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Shuanghua Holdings Limited
雙樺控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1241)

ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2023

The board (the “Board”) of directors (the “Director(s)”) of Shuanghua Holdings Limited (the “Company”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2023, together with comparative figures as follows. The interim financial information has not been audited, but has been reviewed by the Audit Committee of the Company.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June

	Notes	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue	5	28,701	13,037
Cost of sales		<u>(21,686)</u>	<u>(10,823)</u>
Gross profit		7,015	2,214
Other income, gains and losses	5	1,908	150
Reversal of impairment loss of trade receivables other receivables and other assets		235	220
Selling and distribution costs		(978)	(256)
Administrative expenses		(7,946)	(8,360)
Interest expense		<u>(30)</u>	<u>(17)</u>
Profit/(loss) before tax	6	204	(6,049)
Income tax credit	7	<u>–</u>	<u>200</u>
Profit/(loss) for the period		<u>204</u>	<u>(5,849)</u>
Attributable to:			
Owners of the parent		204	(5,849)
Non-controlling interests		<u>–</u>	<u>–</u>
		<u>204</u>	<u>(5,849)</u>
Earnings/(loss) per share attributable to ordinary equity holders of the parent			
Basic and diluted	9	<u>0.03 cents</u>	<u>(0.90) cents</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the six month ended 30 June

	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
PROFIT/(LOSS) FOR THE PERIOD AND TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	204	(5,849)
Attributable to:		
Owners of the parent	204	(5,849)
Non-controlling interests	-	-
	204	(5,849)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at

	Notes	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	77,592	95,406
Investment properties		79,771	51,048
Right-of-use assets	11	24,187	38,887
Advance payments for property, plant and equipment		376	376
Financial assets at fair value through profit or loss	12	5,196	5,386
Total non-current assets		<u>187,122</u>	<u>191,103</u>
CURRENT ASSETS			
Inventories	13	1,585	10
Trade and bills receivables	14	9,644	4,280
Prepayments, other receivables and other assets		18,508	18,864
Cash and cash equivalents	15	91,371	89,275
Total current assets		<u>121,108</u>	<u>112,429</u>
TOTAL ASSETS		<u>308,230</u>	<u>303,532</u>
CURRENT LIABILITIES			
Trade payables	16	9,379	6,868
Other payables and accruals		6,932	6,062
Provision		96	96
Lease liabilities		700	–
Total current liabilities		<u>17,107</u>	<u>13,026</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>291,123</u>	<u>290,506</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
NON-CURRENT LIABILITIES		
Deferred tax liabilities	805	805
Lease liabilities	413	–
	<hr/>	<hr/>
Total non-current liabilities	1,218	805
	<hr/>	<hr/>
NET ASSETS	289,905	289,701
	<hr/>	<hr/>
EQUITY		
Equity attributable to owners of the parent		
Issued capital	5,406	5,406
Reserves	284,495	284,291
	<hr/>	<hr/>
	289,901	289,697
	<hr/>	<hr/>
Non-controlling interests	4	4
	<hr/>	<hr/>
TOTAL EQUITY	289,905	289,701
	<hr/>	<hr/>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 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.

During the six months ended 30 June 2023, the Company and its subsidiaries (the “Group”) were principally engaged in the business of supply chain management, mainly supply chain services and food supply, and the business of trading, manufacturing and 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.

2. BASIS OF PREPARATION

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

The interim condensed consolidated financial statements have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss and debt instruments at fair value through other comprehensive income, which have been measured at fair value. The interim condensed consolidated financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

The interim condensed consolidated financial statements should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2022.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2023

3. APPLICATION OF NEW AND REVISED HKFRSs

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) effective for the first time for annual periods beginning on 1 January 2023, the accounting policies and methods of computation used in the interim condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those followed in the preparation of the annual financial statements of the Group for the year ended 31 December 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 HKAS 1 and HKFRS Practice Statement 2, Disclosure of Accounting Policies
- Amendments to HKAS 8, Definition of Accounting Estimates
- Amendments to HKAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to HKAS 12, International Tax Reform – Pillar Two Model Rules

The new or amended HKFRSs that are effective from 1 January 2023 did not have any significant impact on the Group’s accounting policies.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2023

4. OPERATING SEGMENT INFORMATION

The Group determines its operating segments based on the internal reports reviewed by the executive directors, who are the chief operating decision-maker, that are used to allocate resources and assess performance, which are analysed based on business as follows:

