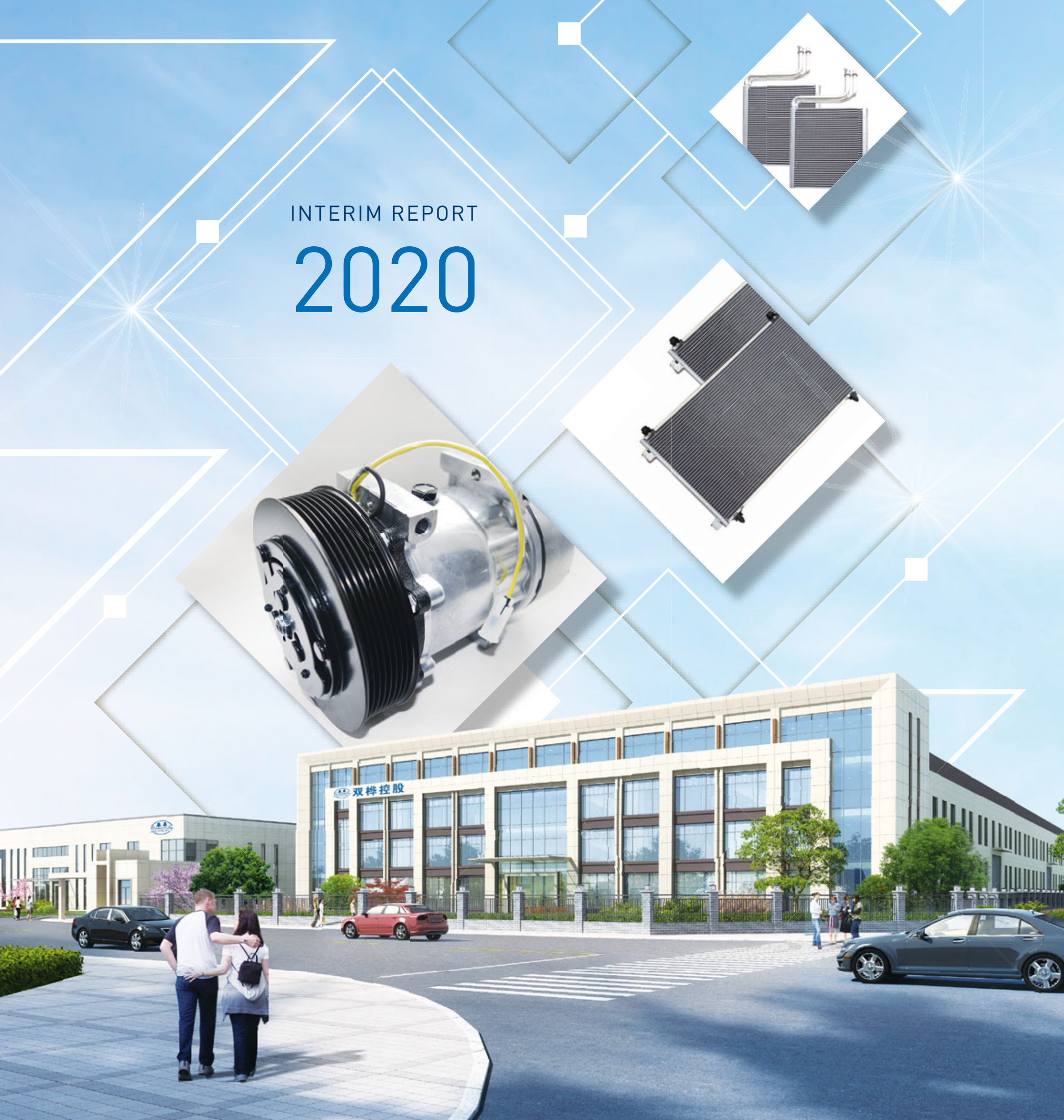
Shuanghua Holdings Limited
雙 樺 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 1241

INTERIM REPORT

2020



CONTENTS

CORPORATE INFORMATION

Company Name:	Shuanghua Holdings Limited
Registered Office:	Conyers Trust Company (Cayman) Limited Cricket Square, Hutchins Drive PO Box 2681, Grand Cayman KY-1111, Cayman Islands
Headquarter:	9/F, Tongsheng Building 458 Fushan Road Pudong District Shanghai PRC
Hong Kong Principal Business Address:	2/F, Eton Tower 8 Hysan Avenue Causeway Bay Hong Kong
Company Website:	http://www.shshuanghua.com
Telephone:	(86 21) 5058 6337
Fax:	(86 21) 5058 6337
Enquiry Email:	ir@shshuanghua.com
Financial Year End:	31 December
Board of Directors:	*Executive Directors* Mr. ZHENG Ping *(Chairman & Chief Executive Officer)* Ms. ZHENG Fei Ms. TANG Lo Nar *Non-executive Director* Ms. KONG Xiaoling *Independent non-executive Directors* Mr. HE Binhui Mr. CHEN Lifan Ms. GUO Ying

CORPORATE INFORMATION

Company Secretary:	Ms. TANG Lo Nar
Authorised Representatives:	Mr. ZHENG Ping Ms. TANG Lo Nar
Audit Committee:	Mr. HE Binhui *(Chairman)* Ms. GUO Ying Mr. CHEN Lifan
Remuneration Committee:	Ms. GUO Ying *(Chairman)* Mr. HE Binhui Mr. CHEN Lifan
Nomination Committee:	Mr. CHEN Lifan *(Chairman)* Mr. HE Binhui Ms. GUO Ying
Hong Kong Share Registrar:	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17/F, Hopewell Centre 183 Queen's Road East Wan Chai Hong Kong
Principal Banker:	China Construction Bank Corporation Shanghai Branch Fengxian Sub-branch 332 Jiefang Zhong Road Nanqiao Town, Fengxian District Shanghai PRC
Stock Code:	1241.HK
Listing Date:	30 June 2011

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Over the past, Shuanghua Holdings Limited ("Shuanghua" or the "Company") and its subsidiaries (collectively referred to as the "Group") have been principally engaged in the business of trading, manufacturing and research and development ("R&D") of automobile parts, mainly the automotive heating, ventilation and air-conditioning ("HVAC") components. The principal places of business are located in Shanghai ("Shanghai") and Anhui Province ("Anhui"), the People's Republic of China (the "PRC" or "China"). By early 2020, the Group has completed full transfer of its production base from Shanghai to Anhui. As the outbreak of the novel coronavirus ("COVID-19") was being contained in China and the local governments gradually lifted the lockdown and other relevant measures, the Group resumed its production and business operation in March 2020. In fact, the risk-control policies implemented by the Group in the past and the strategy to diversify the Group's business portfolio have limited the negative impact of the sudden outbreak on the Group.

