually.

	2023	2022
	RMB'000	*RMB'000*
Customer A	**–**	2,279
Customer B	**19,970**	–
Customer C	**19,274**	–
Customer D	**15,258**	–
Customer E	**13,024**	–

5. **REVENUE**

An analysis of revenue is as follows:

	2023	2022
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15		
– Supply chain management business	**87,608**	16,141
– Automobile parts business	**–**	3,637
Revenue from other sources		
– Supply chain management business	**13,077**	628
	100,685	20,406

5. **REVENUE (Continued)**

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

For the years ended 31 December 2023 and 2022

	2023	2022
	RMB'000	*RMB'000*
Timing of revenue recognition		
Over time	**9,065**	16,141
At a point in time	**78,543**	3,637

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:

	2023	2022
	RMB'000	*RMB'000*
Sale of products	**476**	69

(ii) **Performance obligations**

At 31 December 2023, 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**

	2023	2022
	RMB'000	*RMB'000*
Other income		
Interest income	**3,158**	2,248
Imputed interest income	**365**	678
Dividend income from financial assets at fair value through profit or loss	**366**	367
	3,889	3,293
Gains and losses		
Gain/(loss) on disposal of items of property, plant and equipment	**831**	(22)
Gain/(loss) on disposal of subsidiaries	**–**	(12)
Fair value change on financial assets at fair value through profit or loss	**461**	(1,057)
Foreign exchange loss, net	**(435)**	(13)
Written back other payables	**–**	914
Others	**(17)**	263
	840	73
Total other income, gains and losses	**4,729**	3,366

7. LOSS BEFORE TAX

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

	2023	2022
	RMB'000	*RMB'000*
Cost of inventories sold	**71,874**	4,047
Write-down of inventories to net realisable value	**16**	88
Impairment on trade and bill receivables	**1,900**	2,033
Impairment on prepayment, other receivables and other assets	**8,452**	5,147
Impairment of property, plant and equipment	**581**	–
Depreciation of property, plant and equipment	**6,403**	7,118
Depreciation of investment properties	**4,603**	3,558
Depreciation of right-of-use assets	**1,526**	1,881
Product warranty provision, net of reversal	**(96)**	(295)
Lease payments not included in the measurement of lease liabilities	**542**	1,259
Auditor's remuneration	**720**	720
Employee benefit expense (excluding directors' and chief executives' remuneration):		
Wages and salaries	**4,821**	5,717
Pension scheme contributions*	**1,053**	624
Staff welfare expenses	**133**	12
	6,007	6,353

* 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

	2023	2022
	RMB'000	*RMB'000*
Interest on lease liabilities	**50**	22

9. INCOME TAX (EXPENSE)/CREDIT

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.

	2023	2022
	RMB'000	*RMB'000*
Current tax		
Corporate income tax		
– Over-provision in respect of prior years	**–**	(1,042)
– PRC income tax	**1,265**	–
Deferred tax	**204**	(330)
Total tax expense/(credit) for the year	**1,469**	(1,372)

9. INCOME TAX (EXPENSE)/CREDIT (Continued))

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

	2023	2022
	RMB'000	*RMB'000*
Loss before tax	**(10,638)**	(21,321)
At the PRC's statutory income tax rate of 25%	**(2,660)**	(5,330)
Tax effect of income not taxable	**(91)**	(170)
Tax effect of expenses not deductible for tax	**155**	39
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	**204**	(330)
Temporary differences not recognised	**2,733**	1,779
Over-provision in respect of prior years	**–**	(1,042)
Tax losses not recognised	**1,128**	3,682
Tax expense/(credit) at the Group's effective rate	**1,469**	(1,372)

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 (2022: 650,000,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2023 and 2022.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023	2022
	RMB'000	*RMB'000*
Listed equity investment, at fair value	**5,847**	5,386

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

	2023	2022
	RMB'000	*RMB'000*
Trade receivables	**64,626**	20,502
Bills receivable	**4**	47
	64,630	20,549
Impairment allowance	**(18,169)**	(16,269)
	46,461	4,280

12. TRADE AND BILLS RECEIVABLES (Continued))

As at 31 December 2023, bills receivable of RMB4,000 (2022: RMB47,000) 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:

	2023	2022
	RMB'000	*RMB'000*
Within 1 month	**46,228**	1,442
1 to 3 months	**1**	144
3 to 12 months	**–**	1,392
Over 12 months	**228**	1,255
	46,457	4,233

