



Shuanghua Holdings Limited

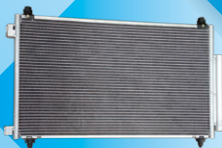
雙樺控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1241

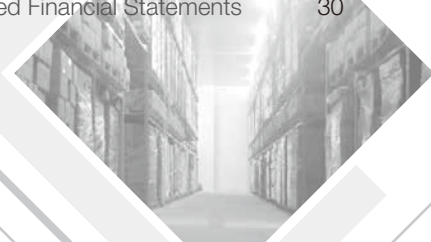
Interim Report

2021



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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
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Enquiry Email:	ir@shshuanghua.com
Financial Year End:	31 December
Board of Directors:	<i>Executive Directors</i> Mr. ZHENG Ping (<i>Chairman & Chief Executive Officer</i>) Ms. ZHENG Fei Ms. TANG Lo Nar <i>Non-executive Director</i> Ms. KONG Xiaoling <i>Independent non-executive Directors</i> 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 (<i>Chairman</i>) Ms. GUO Ying Mr. CHEN Lifan
Remuneration Committee:	Ms. GUO Ying (<i>Chairman</i>) Mr. HE Binhui Mr. CHEN Lifan
Nomination Committee:	Mr. CHEN Lifan (<i>Chairman</i>) 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

Shuanghua Holdings Limited (“Shuanghua” or the “Company”) and its subsidiaries (collectively referred to as the “Group”) have been principally engaged in two major businesses, being the business of trading, manufacturing and research and development (“R&D”) of automobile parts and the business of supply chain management. In the first half of 2021, the novel coronavirus (“COVID-19”) and its variants outbreak continued to spread in parts of China and across the world. The Group has been proactively adjusting and optimizing the business structure of the Group to improve its profitability. Nevertheless, the Group’s supply chain management business has been affected to some extent due to enhanced regulatory requirements for the cold storage and cold chain supply of imported goods. For the six months ended 30 June 2021 (the “Period” or “Period under Review”), the Group achieved sales revenue of approximately RMB23.8 million, a decrease of approximately RMB10.0 million as compared to the corresponding period of last year.

For the six months ended 30 June 2021, the Group’s revenue from automobile parts business amounted to approximately RMB19.3 million, in which the sales revenue of evaporators, condensers and compressors amounted to approximately RMB3.7 million, RMB1.9 million and RMB13.3 million, respectively. Other revenue comprised primarily of the sales of heaters, intercoolers, oil-coolers, and coolant reservoirs.

For the six months ended 30 June 2021, the Group’s revenue from the supply chain management business amounted to approximately RMB4.5 million. During the Period, Shanghai Shuanghua Supply Chain Management Co., Ltd. (“Shuanghua Supply Chain”), one of the operation entities of the supply chain management business of the Group, had successfully become a member of Shanghai Health Promotion Association and obtained the qualification of food storage and transportation. As an international city and the earliest Free Trade Zone City in China, Shanghai is an important base for global food and agricultural products to enter into the mainland of China. In view of this opportunity, the Group took the initiative to upgrade and transfer one of its cold storage plants to customs transit inspection warehouse for imported goods. With the technology and experience in ventilation and cooling system, the Group was able to begin operation quickly and smoothly, and successfully entered into the cold chain logistics market, to meet the growing demand of city-wide and inter-city cold chain logistics and warehouse services.

For the first half of 2021, due to reversal of impairment loss of trade receivables under expected credit loss model and cost reduction as a result of adjustment and optimisation of the Group’s business structure, the Company recorded profit attributable to its owners of approximately RMB1.0 million for the six months ended 30 June 2021, while the loss attributable to its owners was approximately RMB4.2 million for the corresponding period last year.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group believes that the adjustment and optimization of the business structure will further upgrade and specialize the businesses of the Group, as the Group is confident that they will lay a solid foundation for the development of the Group's business, and provide additional revenue streams for the Group and the shareholders of the Company (the "Shareholders") in the long run.

OUTLOOK AND STRATEGY

In the second half of 2021, as COVID-19 and its variants may continue to spread in parts of China and across the world, and the macro economy and political environment will remain uncertain. In formulating the Group's business strategies, the Company has considered a number of factors, including but not limited to changes in the macro and micro market environment, the market potential of the Group's existing products and business, and the Group's position and competitiveness in the relevant markets.