Segment revenue and results

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 trading, manufacturing and R&D of automobile parts.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2023

4. OPERATING SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

For the six months ended 30 June 2023 (unaudited)

	Supply chain management business RMB'000 (Unaudited)	Automobile parts business RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
REVENUE	28,701	–	28,701
RESULTS			
Segment results	7,015	–	7,015
Other income, gains and losses			1,908
Reversal of impairment losses on trade receivables, other receivables and other assets			235
Selling and distribution costs			(978)
Administrative expenses			(7,946)
Interest expense			(30)
Profit before tax			204

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2023

4. OPERATING SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

For the six months ended 30 June 2022 (unaudited)

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

Geographical information

Revenue from external customers

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Mainland China	28,701	13,037

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2023

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

Revenue from external customers (continued)

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

All of the non-current assets of the Group were located in the Mainland China.

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

Information about major customers

For the six months ended 30 June 2023, revenue from two (for the six months ended 30 June 2022: one) customers accounted for more than 10% of the Group's total revenue individually.

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Customer A	8,048	–
Customer B	4,198	–
Customer C	–	2,279
	<hr/>	<hr/>
	12,246	2,279
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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2023

5. REVENUE, OTHER INCOME, GAINS AND LOSSES

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers within the scope of HKFRS 15		
– Supply chain management business	28,701	10,143
– Automobile parts business	–	2,894
	<u>28,701</u>	<u>13,037</u>

Disaggregated revenue information for revenue from contracts with customers

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Timing of revenue recognition		
Over time	13,645	10,143
At a point in time	15,056	2,894
	<u>13,645</u>	<u>10,143</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2023

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

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

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Other income		
Interest income	<u>1,209</u>	<u>744</u>
	1,209	744
Gains and (losses)		
Gain/(loss) on disposal of items of property, plant and equipment	30	(2)
Fair value change on financial assets at fair value through profit or loss	(190)	(522)
Foreign exchange gains, net	401	188
Others	458	(258)
	<u>699</u>	<u>(594)</u>
Total other income, gains and (losses)	1,908	150

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2023

6. PROFIT/(LOSS) BEFORE TAX

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

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Cost of inventories sold	15,056	3,377
Depreciation of property, plant and equipment	3,568	3,586
Depreciation of investment properties	1,762	1,797
Depreciation of right-of-use assets	874	941
Reversal of impairment loss of trade receivables, other receivables and other assets	(235)	(220)
Product warranty reversal, net	-	(254)
Reversal of write-down of inventories	-	(108)
	<hr/>	<hr/>
Employee benefit expense (excluding directors' and chief executives' remuneration):		
Wages and salaries	3,616	3,173
Pension scheme contributions	441	537
Staff welfare expenses	71	118
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	4,128	3,828
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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2023

7. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

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

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax:		
Charge for the period	-	-
Deferred tax	-	(200)
	<hr/>	<hr/>
Total tax credit for the period	-	(200)
	<hr/>	<hr/>

8. DIVIDENDS

The Board did not recommend the payment of a final dividend in respect of the year ended 31 December 2022 or an interim dividend in respect of the six months ended 30 June 2023.

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

The calculation of the earnings/(loss) per share amount is based on the earnings/(loss) for the period attributable to ordinary equity holders of the parent, and the number of ordinary shares in issue during the period is 650,000,000 (for the six months ended 30 June 2022: 650,000,000).

The Group did not have any dilutive potential ordinary shares in issue during the period (for the six months ended 30 June 2022: nil).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2023

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired items of property, plant and equipment with a cost of RMB1,043,000 (for the six months ended 30 June 2022: RMB1,223,000).

During the six months ended 30 June 2023, the Group transferred the items from property, plant and equipment to investment properties of RMB15,189,000 (for the six months ended 30 June 2022: nil).

During the six months ended 30 June 2023, the Group disposed of items of property, plant and equipment and resulted in a gain on disposal of RMB30,000 (loss for the six months ended 30 June 2022: RMB2,000).

None of the Group's buildings were pledged as at 30 June 2023 (as at 31 December 2022: nil).

11. RIGHT OF USE ASSETS

During the six months ended 30 June 2023, the Group transferred the items from right of use assets to investment properties of RMB15,293,000 (for the six months ended 30 June 2022: nil).