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

	2023	2022
	RMB'000	*RMB'000*
At beginning of year	**16,269**	14,236
Impairment losses, net	**1,900**	2,033
At end of year	**18,169**	16,269

13. TRADE PAYABLES

	2023	2022
	RMB'000	*RMB'000*
Trade payables	**25,369**	6,868

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

	2023	2022
	RMB'000	*RMB'000*
Within 1 month	**19,469**	442
1 to 3 months	**73**	272
3 to 6 months	**6**	378
6 to 12 months	**2**	705
Over 12 months	**5,819**	5,071
	25,369	6,868

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 supply chain services and food supply, and the business of R&D of automobile parts. In 2023, the global economic recovery remained sluggish due to various geopolitical conflicts such as the Russia-Ukraine conflict and the Palestine-Israel conflict, alongside challenges posed by the European and American banking crises and high inflation. Although China's economic activities have returned to normal following the ease of COVID-19 prevention and control measures, some industries were suffering from overcapacity, and the overall demand was weak.

Through years of development, the operation capacity and service quality of the Group's supply chain management business have improved. The Group diversified its supply chain management business, providing customers with services such as warehousing, order processing, sorting and packaging, urban distribution, and after-sales services. According to data from the National Bureau of Statistics of China, in 2022, China's total meat imports reached around US$30,872 million, while fruit imports reached around US$16,705 million. Relying on the Group's own cold chain facilities and accumulated upstream and downstream resources, the Group captured the growing demand for high-quality fresh foods and vigorously promoted food supply business by focusing on high-quality imported and domestic fruits and other agricultural and sideline products. The Group provided comprehensive and integrated supply chain services consisting of procurement, warehousing, sorting, packaging, transportation and customised product services. Meanwhile, the Group cooperated with farms and packaging facilities to produce fruit and other agricultural and sideline products under the Group's "Longhuazhen (龍樺臻)" brand and other brands. During the Reporting Period, the Group had successfully launched its Thai coconuts and Chinese grapes branded "Longhuazhen (龍樺臻)" to various markets in China, and these fruits were widely praised by the market. Through high-quality products and supporting supply chain services, the Group has gradually established a nationwide sales and distribution network in China and cooperation relationships with many well-known enterprises in the industry.

With the implementation of carbon neutrality policies, traditional fuel automobiles, as one of the main sources of carbon emissions, have experienced a continuous reduction in the market share. Meanwhile, with the increasing popularity of new energy automobiles, traditional fuel automobile manufacturers were facing greater pressures in competition. In 2023, Chinese automobile manufactures launched large-scale price-off promotions for traditional fuel automobiles, further compressing the profit margins of the traditional fuel automobile parts business. The Group gradually reduced its traditional fuel automobile parts business in line with the market trends to reduce losses, which enable the Group to focus on developing businesses with growth potential and higher profitability while controlling risks and preserving strength.

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 2023, the Group achieved sales revenue of approximately RMB100.7 million, an increase of approximately RMB80.3 million as compared to last year.

For the year ended 31 December 2023, the Company recorded loss attributable to its owners of approximately RMB12.1 million, a decrease of approximately RMB7.8 million as compared to last year. The decrease in loss attributable to the owners of the Company was primarily attributable to the optimisation of the Group's business structure and the diversified expansion of its supply chain management business.

OUTLOOK AND STRATEGY

In 2024, external environments such as the geopolitical issues and global commodity demand still face with great complexity and uncertainty. Continuous geopolitical tensions may affect global supply chains and further suppress the global economic growth. In formulating the Group's business strategies, careful consideration has been given to various 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 experience of its management, and the internal and external resources of the Group, the Group focuses on (i) enhancing collaborations with farms and suppliers in China and worldwide to produce various high-quality agricultural and sideline products, and expanding sales and distribution network to achieve product delivery from end-to-end; (ii) promoting the new energy 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.