Leverage on the substantial relevant experience, and the internal and external resources of the Group, the Group will focus on (i) launching cold storage trucks business by utilizing the Group's advantages, to catch the industry boom; (ii) targeting cold storage and cold chain supply business, to seize the cold chain market share and build the "Shuanghua" brand in the cold chain logistics industry; (iii) building a cold chain ecosystem, to further upgrade the Group's business and enhance the market competitiveness of the Group; and (iv) to develop the Group's supply chain business in other goods or services, and to foster further expansion and diversification of the Group's business operation.

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

(i) Launching cold storage trucks business by utilizing the Group's advantages, to catch the industry boom

The manufacture of cold storage truck and cooling equipment is in the upstream of the cold chain logistics industry. Benefited from the policy-level requirements of urban and rural cold chain logistics infrastructure construction as well as the growth of fresh e-commerce demand, the number of the cold storage truck is increasing. According to the Cold Chain Logistics Committee of the China Federation of Logistics and Purchasing ("CCLC"), the number of the cold storage truck reached approximately 287,000 in 2020, with a year-on-year growth of approximately 33.5%.

MANAGEMENT DISCUSSION AND ANALYSIS

Leveraging on its technology and experience in ventilation and cooling system, and its resources in the cold storage and cold chain supply business, the Group will continue focusing on the R&D of heating, ventilation, and air-conditioning (“HVAC”) systems and cooling systems of cold storage trucks, and seek cooperation with major original equipment suppliers (“OES”), who are usually engaged for the installation and modification of 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.

(ii) Targeting cold storage and cold chain supply business, to seize the cold chain market share and build the “Shuanghua (雙樺)” brand in the cold chain logistics industry

Economic development brings consumption upgrading, which drives the rapid development of China’s cold chain logistics industry. According to the CCLC, the scale of the cold logistics industry continued to increase from 2017 to 2019, with an average compound growth rate of approximately 15.3%, and the total scale of the cold logistics industry reached approximately RMB374 billion in 2020, with a year-on-year growth of approximately 10.3%. Although affected by COVID-19, the cold chain logistics industry still maintains a growth trend.

As mentioned above, the Group will vigorously promote the business of customs transit inspection warehouses of imported goods and obtain a first-grade storage place qualification, to contribute to the storage and market supply of imported cold-chain food and agricultural products. The Group will closely follow the development trend of the cold chain logistics industry, build a comprehensive and highly efficient software management system to optimize management and strengthen service quality, and build an internal and external circulation development mode through high standard facilities and high service level, to seize the cold chain market share and build the “Shuanghua” brand in the cold chain logistics industry.

MANAGEMENT DISCUSSION AND ANALYSIS

(iii) **Building a cold chain ecosystem, to further upgrade the Group's business and enhance the market competitiveness of the Group**

Facing the development opportunities in the cold chain logistics industry, with the empowerment of artificial intelligence, internet of things and big data, the Group will continue to extend supply chain services based on market demand, such as cold chain processing, sorting, packaging, cold chain transportation, e-commerce, intelligent logistics distribution systems, etc., to build an internet of supply chain ecosystem from production area to marketing area, from field to table, ensuring the safety of people's diets, improving the development level of China's cold chain logistics industry, and meet the diversified consumer demand of the market to further upgrade the Group's business.

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 or services, 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.

(iv) **To develop the Group's supply chain business in other goods or services, and to foster further expansion and diversification of the Group's business operation**

In order to satisfy the growing demand from other goods or services, as well as to build on the advantage of the Group's geographical location, market position and fixed assets in Shanghai, the Group intends to develop a diversified supply chain business for goods or services such as automobile fuel oil, either horizontally or vertically, by way of acquisition, investment, establishment of joint venture or formation of strategic alliance. This will lay a solid foundation for a diversified development of the Group's business operation.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2021, the Group's revenue was approximately RMB23.8 million, a decrease of approximately RMB10.0 million from that of the corresponding period of 2020, which was approximately RMB33.8 million.