For the six months ended 30 June of 2020, the Group achieved sales revenue of approximately RMB33.8 million, an increase of approximately 107.4% or RMB17.5 million as compared to the same period of last year. Since the establishment of Huangshan Shuanghua Donglin Compressor Co., Ltd. ("Huangshan Shuanghua") in November 2019, the Group had expanded its product line of key and complementary components in the automotive HVAC system by increasing the variety of automotive air-conditioning compressors. As business activity resumed after the spread of COVID-19 was being contained in China, the Group increased its sales efforts in promoting the key and complementary components in an automotive HVAC system, mainly compressors, evaporators and condensers, and targeted primarily towards the domestic automotive after-sales market (the "aftermarket"), which is highly related to the immense car ownership scale and growing average car age. Furthermore, the Group enhanced collaboration with major distributors in the aftermarket, and increased its promotion efforts in selling stocks with those customers that have credible history with the Group and well-established sales and distribution networks on the ground.

For the six months ended 30 June 2020, the Group's revenue from sales to the domestic market amounted to approximately RMB32.6 million, in which the sales revenue of evaporators, condensers and compressors amounted to approximately RMB7.9 million, RMB7.2 million and RMB16.2 million, respectively. Other revenue from sales to the domestic market comprised primarily of the sales of heaters, intercoolers, oil-coolers, and coolant reservoirs.

The Group's sales to the international market were mainly affected by the global pandemic, disruptions in international trade and business activities, economic recession and rising tension between China and the United States. For the six months ended 30 June 2020, the Group's revenue from sales to the international market amounted to approximately RMB1.2 million, in which the sales revenue of evaporators and compressors amounted to approximately RMB0.1 million and RMB0.6 million, respectively. Other revenue from sales to the international markets comprised primarily of the sales of thermostats and expansion valves.

In spite of the unfavourable conditions in the external environment, the Group focused on following its own business turnaround plans, including (i) upgrading the Group's business model and structure; (ii) expanding sales effort in the domestic aftermarket; and (iii) diversifying the Group's business portfolio. For the first half of 2020, the Group has improved its scale of operation and business revenue. Nevertheless, as a result of the combined effects of increase in sales and office expense following the resumption of business operation post the COVID-19 outbreak, and the provision for impairment loss of trade receivables under expected credit loss model, the Company recorded loss attributable to its owners of approximately RMB4.2 million for the six months ended 30 June 2020, a decrease of approximately RMB3.8 million from the loss attributable to its owners of approximately RMB8.0 million for the same period of last year.

Meanwhile, the Group planned to use its vacant properties in Shanghai to develop cold storage and cold chain supply business (the "New Business"), so as to transform the Group's business in Shanghai from traditional manufacturing to cold chain supply and storage services. On 28 June 2020, the Group entered into an equity transfer agreement with an independent third party, Fuzhou Anda Shengdong Logistics Co., Ltd. ("Fuzhou Anda"), to jointly develop the New Business by transforming some of the Group's vacant properties in Shanghai into large cold storage plants. The Group plans to integrate these plants and their cold chain logistics business into a smart support system for urban cold chain supply. With its technology and experience in ventilation and cooling system, the Group is well-equipped to develop its business in the New Business, including the applied technology of cold storage facilities and cooling system of cold storage trucks; and investment in and operation of cold storages and cold chain logistics business, with an aim to meet the growing demand for city-wide and inter-city cold chain logistics and warehouse services. For details of the said transfer, please refer to the announcement of the Company dated 28 June 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

As of the date of this report, the Group is in the process of transforming one of its vacant properties in Shanghai into a cold storage plant, which would be comprised of eight cold storage warehouses (the "First Cold Storage Plant"). The construction of the First Cold Storage Plant has commenced in June 2020 and is expected to be completed around October 2020. Given the advantageous geographical position and the large number and storage volume of the Group's vacant properties in Shanghai, the Group is confident that they will lay a solid foundation for the development of the New Business and provide an additional revenue stream for the Group and its shareholders in the long run.

The Group will continue to conduct comprehensive evaluation on the market conditions and be prudent in adjusting the Group's business strategies and plans in a timely manner to manage and grow its existing business and New Business, and achieve a sustainable business development.

OUTLOOK AND STRATEGY

In formulating the Group's business strategies, the Company has considered a number of factors, including but not limited to the development of the COVID-19 outbreak and its impacts, changes in the domestic and international market conditions, the market potential of the Group's existing business/products and the New Business, and the Group's position and competitiveness in the domestic aftermarket and cold chain supply industries.

Due to change in business environments in the international and domestic markets, the Group will concentrate its effort on the business turnaround plans (and adjust the same based on the actual conditions), including but not limited to (i) strengthen sales effort to consolidate the Group's market position in the domestic aftermarket; (ii) promote development of cold storage plants and cold chain supply business; (iii) focus on developing HVAC systems and cooling systems of cold storage trucks, and expand cooperation with major original equipment suppliers ("OES"); and (iv) further upgrade and diversify the business and enhance the market competitiveness of the Group. The Group targets to become a leading listed company with sustainable growth driven by its management and expertise, business cooperation and advanced technological strengths and capabilities.

(i) Strengthen sales effort to consolidate the Group’s market position in the domestic aftermarket

As the new car sales market in China has entered into the saturation stage, the aftermarket will be the key growth point of China automotive industry, which is primarily attributed to the immense car ownership scale and growing average car age. Due to continuous spread of COVID-19 abroad and the prevention and control measures at the borders, more people are keen to travel within China and drive in their own cars, which increases the utilization rate and service life of cars, thereby driving the demand for products in need of repair and maintenance services.

To meet the demand of the domestic aftermarket, the Group will continue to enhance collaboration with major distributors in different regions of China, and increase the Group’s sales efforts by assisting its distributors to expand their sales network; helping distributors with the procurement and supply of different kinds of automotive components to achieve comprehensive supply of a wide varieties of products; and participating together in trade fairs or exhibitions and leveraging on the Group’s brand name “Shuanghua (雙樺)” which is highly recognised in the automotive industry. The Group will continue to provide more key and complementary components and products in the automotive HVAC system, and strengthen sales effort to consolidate the Group’s market position in the domestic aftermarket.