Enhancing collaborations with farms and suppliers in China and worldwide to produce various high-quality agricultural and sideline products, and expanding sales and distribution network to achieve product delivery from end-to-end

The Group will continue to deepen and diversify its supply chain management businesses based on its own cold storage plant and properties, technology and other facilities and equipment. By using advanced software and digital tools, the Group will achieve rapid processing of data to conduct market analysis, allocate resources more effectively, and improve operational efficiency, which will enable the Group to obtain new resources and market opportunities in the competitive environment. In terms of supply chain services, the Group will continuously improve service quality, service flow and profitability through refined management and cost control. As for the food supply business, leveraging on the Group's supply chain resources, the Group will (i) continue to serve the concept of "farm-to-table" to consumers in China through enhancing collaborations with farms and suppliers in China and worldwide to produce various high-quality agricultural and sideline products; (ii) expand product categories in proteins such as seafood and meat products; and (iii) diversify sales and distribution network, such as e-commerce and live-stream platforms, etc. As at the date of this announcement, the Group has expanded sales channels on major e-commerce and live-stream platforms, and achieved product sales and delivery to end-users.

The Group will continue to promote brand awareness and increase public recognition of "Shuanghua (雙樺)" and "Longhuazhen (龍樺臻)" brands through high-quality products and services. The Group will continue to be market-oriented, customer-centered, data-driven, technology-supported, and committed to becoming a trusted value creator for customers and suppliers and a builder of a better life for the general public.

Promoting the new energy business to seize industry development opportunities

The Group will continue to cooperate with business partners and research institutions to actively promote the new energy business. Recognising the ongoing adjustments in the global energy landscape and the promotion of China's Belt and Road initiative, the Group anticipates a rise in demand for new energy products and services. This positive outlook is expected to support the Group's pursuit 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 green and energy saving businesses, to meet the growing demand. The management is committed to exploring new development opportunities, laying a solid foundation for diversification and further expansion of the Group's businesses, and creating more value to the Shareholders and the society.

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 2023, the Group's revenue was approximately RMB100.7 million, an increase of approximately RMB80.3 million from that of the corresponding period of 2022, which was approximately RMB20.4 million.

The following table sets forth the breakdown of the Group's revenue by business segments during the Reporting Period:

	For the year ended 31 December			
	2023		2022	
Revenue	***RMB'000***	**% of revenue**	*RMB'000*	% of revenue
Supply chain management business				
Supply chain services	**22,142**	**22.0%**	16,769	82.2%
Food supply	**78,543**	**78.0%**	–	–
Sub-total	**100,685**	**100.0%**	16,769	82.2%
Automobile parts business				
Evaporators	**–**	**–**	1,996	9.8%
Condensers	**–**	**–**	–	–
Compressors	**–**	**–**	–	–
Others	**–**	**–**	1,641	8.0%
Sub-total	**–**	**–**	3,637	17.8%
Total	**100,685**	**100.0%**	20,406	100.0%

Gross profit and gross margin

For the year ended 31 December 2023, the Group recorded a gross profit of approximately RMB14.5 million, an increase of approximately RMB11.3 million as compared to last year (for the year ended 31 December 2022: approximately RMB3.2 million). The Group's gross margin was approximately 14.4% for the year ended 31 December 2023, and the gross margin was approximately 15.8% for the year ended 31 December 2022. The increase in gross profit was mainly due to the optimisation of the Group's business structure and the diversified expansion of its supply chain management business.

The following table sets forth the breakdown of the Group's gross profit by business segments during the Reporting Period:

	For the year ended 31 December	
	2023	2022
Gross profit	***RMB'000***	*RMB'000*
Supply chain management		
Supply chain services	**7,787**	2,264
Food supply	**6,669**	–
Sub-total	**14,456**	2,264
Automobile parts business		
Evaporators	**–**	990
Condensers	**–**	–
Compressors	**–**	–
Others	**–**	(22)
Sub-total	**–**	968
Total	**14,456**	3,232

Other income, gains and losses

For the year ended 31 December 2023, the Group's other income, gains and losses amounted to approximately RMB4.7 million, an increase of approximately RMB1.3 million as compared to last year (for the year ended 31 December 2022: approximately RMB3.4 million). The increase in other income, gains and losses was mainly due to the increase of interest income.

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

For the year ended 31 December 2023, the Group's impairment losses recognised on trade receivables, other receivables and other assets amounted to approximately RMB10.4 million, an increase by approximately RMB3.2 million as compared to last year (for the year ended 31 December 2022: approximately RMB7.2 million), mainly due to the provisions for impairment of other 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 2023, the Group's selling and distribution costs amounted to approximately RMB1.9 million, increased by approximately 72.7% as compared to last year (for the year ended 31 December 2022: approximately RMB1.1 million), mainly due to the increase of entertainment and travelling expenses for business expansion.