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

Revenue	2021		2020	
	RMB'000	% of revenue	RMB'000	% of revenue
Automobile parts business				
Evaporators	3,720	15.7%	8,004	23.8%
Condensers	1,873	7.9%	7,229	21.4%
Compressors	13,250	55.7%	16,841	49.8%
Others	439	1.8%	1,695	5.0%
Sub-total	19,282	81.1%	33,769	100.0%
Supply chain management business				
Leasing and Services	4,486	18.9%	—	—
Sub-total	4,486	18.9%	—	—
Total	23,768	100.0%	33,769	100.0%

Gross profit

For the six months ended 30 June 2021, the Group recorded a gross profit of approximately RMB7.7 million (gross profit for the six months ended 30 June 2020: approximately RMB7.6 million), mainly attributable to the Group contracted the automobile parts business with low gross profit and increased the leasing of supply chain management business with relatively high gross profit.

MANAGEMENT DISCUSSION AND ANALYSIS

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

	For the six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Gross profit		
Automobile parts business		
Evaporators	987	1,915
Condensers	708	2,637
Compressors	1,486	2,672
Others	107	401
Sub-total	3,288	7,625
Supply chain management business		
Leasing and Services	4,444	—
Sub-total	4,444	—
Total	7,732	7,625

Other income, gains and losses

For the six months ended 30 June 2021, the Group's other income, gains and losses amounted to approximately RMB5.4 million, decreased by approximately 8.5% as compared to the corresponding period of last year, mainly attributable to a decrease in bank interest income and loss 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 2021, the Group's reversal of impairment loss under expected credit loss model amounted to approximately RMB0.4 million. For the six months ended 30 June 2020, the Group's impairment loss under expected credit loss model amounted to approximately RMB2.9 million.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2021, the Group's selling and distribution costs amounted to approximately RMB1.2 million, decreased by approximately 52% as compared to the same period of last year, mainly due to decrease in the sales revenue of low profitable business, which caused a decrease in sales-related transportation and product warranty provision.

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 2021, the Group's administrative expenses amounted to approximately RMB12.1 million, decreased by approximately 9.0% as compared to the same period of last year, mainly attributable to decrease in the staff expense due to internal structural optimisation, consulting fee and business entertainment expenses.

Other expenses

Other expenses primarily comprised of written off of assets and miscellaneous expenses. For the six months ended 30 June 2021, the Group recorded other expenses of approximately RMB0.8 million (for the six months ended 30 June 2020: approximately RMB1.1 million). Other expenses for the six months ended 30 June 2021 were mainly due to office rental expense.

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 2021 amounted to approximately RMB36,649 (for the six months ended 30 June 2020: approximately RMB20,000).

Income tax credit

For the six months ended 30 June 2021, the Group's income tax credit was approximately RMB30,257. For the six months ended 30 June 2020, the Group's income tax credit was approximately RMB1.0 million.

Loss for the Period

For the six months ended 30 June 2021, the profit attributable to the owners of the Company was approximately RMB1.0 million, while the loss attributable to the owners of the Company for the same period of last year was approximately RMB4.2 million.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

Net current assets

The Group's net current assets decreased from approximately RMB134.4 million as at 31 December 2020 to approximately RMB128.1 million as at 30 June 2021.

Financial position and bank borrowings

As at 30 June 2021, the Group's total cash and cash equivalents and financial assets at fair value through profit or loss amounted to approximately RMB111.4 million. As at 31 December 2020, the Group's cash and cash equivalents, restricted time deposits and financial assets at fair value through profit or loss amounted to approximately RMB121.9 million. As at 30 June 2021 and 2020, the Group did not have any borrowings. The gearing ratio was not applicable to the Group (as at 31 December 2020: nil).

Save as aforesaid or otherwise disclosed in the notes to the financial information, and apart from intra-group liabilities, as at 30 June 2021, 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 2020: 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 2020.

Working capital

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

As at 30 June 2021, total inventories, mainly comprised of raw materials, work-in-progress and finished products, amounted to approximately RMB3.8 million (as at 31 December 2020: approximately RMB21.1 million). Our marketing team reviews and monitors our inventory level on a regular basis. For the six months ended 30 June 2021, the average inventory turnover days were 140 days (for the six months ended 30 June 2020: 145 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 2020: 180 days). The decrease in the average inventory turnover days was primarily attributable to increase in sales of stocks.



MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2021, the average turnover days of trade and bills receivables were 143 days (for the six months ended 30 June 2020: 165 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 2020: 180 days). The average turnover days of trade and bills receivables decreased mainly due to the Group strengthened the collection of trade and bills receivables.

For the six months ended 30 June 2021, the average turnover days of trade and bills payables were 181 days (for the six months ended 30 June 2020: 128 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 2020: 180 days). The average turnover days of trade and bills payables increased mainly because the management have negotiated better terms with suppliers to improve the Group's liquidity.

CAPITAL EXPENDITURES, CAPITAL COMMITMENTS AND HUMAN RESOURCES

For the six months ended 30 June 2021, the Group's capital expenditures were approximately RMB21.4 million, mainly due to addition of property, plant and equipment (for the six months ended 30 June 2020: approximately RMB9.3 million).

As at 30 June 2021, the Group had 108 full-time employees including Directors, management, sales, manufacture, logistics supports and other ancillary personnel. For the six months ended 30 June 2021, the Group's total wages and salaries amounted to approximately RMB6.0 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2021, the Group's welfare expenses amounted to 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 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 of the Company at the end of each financial year.

Significant investments, material acquisitions and disposals

On 10 February 2021, Shanghai Shuanghua Autoparts Co., Ltd. ("Shuanghua Autoparts"), an indirect subsidiary of the Company, entered into an equity transfer agreement with Mr. Cheng Ruicheng ("Mr. Cheng"), pursuant to which Shuanghua Autoparts acquired approximately 13.51% of the equity interest of Anhui Shuanghua Heat Exchange System Co., Ltd. (now known as Anhui Shuanghua Intelligent Technology Co., Ltd.) held by Mr. Cheng, at a consideration of RMB4.6 million. For details of the said transfer, please refer to the announcement of the Company dated 10 February 2021.

During the Period, the Group had subscribed for certain structured deposit products offered by the Bank of Shanghai and certain wealth management products offered by the Shanghai Pudong Development Bank Co., Ltd, respectively. For details of the purchase of structured deposit products and wealth management products, please refer to the announcement of the Company dated 21 May 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

On 25 May 2021, Shuanghua New Energy Vehicles Limited (“Shuanghua New Energy Vehicles”), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Shanghai Zeqing Investment Co., Ltd. (“Shanghai Zeqing”), pursuant to which Shuanghua New Energy Vehicles sold 100% equity interest in Shanghai Shuanghua Automobile Technology Development Co., Ltd. (“Shanghai Automobile Technology”), at a consideration of RMB1. For details of the said transfer, please refer to the announcement of the Company dated 25 May 2021. On 27 May 2021, the Company made a clarification announcement, the above disposal of 100% equity interest in Shanghai Automobile Technology should constitute a major transaction of the Company under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”), an extraordinary general meeting (“EGM”) was held on 20 July 2021 pursuant to which an ordinary resolution was duly passed to approve, ratify and confirm the equity transfer agreement and the transactions contemplated thereunder. For details, please refer to the clarification announcement and the circular of the Company dated 27 May 2021 and 2 July 2021, respectively.

Saved as disclosed above, for the six months ended 30 June 2021, 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 2020: On 28 June 2020, Shanghai Eagle Investment Limited (“Eagle Investment”), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Fuzhou Anda Shengdong Logistics Co., Ltd., 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 Shuanghua Supply Chain, its then wholly-owned subsidiary, at a consideration of RMB1 and the settlement of the outstanding capital of RMB8.0 million).

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Contingent liabilities

As at 30 June 2021, the Group had no significant contingent liabilities (as at 31 December 2020: nil).

Pledge of assets

As at 30 June 2021, the Group had no pledge of assets (as at 31 December 2020, the Group had no pledge of assets).

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

As at 30 June 2021, no proceeds from the initial public offering of the Company remained unutilized.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2021 (for the six months ended 30 June 2020: nil).

MATERIAL EVENTS AFTER THE REPORTING PERIOD

On 25 May 2021, Shuanghua New Energy Vehicles, a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Shanghai Zeqing, pursuant to which Shuanghua New Energy Vehicles sold 100% equity interest of Shuanghua Automobile Technology, at a consideration of RMB1. On 27 May 2021, the Company clarified that, the above disposal of 100% equity interest in Shuanghua Automobile Technology should constitute a major transaction of the Company under the Listing Rules and was subject to reporting, announcement and shareholders' approval requirement under the Listing Rules. For details of the said transfer, please refer to the announcement of the Company dated 25 May 2021 and 27 May 2021, respectively.