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Listed equity investment, at fair value	5,196	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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2023

13. INVENTORIES

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Finished goods	<u>1,585</u>	<u>10</u>
	<u>1,585</u>	<u>10</u>

14. TRADE AND BILLS RECEIVABLES

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Trade receivables	25,198	20,502
Bills receivable	<u>480</u>	<u>47</u>
	25,678	20,549
Impairment allowance	<u>(16,034)</u>	<u>(16,269)</u>
	<u>9,644</u>	<u>4,280</u>

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2023

14. TRADE AND BILLS RECEIVABLES (continued)

As at 30 June 2023, bills receivable of RMB480,000 (31 December 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 period.

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within 1 month	5,844	1,442
1 to 3 months	–	144
3 to 12 months	–	1,392
Over 12 months	3,320	1,255
	9,164	4,233

15. CASH AND CASH EQUIVALENTS

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Cash and cash equivalents	91,371	89,275

As at 30 June 2023, cash and cash equivalents of the Group denominated in RMB amounted to RMB63,494,000 (as at 31 December 2022: RMB62,735,000). RMB is not freely convertible into other currencies. However, under the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2023

15. CASH AND CASH EQUIVALENTS (continued)

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

16. TRADE PAYABLES

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Trade payables	<u>9,379</u>	<u>6,868</u>

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within 1 month	5,177	442
1 to 3 months	–	272
3 to 6 months	–	378
6 to 12 months	–	705
Over 12 months	<u>4,202</u>	<u>5,071</u>
	<u>9,379</u>	<u>6,868</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 June 2023 (the “Period” or “Period under Review”), the Group has been principally engaged in the business of supply chain management, mainly supply chain services and food supply, and the business of trading, manufacturing and research and development (“R&D”) of automobile parts.

In the first half of 2023, the global political and economic environment was complex and severe, with the continuing Russia-Ukraine conflict, the European and American banking crisis, the tense Sino-U.S. relations, and the weak global demand. Amidst heightened political tension and economic pressures overseas, China’s economy experienced various challenges, including but not limited to insufficient market confidence and weak economic growth. According to data from the National Bureau of Statistics of China, from January to June 2023, the overall Consumer Price Index (CPI) and Industrial Production Price Index (PPI) have declined, which fall below the market expectations. Industrial enterprises were facing pressures on their profitability. The Group adopted a strategic approach to expand its supply chain management business, including diversifying supply chain services, mainly warehousing, “one-piece” shipping service and 24-hour urban distribution and transportation service, and expanding food supply. During the Period under Review, the Group achieved sales revenue of approximately RMB28.7 million, an increase of approximately RMB15.7 million as compared to the corresponding period of last year.

During the Period, in order to satisfy the market demands, the Group expanded the supply chain management business, providing customers with services including warehousing management, order processing, sorting and packaging, urban distribution, payment collection, return and exchange operations, insurance claims, etc., to enrich and diversify the supply chain services of the Group. Based in Shanghai, the China’s international economic, trade and shipping center, radiating to the Yangtze River Delta Region and across the country, the Group has been vigorously promoting its food supply business, which primarily focuses on high-quality, high-standard, and diverse imported fruits, as well as high-end domestic fruits and other agricultural and sideline foods, to satisfy the customers’ demand for quality and healthy diet.

With the acceleration of the global electrification, the market share of the traditional fuel automobile continues to shrink. Meanwhile, the traditional fuel automobile market is suffering from overcapacity and fierce price competition. In the first half of 2023, Chinese automobile manufacturers launched large-scale price-off promotions for traditional fuel automobiles, further compressing the profit margin 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 enabling the Group to concentrate resources and actively develop businesses with growth potential and high profitability while controlling risks and preserving strength.

For the six months ended 30 June 2023, mainly due to the optimization of the Group's business structure and the diversified expansion of the supply chain management business, the Company recorded profit attributable to its owners of approximately RMB0.2 million, while the loss attributable to its owners was approximately RMB5.8 million for the corresponding period last year.

OUTLOOK AND STRATEGY

In the second half of 2023, there are still many risks and uncertainties in global politics and economy, including but not limited to the global debt crisis, trade protectionism, and the escalation of geopolitical conflicts, which are putting greater pressure on the economy and are causing the deceleration of global economic growth. Thus, China's economic recovery will rely more on domestic demand. The Group will focus on (i) continuously expanding and diversifying the supply chain management business, to improve the business scale and profitability; (ii) continuously promoting the new energy business, leveraging the Group's resource advantages in the automobile industry; 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 business.