(ii) Promote development of cold storage plants and cold chain supply business

According to the Cold Chain Logistics Committee of the China Federation of Logistics and Purchasing, the demand and sales revenue of cold chain logistics business in China experienced a rapid growth from 2019. Due to the rapid growth of the domestic fresh food e-commerce industry, there is a rising demand in the cold chain supply business in China, which is expected to be a fast-growing market segment.

As aforementioned, the construction of the First Cold Storage Plant of the Group has commenced in June 2020 and is expected to be completed around October 2020. The Group also plans to transform another vacant property in Shanghai into a cold storage plant (the “Second Cold Storage Plant”). The construction of the Second Cold Storage Plant is expected to begin in around December 2020 and be completed around March 2021.

(iii) Focus on developing HVAC systems and cooling systems of cold storage trucks, and expand cooperation with major OES

The Group is minded to develop more new products to obtain new customers and sales orders with an aim to further grow its existing business and New Business. To leverage on its technology and experience in ventilation and cooling system, the Group will focus on the development of HVAC systems and cooling systems of cold storage trucks, and seek cooperation with major OES, which install and modify HVAC systems and cooling systems according to the actual needs and applications of cold storage trucks.

The Group will strengthen its R&D capabilities through cooperating with engineers from major OES and research institutes, recruiting staff with relevant expertise and experiences, and developing the technology and products of HVAC systems and cooling systems that are aimed to be commercialized by the Group.

(iv) Further upgrade and diversify the business and enhance the market competitiveness of the Group

In addition to the transformation of the above two properties into two cold storage plants and the development of HVAC systems and cooling systems for cold storage trucks, the Group intends to transform another vacant property in Shanghai into a bonded warehouse zone for the import and export of commodities, which serve as an upgrade and diversification of the New Business, and would enable the Group to provide services for different supply chains, products and customers, and create more and higher value for our shareholders.

The Group will continue to work with its business partners and research institutes on the development of new energy-saving, emission-reducing and other advanced products, which would enable the Group to expand its product line with more variety, better quality and higher value and obtain new customers and sales orders, with an aim to achieve a faster growth and sustainable business development of the Group in the long run.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2020, the Group's revenue was approximately RMB33.8 million, an increase of approximately RMB17.5 million or 107.4% from that of the corresponding period of 2019, which was approximately RMB16.3 million.

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

	For the six months ended 30 June			
	2020		2019	
Revenue	**RMB'000**	**% of revenue**	RMB'000	% of revenue
Domestic				
Evaporators	**7,919**	**23.5%**	7,971	48.9%
Condensers	**7,229**	**21.4%**	3,795	23.3%
Compressors	**16,194**	**47.9%**	–	–
Others	**1,265**	**3.7%**	1,934	11.8%
Sub-total	**32,607**	**96.5%**	13,700	84.0%
International				
Evaporators	**85**	**0.3%**	2,364	14.5%
Condensers	**–**	**–**	232	1.4%
Compressors	**647**	**1.9%**	–	–
Others	**430**	**1.3%**	11	0.1%
Sub-total	**1,162**	**3.5%**	2,607	16.0%
Total	**33,769**	**100.0%**	16,307	100%

Gross profit/(loss)

For the six months ended 30 June 2020, the Group recorded a gross profit of approximately RMB7.6 million (gross loss for the six months ended 30 June 2019: approximately RMB2.2 million), mainly attributable to lower minimum wage and costs of raw materials in Anhui.

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

	For the six months ended 30 June	
	2020	2019
Gross profit/(loss)	**RMB'000**	RMB'000
Domestic		
Evaporators	**1,866**	(2,491)
Condensers	**2,637**	338
Compressors	**2,572**	–
Others	**87**	(194)
Sub-total	**7,162**	(2,347)
International		
Evaporators	**49**	106
Condensers	**–**	27
Compressors	**100**	–
Others	**314**	4
Sub-total	**463**	137
Total	**7,625**	(2,210)

Other income, gains and losses

For the six months ended 30 June 2020, the Group's other income, gains and losses amounted to approximately RMB5.9 million, increased by approximately 40.5% as compared to the same period of last year, mainly attributable to increase in gross rental income and gain on disposal of items of property, plant and equipment.

(Impairment loss)/reversal of impairment loss of trade receivables under expected credit loss model

For the six months ended 30 June 2020, the Group's impairment loss under expected credit loss model amounted to approximately RMB2.9 million. For the six months ended 30 June 2019, the Group's reversal of impairment loss under expected credit loss model amounted to approximately RMB1.0 million. For the sake of prudence, the Group recognized an increase in the impairment loss of trade receivables for the six months ended 30 June 2020, mainly due to increase in the loss allowance as a result of (i) an increase in the gross carrying amount of trade receivables aged over one year; and (ii) a net increase in the gross carrying amount after the settlement of trade receivables and origination of new trade receivables.

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 2020, the Group's selling and distribution costs amounted to approximately RMB2.5 million, increased by approximately 92.3% as compared to the same period of last year, mainly due to increase in sales revenue, causing an increase in sales-related transportation and staff expenses.

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 six months ended 30 June 2020, the Group's administrative expenses amounted to approximately RMB13.3 million, increased by approximately 43.0% as compared to the same period of last year, mainly attributable to (i) office expense for the resumption of business operation post the COVID-19 outbreak; (ii) depreciation of the Group's property and plant in Shanghai (classified from cost of sales to administrative expenses after suspension of production in Shanghai); and (iii) consulting fees.

Other expenses

Other expenses primarily comprised of written off of assets and miscellaneous expenses. For the six months ended 30 June 2020, the Group recorded other expenses of approximately RMB1.1 million (for the six months ended 30 June 2019: approximately RMB55,000). Other expenses for the six months ended 30 June 2020 were mainly due to written off of assets arising from deregistration of a subsidiary.

Interest expense

Since the adoption of HKFRS 16 *Leases* on 1 January 2019, the Group's interest expense for the six months ended 30 June 2020 amounted to approximately RMB20,000 (for the six months ended 30 June 2019: approximately RMB46,000).