On 2 July 2021, the Company issued a circular on the major and connected transaction in relation to disposal of 100% equity interest in Shuanghua Automobile Technology and a notice of EGM.

On 20 July 2021, the proposed resolution as set out in the notice of EGM of the Company was duly passed by way of poll at the EGM. For details, please refer to the announcement of poll results dated 20 July 2021.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 2021, 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 2021, the issued share capital of the Company comprised 650,000,000 ordinary shares in the capital of the Company (the "Shares").

Name of Directors	Number of Shares			Total	Percentage of issued share capital
	Personal interests	Family interests	Corporate interests		
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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Save as disclosed above, as at 30 June 2021, 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 2021, 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 2021, 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Save as disclosed above, as at 30 June 2021, 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 expired on 28 June 2021.

The maximum number of Shares which may be issued upon exercise of all options granted and to be granted under the 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 2021, no share options were granted, exercised, lapsed or cancelled, and as at 1 January 2020 and 30 June 2021, 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 2021 (as at 31 December 2020: 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 2021, except the deviation from provisions A.2.1 as explained below.



CORPORATE GOVERNANCE AND OTHER INFORMATION

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 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 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 2021.

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 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.



CORPORATE GOVERNANCE AND OTHER INFORMATION

REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed the unaudited consolidated results of the Company for the six months ended 30 June 2021 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 2021.

On behalf of the Board
Shuanghua Holdings Limited
Zheng Ping
Chairman

Hong Kong, 31 August 2021

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June

	Notes	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue	5	23,768	33,769
Cost of sales		(16,036)	(26,144)
Gross profit		7,732	7,625
Other income, gains and losses	5	5,393	5,862
Reversal of impairment loss/(impairment loss) of trade receivables other receivable and other assets		408	(2,942)
Selling and distribution costs		(1,209)	(2,532)
Administrative expenses		(12,123)	(13,260)
Other expenses	6	(783)	(1,077)
Interest expense		(36)	(20)
Loss before tax	7	(618)	(6,344)
Income tax credit	8	31	956
Loss for the period		(587)	(5,388)
Attributable to:			
Owners of the parent		935	(4,233)
Non-controlling interests		(1,522)	(1,155)
		(587)	(5,388)
Earnings/(loss) per share attributable to ordinary equity holders of the parent			
Basic and diluted	10	0.14 cents	(0.7) cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the six months ended 30 June

	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
LOSS FOR THE PERIOD	(587)	(5,388)
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	(587)	(5,137)
Attributable to:		
Owners of the parent	935	(3,982)
Non-controlling interests	(1,522)	(1,155)
	(587)	(5,137)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at

	Notes	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	128,773	115,373
Right-of-use assets		67,764	69,209
Advance payments for property, plant and equipment		4,196	15,256
Financial assets at fair value through profit or loss	12	7,049	7,311
Total non-current assets		207,782	207,149
CURRENT ASSETS			
Inventories	13	3,803	21,097
Trade and bills receivables	14	15,215	24,370
Prepayments, other receivables and other assets		25,061	15,618
Financial assets at fair value through profit or loss	12	–	55,000
Restricted time deposits	15	–	40,000
Cash and cash equivalents	15	104,314	19,587
Assets in disposal groups classified as held for sale	21	148,393	175,672
		32,066	–
Total current assets		180,459	175,672
TOTAL ASSETS		388,241	382,821
CURRENT LIABILITIES			
Trade payables	16	6,709	25,488
Other payables and accruals		8,517	13,333
Provision		343	483
Lease liabilities		857	837
Tax payable		577	1,090
Liability directly associated with assets in disposal groups classified as held for sale	21	17,003	41,231
		35,347	–
Total current liabilities		52,350	41,231
TOTAL ASSETS LESS CURRENT LIABILITIES		335,891	341,590