(i) Continuously expanding and diversifying the supply chain management business, to improve the business scale and profitability

Based on the cold storage plant and properties, the Group will continue to expand the supply chain services including but not limited to i) diversify the cooperation with current customers, and enhance the volume and turnover rate through data analysis and customised services; and ii) acquire new customers such as domestic and foreign food processors, supermarkets, traders, live-stream e-commerce and other online platforms, to improve the scale of the business and promote the reputation of "Shuanghua (雙樺)" brand in the logistics industry. Meanwhile, the Group will increase its efforts in expanding its food supply business, by focusing on promoting fruits and other agricultural and sideline foods, through ways including but not limited to cooperating directly with farms and

packaging facilities to procure, distribute and create our own “Longhuazhen (龍樺臻)” fruit brand. As of the date of this announcement, the Group has successfully introduced its Thailand coconuts and Chinese grapes branded “Longhuazhen (龍樺臻)” to various markets in China. The Group will strictly follow the procurement control procedures and relevant standards to ensure product quality, and improve its market share and brand awareness in the food industry.

The Group will continuously expand and diversify its supply chain management business based on market demand and changes, and promote the development of various businesses under the supply chain management business, create synergies, and drive the growth of the Group’s business scale and profitability.

(ii) Continuously promoting the new energy business, leveraging the Group’s resource advantages in the automobile industry

The Group will leverage its upstream and downstream resources in the automobile industry accumulated over more than 20 years to promote the new energy business. The Group will continue to actively cooperate with business partners, universities, and research institutions, to achieve the development of the Group’s new energy business.

(iii) Developing the Group’s supply chain business of other goods, services and technologies, to foster further expansion and diversification of the Group’s business

The Group intends to develop supply chain business of other potential goods, services and technologies, including but not limited to lithium battery recycling, recycling technology and energy saving businesses, either horizontally or vertically, by way of acquisition, investment, establishment of joint venture or formation of strategic alliance. The management is minded to lay a solid foundation for the diversified development of the Group, and further expand the Group’s business.

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

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2023, the Group's revenue was approximately RMB28.7 million, an increase of approximately RMB15.7 million from that of the corresponding period of 2022, which was approximately RMB13.0 million.

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

Revenue	For the six months ended 30 June			
	2023	% of	2022	% of
	RMB'000	revenue	RMB'000	revenue
Supply chain management business				
Supply chain services	13,645	47.5%	10,143	77.8%
Food supply	15,056	52.5%	—	—
Sub-total	28,701	100%	10,143	77.8%
Automobile parts business				
Evaporators	—	—	290	2.2%
Condensers	—	—	11	0.1%
Others	—	—	2,593	19.9%
Sub-total	—	—	2,894	22.2%
Total	28,701	100.0%	13,037	100.0%

Gross profit

For the six months ended 30 June 2023, the Group recorded a gross profit of approximately RMB7.0 million (gross profit for the six months ended 30 June 2022: approximately RMB2.2 million), mainly attributable to the expansion and optimization of the business structure.

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

	For the six months ended 30 June	
Gross profit/(loss)	2023	2022
	RMB'000	RMB'000
Supply chain management business		
Supply chain services	6,784	2,697
Food supply	231	–
	<hr/>	<hr/>
Sub-total	7,015	2,697
	<hr/>	<hr/>
Automobile parts business		
Evaporators	–	(198)
Condensers	–	2
Others	–	(287)
	<hr/>	<hr/>
Sub-total	–	(483)
	<hr/>	<hr/>
Total	7,015	2,214
	<hr/>	<hr/>

Other income, gains and losses

For the six months ended 30 June 2023, the Group's other income, gains and losses amounted to approximately RMB1.9 million, increased by approximately RMB1.7 million as compared to the corresponding period of last year, mainly attributable to the increase in interest income.

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

For the six months ended 30 June 2023, the Group's reversal of impairment loss under expected credit loss model amounted to approximately RMB0.2 million. For the six months ended 30 June 2022, the Group's reversal of impairment loss under expected credit loss model amounted to approximately RMB0.2 million.