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 2023, the Group's administrative expenses amounted to approximately RMB17.5 million, decreased by approximately 11.2% as compared to last year (for the year ended 31 December 2022: approximately RMB19.7 million), mainly due to the reclassification of depreciation of property.

Interest expense

The Group's interest expense for the year ended 31 December 2023 amounted to approximately RMB50,000 (for the year ended 31 December 2022: approximately RMB22,000).

Income tax (expense)/credit

For the year ended 31 December 2023, the Group's income tax expense was approximately RMB1.5 million (for the year ended 31 December 2022: income tax credit approximately RMB1.4 million).

Loss for the Year

For the year ended 31 December 2023, the loss attributable to the owners of the Company was approximately RMB12.1 million, while the loss attributable to the owners of the Company for the same period of last year was approximately RMB19.9 million.

LIQUIDITY AND FINANCIAL RESOURCES

Net current assets

The Group's net current assets decreased from approximately RMB99.4 million as at 31 December 2022 to approximately RMB93.6 million as at 31 December 2023.

Financial position and bank borrowings

As at 31 December 2023, the Group's cash and cash equivalents and financial assets at fair value through profit or loss amounted to approximately RMB71.2 million (as at 31 December 2022: approximately RMB94.7 million). As at 31 December 2023 and 2022, the Group did not have any borrowings. The gearing ratio was not applicable to the Group (as at 31 December 2022: nil).

Save as aforesaid or otherwise disclosed in the notes to the financial statements, and apart from intra-group liabilities, as at 31 December 2023, 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 2022.

Working capital

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

For the year ended 31 December 2023, the average inventory turnover days were 6 days (for the year ended 31 December 2022: 23 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 change in business structure.

For the year ended 31 December 2023, the average turnover days of trade and bills receivables were 94 days (for the year ended 31 December 2022: 88 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 attributable to longer turnover period of trade receivables in wholesale market due to weak demand and economic growth in China.

For the year ended 31 December 2023, the average turnover days of trade payables were 67 days (for the year ended 31 December 2022: 141 days). The average turnover days of trade payables are arrived at by dividing the arithmetic means of the opening and ending balances of trade 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 payables decreased mainly due to shorter turnover period of trade payables of the Group's food supply business.

CAPITAL EXPENDITURES, CAPITAL COMMITMENTS AND HUMAN RESOURCES

For the year ended 31 December 2023, the Group's capital expenditures were approximately RMB3.1 million, mainly due to upgrade and construction of the Group's cold storage plant and other properties (for the year ended 31 December 2022: approximately RMB2.8 million).

At 31 December 2023, the Group's capital commitments were approximately RMB7.3 million, mainly due to the construction of the cold storage plant (2022: approximately RMB7.3 million).

As at 31 December 2023, the Group had 62 employees, including Directors, management, sales, logistics supports and other ancillary personnels (as at 31 December 2022: 64). 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 2023 amounted to approximately RMB4.8 million (for the year ended 31 December 2022: approximately RMB5.7 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 laws and regulations and the existing policy requirements of the local government. The Group's welfare expenses for the year ended 31 December 2023 amounted to approximately RMB1.0 million (for the year ended 31 December 2022: approximately RMB0.6 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 2023.

DEFINED CONTRIBUTION RETIREMENT PLAN

The Group's PRC subsidiaries are required to participate in a defined contribution retirement plan administered and operated by the local municipal government for its employees. The Group's PRC subsidiaries contribute funds which are calculated on certain percentages of the average employee salary as agreed by the local municipal government to the plan to fund the retirement benefits of the employees.

During the Year, there is no forfeited contribution (by the Group on behalf of its employees who leave the Group prior to vesting fully in such contributions) available to be utilised by the Group to reduce the contributions payable in the future years or to reduce the Group's existing level of contributions to the defined contribution retirement plan.

Significant investment, material acquisitions and disposals

For the year ended 31 December 2023, 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 2023 (as at 31 December 2022: nil).

Pledge of assets

As at 31 December 2023, the Group had no pledge of assets (as at 31 December 2022, 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 2023.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (for the year ended 31 December 2022: 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 C1 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 of the Group 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 2023 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 and other comprehensive income, and the related notes thereto for the year ended 31 December 2023 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 2023. 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 C3 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, 28 June 2024. 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, 25 June 2024 to Friday, 28 June 2024, 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, 24 June 2024.

By order of the Board
Shuanghua Holdings Limited
Zheng Ping
Chairman

Hong Kong, 28 March 2024

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.