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
NON-CURRENT LIABILITIES		
Lease liabilities	444	878
Deferred tax liabilities	1,296	1,327
	<hr/>	<hr/>
Total non-current liabilities	1,740	2,205
	<hr/>	<hr/>
NET ASSETS	334,151	339,385
	<hr/>	<hr/>
EQUITY		
Equity attribute to owners of the parent		
Issued capital	5,406	5,406
Reserves	328,558	327,921
	<hr/>	<hr/>
	333,964	333,327
	<hr/>	<hr/>
Non-controlling interests	187	6,058
	<hr/>	<hr/>
TOTAL EQUITY	334,151	339,385
	<hr/>	<hr/>

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							Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Statutory surplus reserve	Merger reserve	Retained profits	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2021 (audited)	5,406	133,658	168,183	42,857	(119,378)	102,601	333,327	6,058	339,385
Profit/(loss) and total comprehensive income/(loss) for the period (unaudited)	-	-	-	-	-	935	935	(1,522)	(587)
Acquisition of non-controlling interests (unaudited)	-	-	-	-	-	(298)	(298)	(4,349)	(4,647)
As at 30 June 2021 (unaudited)	5,406	133,658	168,183	42,857	(119,378)	103,238	333,964	187	334,151

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June

	Attributable to owners of the parent								Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Statutory surplus reserve	Merger reserve	Exchange fluctuation reserve	Retained profits	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2020 (audited)	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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June

	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Net cash flows from/(used in) operating activities	1,610	(8,717)
Net cash flows from investing activities	83,556	18,194
Net cash flows used in financing activities	(439)	(532)
Net increase in cash and cash equivalents	84,727	8,945
Cash and cash equivalents at beginning of period	19,587	17,995
Cash and cash equivalents at end of period	104,314	26,940

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2021

1. CORPORATE AND GROUP INFORMATION

Shuanghua Holdings Limited (the “Company”) was incorporated as an exempted company with limited liability in the Cayman Islands on 19 November 2010. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal places of business in the People’s Republic of China (the “PRC”) are located in Fengxian District, Shanghai and in Tunxi District, Huangshan City, Anhui Province.

During the six months ended 30 June 2021, the Company and its subsidiaries (the “Group”) were principally involved in two major businesses, being the business of trading, manufacturing and research and development of automobile parts and the business of supply chain management.

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 2020.

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 2021, the accounting policies and methods of computation used in the interim condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those followed in the preparation of the annual financial statements of the Group for the year ended 31 December 2020.

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 16, Covid-19-related rent concessions
- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest rate benchmark reform – phase 2

The new or amended HKFRSs that are effective from 1 January 2021 did not have any significant impact on the Group’s accounting policies.

Amendments to HKFRS 16, Covid-19 – related rent concessions

HKFRS 16 was amended to provide a practical expedient to lessees in accounting for rent concessions arising as a result of the Covid-19 pandemic, by including an additional practical expedient in HKFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of Covid-19 pandemic and only if all of the following criteria are satisfied:

- (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) the reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- (c) there is no substantive change to other terms and conditions of the lease.

3. **APPLICATION OF NEW AND REVISED HKFRSs (continued)** **Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest rate benchmark reform – phase 2**

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the “Reform”). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

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

Automobile parts business

The Group is involved in the business of trading, manufacturing and research & development of automobile parts, mainly the automotive heating, ventilation, and air-conditioning components.

Supply chain management
business

The Group is involved in the business of supply chain management, mainly cold storage and cold chain supply.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2021

4. OPERATING SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

For the six months ended 30 June 2021 (unaudited)

	Automobile parts business RMB'000 (Unaudited)	Supply chain management business RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
REVENUE	19,282	4,486	23,768
RESULTS			
Segment results	3,288	4,444	7,732
Other income, gains and losses			5,393
Reversal of impairment losses on trade and other receivable and other assets			408
Selling and distribution costs			(1,209)
Administrative expenses			(12,123)
Unallocated expenses			(819)
Loss before tax			(618)

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2021

4. OPERATING SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

For the six months ended 30 June 2020 (unaudited)

	Automobile parts business RMB'000 (Unaudited)	Supply chain management business RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
REVENUE	33,769	–	33,769
RESULTS			
Segment results	7,625	–	7,625
Other income, gains and losses			5,862
Impairment losses recognised on trade and other receivable and other assets			(2,942)
Selling and distribution costs			(2,532)
Administrative expenses			(13,260)
Unallocated expenses			(1,097)
Loss before tax			(6,344)

Geographical information

Revenue from external customers

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Mainland China	21,294	32,607
Asia	2,474	1,162
	23,768	33,769

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 2021, revenue from one (for the six months ended 30 June 2020: two) customer accounted for more than 10% of the Group's total revenue individually.