Share of loss of a joint venture

On 28 December 2017, the Group entered into agreements to invest in 45% of equity interest in Anhui Shuanghua at a consideration of RMB6.75 million which was fully paid in 2018. Anhui Shuanghua was established in 31 May 2018 and became a 86.49%-owned subsidiary of the Group on 25 October 2019. For the six months ended 30 June 2020, the Group had no share of loss of a joint venture. For the six months ended 30 June 2019, the Group shared the loss of Anhui Shuanghua, which amounted to approximately RMB0.4 million.

Income tax credit

For the six months ended 30 June 2020, the Group's income tax credit was approximately RMB1.0 million. For the six months ended 30 June 2019, the Group's income tax credit was approximately RMB0.2 million.

Loss for the period

For the six months ended 30 June 2020, the loss attributable to the owners of the Company was approximately RMB4.2 million, while the loss attributable to the owners of the Company for the same period of last year was approximately RMB8.0 million.

LIQUIDITY AND FINANCIAL RESOURCES

Net current assets

The Group's net current assets decreased from approximately RMB170.8 million as at 31 December 2019 to approximately RMB167.8 million as at 30 June 2020.

Financial position and bank borrowings

As at 30 June 2020, the Group's total cash and cash equivalents and restricted time deposits amounted to approximately RMB141.9 million. As at 31 December 2019, the Group's cash and cash equivalents and restricted time deposits amounted to approximately RMB154.8 million. As at 30 June 2020 and 2019, the Group did not have any borrowings. The gearing ratio was not applicable to the Group (as at 31 December 2019: nil).

Save as aforesaid or otherwise disclosed in the notes to the financial information, and apart from intra-group liabilities, as at 30 June 2020, we 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 2019: nil).

The directors of the Company (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 2019.

Working capital

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

As at 30 June 2020, total inventories, mainly comprised of raw materials, work-in-progress and finished products, amounted to approximately RMB21.6 million (as at 31 December 2019: approximately RMB20.5 million). Our marketing team reviews and monitors our inventory level on a regular basis. For the six months ended 30 June 2020, the average inventory turnover days was 145 days (for the six months ended 30 June 2019: 374 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 (for the six months ended 30 June 2019: 180 days). The decrease in the average inventory turnover days was primarily attributable to increase in sales of stocks.

For the six months ended 30 June 2020, the average turnover days of trade and bills receivables was 165 days (for the six months ended 30 June 2019: 390 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 (for the six months ended 30 June 2019: 180 days). The average turnover days of trade and bills receivables decreased mainly due to increase in sales revenue and the overall turnover rate of the Group.

For the six months ended 30 June 2020, the average turnover days of trade and bills payables was 128 days (for the six months ended 30 June 2019: 164 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 (for the six months ended 30 June 2019: 180 days). The average turnover days of trade and bills payables decreased mainly because the management accelerated the repayment rate to improve liquidity.

CAPITAL EXPENDITURES, CAPITAL COMMITMENTS AND HUMAN RESOURCES

For the six months ended 30 June 2020, the Group's capital expenditures were approximately RMB9.3 million, mainly due to addition of buildings, construction in progress and equipment (for the six months ended 30 June 2019: approximately RMB0.3 million).

As at 30 June 2020, the Group had 145 full-time employees including Directors, management, sales, manufacture, logistics supports and other ancillary personnel (as at 30 June 2019: 124). For the six months ended 30 June 2020, the Group's total wages and salaries amounted to approximately RMB6.0 million (for the six months ended 30 June 2019: approximately RMB6.4 million). Our remuneration policy is primarily based on the job responsibilities, work performance and number of years of service of each employee and the current market conditions.

Pursuant to the relevant 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 2020, the Group's welfare expenses amounted to approximately RMB0.7 million (for the six months ended 30 June 2019: approximately RMB1.4 million). The Group has complied, in all material respects, with all statutory requirements on retirement contribution in the jurisdictions where the Group operates. The basic salary of each of our executive and non-executive Directors will be reviewed by the Remuneration Committee of the Board of Directors of the Company (the "Board") at the end of each financial year.

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.

Significant investments, material acquisitions and disposals

On 28 June 2020, Shanghai Eagle Investment Limited ("Eagle Investment"), an wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Fuzhou Anda, an independent third party with extensive experience in the cold storage and cold chain supply business, pursuant to which Eagle Investment sold 40% of the equity interest of Shanghai Shuanghua Supply Chain Management Co., Ltd., its then wholly-owned subsidiary, at a consideration of RMB1 and the settlement of the outstanding capital of RMB8.0 million, which shall be settled by Fuzhou Anda in two equal instalments of RMB4.0 million each with the first and second instalment to be made on or before 31 August 2020 and 30 September 2020, respectively. For details of the said transfer, please refer to the announcement of the Company dated 28 June 2020.

Saved as disclosed above, for the six months ended 30 June 2020, the Group did not have any significant investments, material acquisitions and disposals of subsidiaries, associates and joint ventures (for the six months ended 30 June 2019: nil).

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 2020, the Group had no significant contingent liabilities (as at 31 December 2019: nil).

Pledge of assets

As of 30 June 2020, the Group had no pledge of assets (as at 31 December 2019, the Group's bills payable of RMB2,123,000 were secured by certain of the Group's bills receivable of RMB2,123,000).

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

As at 30 June 2020, a balance of approximately RMB10.0 million of the proceeds from the initial public offering of the Company remained unutilized (the "Unutilized Proceeds"). Among the Unutilized Proceeds, RMB2.0 million will be utilized for the installation of facilities, utilities and security equipment of the Group's plant, RMB3.0 million will be utilized for the transformation and upgrade of equipment, and RMB5.0 million will be utilized as general working capital. The Group intends to fully utilize the Unutilized Proceeds by end of 2020. There was no change in the intended use of the Unutilized Proceeds as previously disclosed in the announcements of the Company dated 18 June 2013 and 23 July 2020.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2020 (for the six months ended 30 June 2019: nil).

MATERIAL EVENTS AFTER THE REPORTING PERIOD

On 7 February 2020, the Company received a letter from the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), which serves as a notice that the Stock Exchange has decided to suspend trading in the shares of the Company (the "Shares") under Rule 6.01(3) of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") (the "Decision"). On 18 February 2020, the Company submitted a written request to the Listing Committee for reviewing the Decision. For details, please refer to the announcements of the Company dated 10 February 2020 and 18 February 2020.

The review hearing of the Decision by the Listing Committee took place on 15 July 2020. On 20 July 2020, the Company received a fax from the Stock Exchange notifying the Company that the Listing Committee decided to allow the Company's review application. For details, please refer to the announcement of the Company dated 21 July 2020.