Selling and distribution costs

Selling and distribution costs primarily comprised of staff-related costs, sales transportation fees, operating lease rental expenses, entertainment and travelling expenses. For the six months ended 30 June 2023, the Group's selling and distribution costs amounted to approximately RMB1.0 million, increased by approximately RMB0.7 million as compared to the corresponding period of last year, mainly due to increase in the staff-related costs, entertainment and travelling costs with the expansion of business.

Administrative expenses

Administrative expenses primarily comprised staff-related costs, various local taxes and education surcharges, depreciation of property, plant and equipment and right-of-use assets, R&D expenses and miscellaneous expenses. For the six months ended 30 June 2023, the Group's administrative expenses amounted to approximately RMB7.9 million, decreased by approximately 6.0% as compared to the corresponding period of last year, mainly attributable to the reclassification of the property depreciation.

Interest expense

The Group's interest expense for the six months ended 30 June 2023 amounted to approximately RMB29,395 (for the six months ended 30 June 2022: approximately RMB16,573), which was interest expense on lease liabilities.

Income tax credit

For the six months ended 30 June 2023, the Group had no income tax credit. For the six months ended 30 June 2022, the Group's income tax credit was approximately RMB199,831.

Profit/(loss) for the Period

For the six months ended 30 June 2023, the profit attributable to the owners of the Company was approximately RMB0.2 million, while the loss attributable to the owners of the Company for the corresponding period of last year was approximately RMB5.8 million.

LIQUIDITY AND FINANCIAL RESOURCES

Net current assets

The Group's net current assets increased from approximately RMB99.4 million as at 31 December 2022 to approximately RMB104.0 million as at 30 June 2023.

Financial position and bank borrowings

As at 30 June 2023, the Group's total cash and cash equivalents and financial assets at fair value through profit or loss amounted to approximately RMB96.6 million. 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 30 June 2023 and 31 December 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 information, and apart from intra-group liabilities, as at 30 June 2023, the Group did not have any outstanding mortgages, charges, debentures, debt securities or other loan capitals or bank overdrafts or loans or similar indebtedness or finance lease commitments, liabilities under acceptances or acceptance credits or hire purchase commitments, guarantees or other material contingent liabilities (as at 31 December 2022: nil).

The Directors have confirmed that there has not been any material change in the indebtedness and contingent liabilities of the Group during the period since 31 December 2022.

Working capital

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

For the six months ended 30 June 2023, the average inventory turnover days were 6 days (for the six months ended 30 June 2022: 19 days). The average inventory turnover days are arrived at by dividing the arithmetic means of the opening and ending balances of inventory for the relevant period by cost of sales of the same period and multiplying the quotient by 180 days. The decrease in the average inventory turnover days was primarily attributable to the change in business structure.

For the six months ended 30 June 2023, the average turnover days of trade and bills receivables were 45 days (for the six months ended 30 June 2022: 106 days). The average turnover days of trade and bills receivables are arrived at by dividing the arithmetic means of the opening and ending balances of trade and bills receivables for the relevant period by revenue of the same period and multiplying the quotient by 180 days. The average turnover days of trade and bills receivables decreased mainly due to the shorter turnover period of trade receivables of the Group's supply chain management business.

For the six months ended 30 June 2023, the average turnover days of trade and bills payables were 76 days (for the six months ended 30 June 2022: 118 days). The average turnover days of trade and bills payables are arrived at by dividing the arithmetic means of the opening and ending balances of trade and bills payables for the relevant period by cost of sales of the same period and multiplying the quotient by 180 days. The average turnover days of trade and bills payables decreased mainly due to the shorter turnover period of trade payables of the Group's supply chain management business.

CAPITAL EXPENDITURES, CAPITAL COMMITMENTS AND HUMAN RESOURCES

For the six months ended 30 June 2023, the Group's capital expenditures were approximately RMB1.0 million, mainly due to the construction of the cold storage plant and other properties (for the six months ended 30 June 2022: approximately RMB1.2 million).

As at 30 June 2023, the Group's capital commitments were approximately RMB7.2 million, mainly due to the construction of the cold storage plant (as at 30 June 2022: approximately RMB7.2 million).

As at 30 June 2023, the Group had 62 employees including Directors, management, sales, manufacture, logistics supports and other ancillary personnel. For the six months ended 30 June 2023, the Group's total wages and salaries amounted to approximately RMB3.6 million (excluding directors' and chief executives' remuneration). Our remuneration policy is primarily based on the job responsibilities, work performance and number of years of service of each employee and the current market conditions.