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Customer A	2,955	16,727
Customer B	—*	5,041
	2,955	21,768

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2021

5. REVENUE, OTHER INCOME, GAINS AND LOSSES

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Sales income of automobile parts business	19,282	33,769
Supply chain management business income	4,486	—
	<u>23,768</u>	<u>33,769</u>

Disaggregated revenue information for revenue from contracts with customers

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Timing of revenue recognition		
At a point in time	19,282	33,769
Over time	4,486	—

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2021

6. OTHER EXPENSES

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Written off of assets arising from deregistration of a subsidiary	–	646
Others	783	431
	783	1,077

7. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Cost of inventories sold	15,994	26,144
Depreciation of property, plant and equipment	4,732	3,225
Depreciation of right-of-use assets	1,445	1,521
Product warranty (reversal)/provision, net	(140)	677
Impairment/(reversal) of write-down of inventories	1,346	(20,757)
Employee benefit expense (excluding directors' and chief executives' remuneration):		
Wages and salaries	4,673	4,342
Pension scheme contributions	1,048	206
Staff welfare expenses	252	443
	5,973	4,991

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2021

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 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	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Current tax:		
Charge for the period	–	–
Deferred tax	(31)	(956)
Total tax credit for the period	(31)	(956)

9. DIVIDENDS

The Board did not recommend the payment of a final dividend in respect of the year ended 31 December 2020 or an interim dividend in respect of the six months ended 30 June 2021.

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

The calculation of the basic 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 2020: 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 2020: nil).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2021

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired items of property, plant and equipment with a cost of RMB21,437,000 (for the six months ended 30 June 2020: RMB9,285,000).

During the six months ended 30 June 2021, the Group disposed of items of property, plant and equipment and resulted in a loss on disposal of RMB1,418,000 (gain for the six months ended 30 June 2020: RMB2,535,000).

None of the Group's buildings were pledged as at 30 June 2021 (as at 31 December 2020: nil).

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Listed equity investment, at fair value	7,049	7,311
Investments in bank financial products, at fair value	—	55,000
	7,049	62,311

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.

The above investments in bank financial products were structured deposits and wealth management products issued by banks in the Mainland China.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2021

13. INVENTORIES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Raw materials	1,679	10,245
Work in progress	2	508
Finished goods	2,122	10,344
	<u>3,803</u>	<u>21,097</u>

14. TRADE AND BILLS RECEIVABLES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Trade receivables	22,213	33,295
Bills receivable	1,128	806
	<u>23,341</u>	<u>34,101</u>
Impairment allowance	<u>(8,126)</u>	<u>(9,731)</u>
	<u>15,215</u>	<u>24,370</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, 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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2021

14. TRADE AND BILLS RECEIVABLES (continued)

As at 30 June 2021, bills receivable of RMB1,128,000 (31 December 2020: RMB806,000) whose fair values approximate to their carrying values were classified as financial assets at fair value through other comprehensive income under HKFRS 9. The fair value changes of these bills receivable at fair value through other comprehensive income were insignificant during the 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 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within 1 month	2,244	5,075
1 to 3 months	1,636	6,980
3 to 12 months	8,787	10,731
Over 12 months	1,420	778
	<hr/> 14,087 <hr/>	<hr/> 23,564 <hr/>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2021

15. CASH AND CASH EQUIVALENTS AND RESTRICTED TIME DEPOSITS

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Cash and bank balances	104,314	19,587
Restricted time deposits	–	40,000
	104,314	59,587
Less: restricted time deposits	–	(40,000)
Cash and cash equivalents	104,314	19,587

As at 30 June 2021, cash and cash equivalents of the Group denominated in RMB amounted to RMB98,892,000 (as at 31 December 2020: RMB15,042,000). 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 31 December 2020, RMB40,000,000 represented restricted time deposits carrying a fixed interest rate from 2.5% to 2.6% per annum, which were restricted and could not be redeemed until maturity date.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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16. TRADE PAYABLES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Trade payables	6,709	25,488