On 6 August 2020, as the Company could not reach a consensus with Ernst & Young, the current auditor of the Company, on the audit fee for the financial year ending 31 December 2020, Ernst & Young has resigned as the auditor of the Company. The Board resolved to appoint BDO Limited, Certified Public Accountants, as the new auditor of the Company to fill the casual vacancy following the resignation of Ernst & Young and to hold office until the conclusion of the next annual general meeting of the Company on the same date. For details, please refer to the announcement of the Company dated 6 August 2020.

Furthermore, the outbreak of the COVID-19 continues to spread to countries across the world. The spread of COVID-19 virus has had a major impact on both the market and the Group's operating environment in China and the globe. The Group will monitor the development of the COVID-19 situation closely, assess and react actively to its impacts on the financial position and operating results of the Group. Up to the date of this report, the assessment is still in progress.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2020, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or which were required to be recorded in the register kept by the Company under Section 352 of SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules were as follows:

Long positions in the Shares

As at 30 June 2020, the issued share capital of the Company comprised 650,000,000 Shares.

	Number of Shares				
Name of Directors	**Personal interests**	**Family interests**	**Corporate interests**	**Total**	**Percentage of issued share capital**
Mr. Zheng Ping *(Note 1)*	–	–	282,750,000	282,750,000	43.5%
Ms. Kong Xiaoling *(Note 2)*	–	282,750,000	–	282,750,000	43.5%

Notes:

1. Mr. Zheng Ping is an executive Director and holds 100% interest in Youshen International Group Limited ("Youshen Group") and he is deemed to be interested in the 282,750,000 Shares held by Youshen Group.

2. Ms. Kong Xiaoling is a non-executive Director and the spouse of Mr. Zheng Ping. Accordingly, Ms. Kong is deemed to be interested in the 282,750,000 Shares held by Youshen Group under the SFO.

Save as disclosed above, as at 30 June 2020, none of the Directors nor the chief executives of the Company had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 30 June 2020, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in the Shares

As at 30 June 2020, the issued share capital of the Company comprised 650,000,000 Shares.

Name of shareholders	Capacity	Nature of Interests	Number of Shares	Percentage of issued share capital
Youshen Group *(Note 1)*	Beneficial owner	Corporate	282,750,000	43.5%
Ms. Zhou Shu Xian	Beneficial owner	Individual	120,160,000	18.5%
Mr. Xu Zong Lin	Beneficial owner	Individual	59,144,000	9.1%

Note:

1. Mr. Zheng Ping is an executive Director and holds 100% interest in Youshen Group and he is deemed to be interested in the 282,750,000 Shares held by Youshen Group. Ms. Kong Xiaoling is the spouse of Mr. Zheng Ping and she is deemed to be interested in the 282,750,000 Shares held by Youshen Group under the SFO.

Save as disclosed above, as at 30 June 2020, the Directors were not aware of any persons (not being a Director or chief executive of the Company) who had any interests or short positions in the Shares or underlying Shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required to be recorded in the register kept by the Company pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 8 June 2011 (the "Share Option Scheme") for the purpose of providing incentives or rewards to eligible participants (including employees, executives or officers, directors including non-executive directors and independent non-executive directors, advisers, consultants, suppliers, customers and agents of the Company or any of its subsidiaries) for their contribution to the long term growth of the Group and to motivate them to optimise their performance efficiency for the benefit of the Group.

The Share Option Scheme became effective on 29 June 2011 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares which may be issued upon exercise of all options granted and to be granted under the Share Option Scheme is 65,000,000 shares, representing 10% of the shares of the Company in issue as at the date of adoption of the Share Option Scheme and 10% of the shares of the Company in issue as at the date of this report. The maximum number of shares issuable under share options granted to each eligible participant in the Share Option Scheme (including both exercised and outstanding options) within any 12-month period is limited to 1% of the Shares in issue. Any grant or further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting. A grant of share options under the Share Option Scheme to a director, chief executive or substantial shareholder of the Company, or to any of their associates, is subject to approval in advance by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option). In addition, any share options granted to a substantial shareholder or an independent non-executive Director of the Company, or to any of their associates, which would result in the Shares issued and to be issued, upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding), to such person in the 12-month period up to and including the date of the grant in excess of 0.1% of the Shares in issue and with an aggregate value (based on the closing price of the Shares at the date of grant) in excess of HK$5 million, are subject to shareholders' approval in advance in a general meeting.

The exercise period of the share options granted is determined by the Directors, save that such a period shall not be more than 10 years from the date of offer of the share options and subject to the provisions for early termination as set out in the Share Option Scheme. There is no requirement of a minimum period for which an option must be held before it can be exercised.

The exercise price of the share options shall be not less than the highest of (i) the closing price of the Shares on the Stock Exchange on the date of offer of the share options, which must be a date on which the Stock Exchange is open for business of dealing in securities; (ii) the average closing price of the Shares on the Stock Exchange for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the Shares on the date of offer.

No share options have been granted under the Share Option Scheme since it became effective. During the six months ended 30 June 2020, no share options were granted, exercised, lapsed or cancelled, and as at 1 January 2020 and 30 June 2020, no options under the Share Option Scheme were outstanding.

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 2020 (as at 31 December 2019: nil).

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted all the requirements of the code provisions of the Corporate Governance Code and Corporate Governance Report (the "Corporate Governance Code") contained in Appendix 14 to the Listing Rules. None of the Directors is aware of any information which would reasonably indicate that the Company was not in compliance with the Corporate Governance Code during the six months ended 30 June 2020, except the deviation from provisions A.2.1 and A.4.3 as explained below.

Code provision A.2.1

Under provision A.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 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.

Code provision A.4.3

Under provision A.4.3 of the Corporate Governance Code, if an independent non-executive director serves for more than nine years, his further appointment should be subject to a separate resolution to be approved by the shareholders of the Company.

Mr. He Binhui and Mr. Chen Lifan have served as independent non-executive Directors for more than nine years. The future appointment of these two independent non-executive Directors without the approval by way of passing a separate resolution of the shareholders of the Company is regarded as a deviation from provision A.4.3 of the Corporate Governance Code. Pursuant to the Company's Articles of Association, all Directors are subject to retirement by rotation and re-election at the annual general meeting of the Company. To comply with this Corporate Governance Code provision, all these two independent non-executive Directors will retire at the forthcoming annual general meeting of the Company and the Company will state the reason why the relevant independent non-executive Directors who are subject to rotation and re-election are still independent and should be re-elected in the shareholders' circular. In view of the above, the Company considers that sufficient measures have been taken to ensure that the standard of the Company's corporate governance practices is not lower than those required in the Corporate Governance Code.