Pursuant to the relevant labour laws and regulations, the Group has to pay contributions to a number of staff social insurance schemes (including medical, maternity, work injury, unemployment and pension insurances) and staff housing reserve funds. The Group provides social insurances and pays contributions to housing reserve funds for its employees in accordance with the interpretations to the relevant labour laws and regulations given, and policies and measures executed by local government departments. The Group has established various welfare plans including the provision of pension funds, medical insurance, unemployment insurance and other relevant insurance for employees who are employed by our Group pursuant to the PRC rules and regulations and the existing policy requirements of the local government. For the six months ended 30 June 2023, the Group's welfare expenses amounted to approximately RMB0.5 million. The Group has complied, in all material respects, with all statutory requirements on retirement contribution in the jurisdictions where the Group operates.

The determination of the remuneration to the Directors is based on remuneration of directors of comparable companies in the industry, time commitment, duties and responsibilities of the Directors in the Group and its operational and financial performance. The basic salary of each of our executive and non-executive Directors will be reviewed by the Remuneration Committee of the Board at the end of each financial year.

Significant investments, material acquisitions and disposals

For the six months ended 30 June 2023, the Group did not have any significant investments, material acquisitions and disposals of subsidiaries, associates and joint ventures.

Foreign exchange risk

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

Contingent liabilities

As at 30 June 2023, the Group had no significant contingent liabilities (as at 31 December 2022: nil).

Pledge of assets

As at 30 June 2023, the Group had no pledge of assets (as at 31 December 2022, the Group had no pledge of assets).

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2023 (for the six months ended 30 June 2022: nil).

MATERIAL EVENTS AFTER THE REPORTING PERIOD

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

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

Neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2023 (as at 31 December 2022: nil).

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted all the requirements of the code provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the "Corporate Governance Code"). None of the Directors is aware of any information which would reasonably indicate that the Company was not in compliance with the Corporate Governance Code during the six months ended 30 June 2023, except the deviation from provisions C.2.1 as explained below.

Code provision C.2.1

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

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

COMPLIANCE WITH THE MODEL CODE

The Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") has been adopted by the Company as the code of conduct for securities transactions by the Directors. The Directors have also been reminded of their responsibilities under the Model Code regularly by the Company. Having made specific enquiries with them, all Directors confirmed that they have complied with the required standards of the Model Code during the six months ended 30 June 2023.

COMPETITION AND CONFLICT OF INTERESTS

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

NOMINATION COMMITTEE

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

BOARD DIVERSITY POLICY

The Board adopted a board diversity policy on 5 March 2019, and further amended the board diversity policy on 31 August 2023 to take effect on the same date (the "Board Diversity Policy"), which aims to set out the principles and approach to achieve diversity of the Board.

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

REMUNERATION COMMITTEE

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

AUDIT COMMITTEE

The Company established an Audit Committee comprising three independent non-executive Directors, namely Mr. He Binhui, Ms. Guo Ying and Mr. Chen Lifan, and is chaired by Mr. He Binhui. The written terms of reference which describe the authorities and duties of the Audit Committee were prepared and adopted with reference to “A Guide for Effective Audit Committee” published by the Hong Kong Institute of Certified Public Accountants. The Audit Committee provides an important link between the Board and the Company’s auditor in matters coming within the scope of the Group’s audit. It also reviews the financial reporting process and the adequacy and effectiveness of the Group’s internal control and risk management system. The Audit Committee is of the view that the risk management and internal control system at present have been valid and adequate.

REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed the unaudited consolidated results of the Company for the six months ended 30 June 2023 and this announcement. In particular, the Audit Committee has reviewed with management of the Company on the accounting principles and practices adopted by the Group and held meetings to discuss the internal controls and financial reporting matters regarding the Group’s unaudited consolidated financial information for the six months ended 30 June 2023.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is accessible on the website of the Stock Exchange at www.hkex.com.hk and the website of the Company at www.shshuanghua.com. The interim report of the Company for the six months ended 30 June 2023 will be dispatched to the shareholders of the Company and will be available on the websites of the Stock Exchange and the Company in due course.

On behalf of the Board
Shuanghua Holdings Limited
Zheng Ping
Chairman

Hong Kong, 31 August 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.