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 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within 1 month	1,471	5,792
1 to 3 months	1,283	10,669
3 to 6 months	1,557	1,987
6 to 12 months	268	4,582
Over 12 months	2,130	2,458
	6,709	25,488

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

17. CAPITAL COMMITMENTS

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Contracted, but not provided for: Property, plant and equipment	589	12,149

18. RELATED PARTY TRANSACTIONS

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

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Office rental paid to Shanghai Automart Investment Co., Ltd. ("Shanghai Automart")	450	532

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:

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Short term employee benefits	1,295	1,066
Pension scheme contributions	68	13
Total compensation paid to key management personnel	1,363	1,079

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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 2021 (Unaudited)

	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total
Financial assets at fair value through profit or loss	Debt instrument		
RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at fair value through profit of loss	7,049	-	7,049
Trade and bills receivables	-	1,128	15,215
Financial assets included in prepayments, other receivables and other assets	-	18,949	18,949
Cash and cash equivalents	-	104,314	104,314
	<u>7,049</u>	<u>1,128</u>	<u>137,350</u>
			<u>145,527</u>

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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 2020 (Audited)

	Financial assets at fair value through other comprehensive income	Debt instrument	Financial assets at amortised cost	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at fair value through profit of loss	62,311	-	-	62,311
Trade and bills receivables	-	806	23,564	24,370
Financial assets included in prepayments, other receivables and other assets	-	-	8,776	8,776
Restricted time deposits	-	-	40,000	40,000
Cash and cash equivalents	-	-	19,587	19,587
	<u>62,311</u>	<u>806</u>	<u>91,927</u>	<u>155,044</u>

Financial liabilities – at amortised cost

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Trade payables	6,709	25,488
Financial liabilities included in other payables and accruals	1,196	3,541
Lease liabilities	1,301	1,715
	<u>9,206</u>	<u>30,744</u>

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 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.

The Group invests in unlisted investments, which represent wealth management products issued by banks in the Mainland China. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the quoted interest rates of the instruments.

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; and
- 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 2021 (unaudited)

	Fair value measurement using			Total RMB'000
	Quoted price in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Debt investments at fair value through other comprehensive income:				
Bills receivable	-	1,128	-	1,128
Financial assets at fair value through profit or loss:				
Listed equity investments	7,049	-	-	7,049
	<u>7,049</u>	<u>1,128</u>	<u>-</u>	<u>8,177</u>

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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 2020 (audited)

	Fair value measurement using			Total RMB'000
	Quoted price in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Debt investments at fair value through other comprehensive income:				
Bills receivable	-	806	-	806
Financial assets at fair value through profit or loss:				
Listed equity investments	7,311	-	-	7,311
Investment in bank financial products, at fair value	-	55,000	-	55,000
	<u>7,311</u>	<u>55,806</u>	<u>-</u>	<u>63,117</u>

The Group did not have any financial liabilities measured at fair value as at 30 June 2021 (as at 31 December 2020: 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 2020: nil).

21. ASSETS AND LIABILITIES OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 25 May 2021, the board announced that the Company's subsidiary had entered into an equity transfer agreement with a purchaser to dispose of its entire equity interest of an indirectly wholly-owned subsidiary, Shanghai Shuanghua Automobile Technology Development Co., Ltd. ("Shuanghua Automobile Technology"), at a consideration of RMB1. Shuanghua Automobile Technology and its subsidiary are principally engaged in the supply and sales of automobile components. As of 30 June 2021, the disposal plan has been approved by the Company's board of directors, and subsequently duly passed by the Company's shareholders by way of poll at the extraordinary general meeting held on 20 July 2021. The following major classes of assets and liabilities relating to this operation have been classified as held for sale in the consolidated statement of financial position.

	30 June 2021 RMB'000 (Unaudited)
Assets of disposal group classified as held for sale	
– Property, plant and equipment	3,271
– Inventories	14,251
– Trade and bills receivables	13,173
– Prepayments, other receivables and other assets	401
– Cash and cash equivalents	970
	<hr/>
	32,066
	<hr/>
Liabilities directly associated with assets of disposal group classified as held for sale	
– Trade payables	22,968
– Other payables and accruals	12,379
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	35,347
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21. ASSETS AND LIABILITIES OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (continued)

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale. Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell.

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 2021.