COMPLIANCE WITH THE MODEL CODE

The Model Code set out in Appendix 10 to the Listing Rules has been adopted by the Company as the code of conduct for securities transactions by the Directors. The Directors have also been reminded of their responsibilities under the Model Code regularly by the Company. Having made specific enquiries with them, all Directors confirmed that they have complied with the required standards of the Model Code during the six months ended 30 June 2020.

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 report.

NOMINATION COMMITTEE

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

BOARD DIVERSITY POLICY

The Board adopted a board diversity policy (the "Board Diversity Policy") on 5 March 2019, which aims to set out the principles and approach to achieve diversity on the Board.

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

REMUNERATION COMMITTEE

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

AUDIT COMMITTEE

The Company established an Audit Committee comprising three independent non-executive Directors, namely Mr. He Binhui, Ms. Guo Ying and Mr. Chen Lifan, and is chaired by Mr. He Binhui. The written terms of reference which describe the authorities and duties of the Audit Committee were prepared and adopted with reference to "A Guide for the Formation of an Audit Committee" published by the Hong Kong Institute of Certified Public Accountants. The Audit Committee provides an important link between the Board and the Company's auditor in matters coming within the scope of the Group audit. It also reviews the financial reporting process and the adequacy and effectiveness of the Group's internal control 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 2020 and this interim report. 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 2020.

On behalf of the Board
Shuanghua Holdings Limited
Zheng Ping
Chairman

Hong Kong, 31 August 2020

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June

	Notes	**2020 RMB'000 (Unaudited)**	2019 RMB'000 (Unaudited)
Revenue	5	**33,769**	16,307
Cost of sales		**(26,144)**	(18,517)
Gross profit/(loss)		**7,625**	(2,210)
Other income, gains and losses	5	**5,862**	4,206
(Impairment loss)/reversal of impairment loss of trade receivables under expected credit loss model		**(2,942)**	957
Selling and distribution costs		**(2,532)**	(1,338)
Administrative expenses		**(13,260)**	(9,281)
Other expenses	6	**(1,077)**	(55)
Interest expense		**(20)**	(46)
Share of loss of a joint venture		**–**	(442)
Loss before tax	7	**(6,344)**	(8,209)
Income tax credit	8	**956**	221
Loss for the period		**(5,388)**	(7,988)
Attributable to:			
Owners of the parent		**(4,233)**	(7,988)
Non-controlling interests		**(1,155)**	–
		(5,388)	(7,988)
Loss per share attributable to ordinary equity holders of the parent			
Basic and diluted	10	**(0.7) cents**	(1.2) cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the six months ended 30 June

	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
LOSS FOR THE PERIOD	**(5,388)**	(7,988)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Release of reserves upon deregistration of a subsidiary	**251**	–
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(5,137)**	(7,988)
Attributable to:		
Owners of the parent	**(3,982)**	(7,988)
Non-controlling interests	**(1,155)**	–
	(5,137)	(7,988)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at

	Notes	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	**89,832**	89,196
Right-of-use assets		**68,797**	70,316
Advance payments for property, plant and equipment		**404**	1,620
Financial assets at fair value through profit or loss	12	**7,500**	8,576
Total non-current assets		**166,533**	169,708
CURRENT ASSETS			
Inventories	13	**21,590**	20,465
Trade and bills receivables	14	**45,547**	16,266
Prepayments, other receivables and other assets		**10,132**	4,040
Restricted time deposits	15	**115,000**	136,782
Cash and cash equivalents	15	**26,940**	17,995
Total current assets		**219,209**	195,548
CURRENT LIABILITIES			
Trade and bills payables	16	**30,114**	7,096
Other payables and accruals		**18,168**	14,319
Provision		**1,922**	1,245
Lease liabilities		**525**	1,037
Tax payable		**637**	1,090
Total current liabilities		**51,366**	24,787
NET CURRENT ASSETS		**167,843**	170,761
TOTAL ASSETS LESS CURRENT LIABILITIES		**334,376**	340,469

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**1,252**	2,208
Total non-current liabilities	**1,252**	2,208
NET ASSETS	**333,124**	338,261
EQUITY		
Equity attribute to owners of the parent		
Issued capital	**5,406**	5,406
Reserves	**324,041**	328,023
	329,447	333,429
Non-controlling interests	**3,677**	4,832
TOTAL EQUITY	**333,124**	338,261

Zheng Ping
Director

Tang Lo Nar
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June

	Attributable to owners of the parent									
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Merger reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2020 (unaudited)	**5,406**	**133,658**	**168,183**	**42,857**	**(119,378)**	**(251)**	**102,954**	**333,429**	**4,832**	**338,261**
Loss for the period (unaudited)	**-**	**-**	**-**	**-**	**-**	**-**	**(4,233)**	**(4,233)**	**(1,155)**	**(5,388)**
Other comprehensive income for the period:										
Release of reserves upon deregistration of a subsidiary (unaudited)	**-**	**-**	**-**	**-**	**-**	**251**	**-**	**251**	**-**	**251**
Total comprehensive income income/(loss) for the period (unaudited)	**-**	**-**	**-**	**-**	**-**	**251**	**(4,233)**	**(3,982)**	**(1,155)**	**(5,137)**
As at 30 June 2020 (unaudited)	**5,406**	**133,658**	**168,183**	**42,857**	**(119,378)**	**-**	**98,721**	**329,447**	**3,677**	**333,124**

	Attributable to owners of the parent									
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Merger reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2019 (unaudited)	5,406	133,658	168,183	42,857	(119,378)	(255)	134,331	364,802	5	364,807
Loss and total comprehensive loss for the period (unaudited)	–	–	–	–	–	–	(7,988)	(7,988)	–	(7,988)
As at 30 June 2019 (unaudited)	5,406	133,658	168,183	42,857	(119,378)	(255)	126,343	356,814	5	356,819

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June

	2020 **RMB'000** **(Unaudited)**	2019 RMB'000 (Unaudited)
Net cash flows used in operating activities	**(8,717)**	(8,675)
Net cash flows from investing activities	**18,194**	10,763
Net cash flows used in financing activities	**(532)**	(668)
Net increase in cash and cash equivalents	**8,945**	1,420
Cash and cash equivalents at beginning of period	**17,995**	109,825
Effect of foreign exchange rate changes, net	**–**	–
Cash and cash equivalents at end of period	**26,940**	111,245

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 2020, the Company and its subsidiaries (the "Group") were principally involved in the business of trading, manufacturing and research and development of automobile parts, mainly the automotive heating, ventilation and air-conditioning ("HVAC") components.

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

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 2019.

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 2020, the accounting policies and methods of computation used in the interim condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those followed in the preparation of the annual financial statements of the Group for the year ended 31 December 2019.

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

- Amendments to HKFRS 3: *Definition of a Business*
- Amendments to HKFRS 7, HKFRS 9 and HKAS 39: *Interest Rate Benchmark Reform*
- Amendments to HKAS 1 and HKAS 8: *Definition of Material*
- Conceptual Framework for Financial Reporting (Revised)

The new or amended HKFRSs that are effective from 1 January 2020 did not have any significant impact on the Group's accounting policies.

Amendments to HKFRS 3: *Definition of a Business*

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process".

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions.

An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

3. APPLICATION OF NEW AND REVISED HKFRSs (continued)

Amendments to HKFRS 7, HKFRS 9 and HKAS 39: *Interest Rate Benchmark Reform*

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

Amendments to HKAS 1 and HKAS 8: *Definition of Material*

The amendments clarify the definition and explanation of "material", aligning the definition across all HKFRSs and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

Conceptual Framework for Financial Reporting (Revised)

The revised Framework is not a Standard nor an Accounting Guideline. It does not override any Standard, any requirement in a Standard or Accounting Guideline. The revised Framework includes: new chapters on measurement and reporting financial performance; new guidance on derecognition of assets and liabilities; updated definitions of asset and liability; and clarifications in the roles of stewardship, prudence and measurement uncertainty in financial reporting.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organised into business units based on their products and only has one reportable operating segment. Management monitors the operating results of the Group's operating segment as a whole for the purpose of performance assessment.

Geographical information

Revenue from external customers

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Mainland China	**32,607**	13,661
Asia	**1,162**	1,320
United States of America	**–**	893
Others	**–**	433
	33,769	16,307

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.

4. OPERATING SEGMENT INFORMATION (continued)

Information about major customers

For the six months ended 30 June 2020, revenue from two (for the six months ended 30 June 2019: three) customers accounted for more than 10% of the Group's total revenue individually.

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Customer A	**16,727**	4,042
Customer B	**5,041**	3,479
Customer C	**–***	2,292
	21,768	9,813

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

5. REVENUE, OTHER INCOME, GAINS AND LOSSES

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	**33,769**	16,307

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

Disaggregated revenue information for revenue from contracts with customers

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Timing of revenue recognition		
Goods transferred at a point in time	**33,769**	16,307

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Other income		
Interest income	**2,257**	2,361
Gross rental income	**1,714**	429
Technology services income	**605**	–
Government grants	**–**	598
Investment income from financial assets at fair value through profit or loss	**–**	67
	4,576	3,455

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

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Gains and (losses)		
Gain on disposal of items of property, plant and equipment	**2,535**	–
Fair value change on financial assets at fair value through profit or loss	**(1,076)**	490
Foreign exchange (losses)/gains, net	**(180)**	246
Others	**7**	15
	1,286	751
Total other income, gains and losses	**5,862**	4,206

6. OTHER EXPENSES

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Written off of assets arising from deregistration of a subsidiary	**646**	–
Others	**431**	55
	1,077	55

7. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	**26,144**	18,517
Depreciation of property, plant and equipment	**3,225**	3,082
Depreciation of right-of-use assets	**1,521**	1,485
Product warranty provision, net of reversal	**677**	68
(Reversal of write-down)/write-down of inventories to net realisable value	**(20,757)**	1,632
Provision for impairment of other receivables and other assets	**–**	9
Employee benefit expense (excluding directors' and chief executives' remuneration):		
Wages and salaries	**4,342**	3,818
Pension scheme contributions	**206**	918
Staff welfare expenses	**443**	463
	4,991	5,199

8. INCOME TAX

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

The Group calculates 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	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax:		
Charge for the period	**–**	–
Deferred tax	**(956)**	(221)
Total tax credit for the period	**(956)**	(221)

9. DIVIDENDS

The Board did not recommend the payment of a final dividend in respect of the year ended 31 December 2019 or an interim dividend in respect of the six months ended 30 June 2020.

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

The calculation of the basic loss per share amount is based on the loss for the period attributable to ordinary equity holders of the parent, and the number of ordinary shares of 650,000,000 in issue during the period (for the six months ended 30 June 2019: 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 2019: nil).

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired items of property, plant and equipment with a cost of RMB9,285,000 (for the six months ended 30 June 2019: RMB306,000).

During the six months ended 30 June 2020, the Group disposed of items of property, plant and equipment with a net carrying amount of RMB5,424,000 (for the six months ended 30 June 2019: nil), resulting in a gain on disposal of RMB2,535,000 (for the six months ended 30 June 2019: nil).

None of the Group's buildings were pledged as at 30 June 2020 (as at 31 December 2019: nil).

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Listed equity investment, at fair value	**7,500**	8,576

The listed equity investments represent an equity investment in Bank of Shanghai which was listed on the Shanghai Stock Exchange. The investment is measured at fair value based on the quoted market price of the investee.

13. INVENTORIES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Raw materials	**11,802**	8,339
Work in progress	**42**	150
Finished goods	**9,746**	11,976
	21,590	20,465

14. TRADE AND BILLS RECEIVABLES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Trade receivables	**56,506**	21,840
Bills receivable	**1,123**	3,566
	57,629	25,406
Provision for impairment	**(12,082)**	(9,140)
	45,547	16,266

The Group's trading terms with its customers are mainly on credit. The credit period for trade receivables is generally 30 to 90 days, extending up to one year for major customers. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest bearing.

As of 30 June 2020, the Group had no pledge of assets (as at 31 December 2019, the Group's bills receivable of RMB2,123,000 were pledged to secure the Group's bills payable of RMB2,123,000) (note 16).

As at 30 June 2020, bills receivable of RMB1,123,000 (31 December 2019: RMB3,566,000) 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.

14. TRADE AND BILLS RECEIVABLES (continued)

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Within 1 month	**28,403**	840
1 to 3 months	**10,124**	2,297
3 to 12 months	**3,823**	6,815
Over 12 months	**2,074**	2,748
	44,424	12,700

15. CASH AND CASH EQUIVALENTS AND RESTRICTED TIME DEPOSITS

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Cash and bank balances	**26,940**	17,995
Restricted time deposits	**115,000**	136,782
	141,940	154,777
Less: restricted time deposits	**(115,000)**	(136,782)
Cash and cash equivalents	**26,940**	17,995

15. CASH AND CASH EQUIVALENTS AND RESTRICTED TIME DEPOSITS (continued)

As at 30 June 2020, cash and cash equivalents of the Group denominated in RMB amounted to RMB22,202,000 (as at 31 December 2019: RMB13,396,000). RMB is not freely convertible into other currencies. However, under the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

As at 30 June 2020, RMB115,000,000 (as at 31 December 2019: RMB136,782,000) represented restricted time deposits carrying a fixed interest rate from 2.5% to 3.2% (as at 31 December 2019: from 3.3% to 3.8%) per annum, which were restricted and could not be redeemed until maturity date.

16. TRADE AND BILLS PAYABLES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Trade payables	**29,961**	4,973
Bills payable	**153**	2,123
	30,114	7,096

16. TRADE AND BILLS PAYABLES (continued)

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Within 1 month	**13,554**	566
1 to 3 months	**13,950**	641
3 to 12 months	**57**	1,047
6 to 12 months	**218**	80
Over 12 months	**2,182**	2,639
	29,961	4,973

As of 30 June 2020, the Group had no pledge of assets (as at 31 December 2019, the Group's bills payable of RMB2,123,000 were secured by certain of the Group's bills receivable of RMB2,123,000) (note 14).

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

17. CAPITAL COMMITMENTS

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Contracted, but not provided for:		
Buildings	**–**	1,298

18. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in the unaudited interim consolidated financial statements, the Group had the following transactions with a related party during the period:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Office rental paid to Shanghai Automart Investment Co., Ltd. ("Shanghai Automart")	**532**	668

Office rental paid to Shanghai Automart was based on prices mutually agreed between the parties. The director, Kong Xiaoling, is interested in Shanghai Automart.

The above transaction was a one-off connected transaction as defined in Chapter 14A of the Listing Rules.

(b) Compensation of key management personal of the Group:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short term employee benefits	**1,066**	1,139
Pension scheme contributions	**13**	50
Total compensation paid to key management personnel	**1,079**	1,189

19. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

30 June 2020 (Unaudited)

	Financial assets at fair value through profit or loss RMB'000	Financial assets at fair value through other comprehensive income — Debt instrument RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Financial assets at fair value through profit of loss	7,500	–	–	7,500
Trade and bills receivables	–	1,123	44,424	45,547
Financial assets included in prepayments, other receivables and other assets	–	–	7,195	7,195
Restricted time deposits	–	–	115,000	115,000
Cash and cash equivalents	–	–	26,940	26,940
	7,500	1,123	193,559	202,182

19. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

Financial assets (continued)

31 December 2019 (Audited)

	Financial assets at fair value through profit or loss RMB'000	Financial assets at fair value through other comprehensive income — Debt instrument RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Financial assets at fair value through profit of loss	8,576	–	–	8,576
Trade and bills receivables	–	3,566	12,700	16,266
Financial assets included in prepayments, other receivables and other assets	–	–	756	756
Restricted time deposits	–	–	136,782	136,782
Cash and cash equivalents	–	–	17,995	17,995
	8,576	3,566	168,233	180,375

Financial liabilities – at amortised cost

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Trade and bills payables	30,114	7,096
Financial liabilities included in other payables and accruals	4,455	6,058
Lease liabilities	525	1,037
	35,094	14,191

20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

All the carrying amounts of the Group's financial instruments approximate to their fair values.

Management has assessed that the fair values of cash and cash equivalents, restricted time deposits, trade and bills receivables, financial assets included in prepayments, other receivables and other assets, trade and bills payables, financial liabilities included in other payables and accruals and lease liabilities approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the finance manager. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the finance manager. The valuation process and results are discussed with the directors once a year for annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of listed equity investments are based on quoted market prices.

The fair values of the bills receivable classified as financial assets at fair value through other comprehensive income under HKFRS 9 have been calculated by discounting the expected future cash flows, which are the par values of the bills receivable. In addition, the bills receivable will mature within six months, thus their fair values approximate to their carrying values.

20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Level 1: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;

Level 2: Fair value measured based on valuation techniques using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs; or

Level 3: Fair value measured based on valuation techniques using significant unobservable inputs (i.e. not derived from market data).

Assets measured at fair value:

As at 30 June 2020 (unaudited)

	Fair value measurement using			
	Quoted price in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Debt investments at fair value through other comprehensive income:				
Bills receivable	–	1,123	–	1,123
Financial assets at fair value through profit or loss:				
Listed equity investments	7,500	–	–	7,500
	7,500	1,123	–	8,623

20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Assets measured at fair value: (continued)

As at 31 December 2019 (audited)

	Fair value measurement using			
	Quoted price in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Debt investments at fair value through other comprehensive income:				
Bills receivable	–	3,566	–	3,566
Financial assets at fair value through profit or loss:				
Listed equity investments	8,576	–	–	8,576
	8,576	3,566	–	12,142

As at 30 June 2020, the Group did not have any financial liabilities measured at fair value (as at 31 December 2019: nil).

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (for the six months ended 30 June 2019: nil).

21. EVENTS AFTER THE REPORTING PERIOD

On 7 February 2020, the Company received a letter from the Stock Exchange, which serves as a notice that the Stock Exchange has decided to suspend trading in the shares of the Company under Rule 6.01(3) of the Listing Rules (the "Decision"). On 18 February 2020, the Company submitted a written request to the Listing Committee for reviewing the Decision. For details, please refer to the announcements of the Company dated 10 February 2020 and 18 February 2020.

The review hearing of the Decision by the Listing Committee took place on 15 July 2020. On 20 July 2020, the Company received a fax from the Stock Exchange notifying the Company that the Listing Committee decided to allow the Company's review application. For details, please refer to the announcement of the Company dated 21 July 2020.

22. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 31 August 2020.