Shuanghua Holdings Limited
雙 樺 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1241

ANNUAL REPORT **2022**

CONTENTS

Corporate Information	2
Chairman's Statement	4
Management Discussion and Analysis	5
Report of the Directors	15
Biography of Directors and Senior Management	24
Corporate Governance Report	27
Environmental, Social and Governance Report	38
Independent Auditor's Report	57
Consolidated Statement of Profit or Loss	62
Consolidated Statement of Comprehensive Income	63
Consolidated Statement of Financial Position	64
Consolidated Statement of Changes in Equity	66
Consolidated Statement of Cash Flows	67
Notes to the Consolidated Financial Statements	69
Particular of Major Investment Properties	131
Five Year Financial Summary	132

Corporate Information

Company Name:	Shuanghua Holdings Limited
Registered Office:	Conyers Trust Company (Cayman) Limited Cricket Square, Hutchins Drive PO Box 2681, Grand Cayman KY1-1111, Cayman Islands
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Hong Kong Principal Business Address:	Room 2203, 22/F., Tung Wai Commercial Building 109-111 Gloucester Road Wanchai Hong Kong
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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

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

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Shuanghua Holdings Limited ("Shuanghua" or the "Company"), I am pleased to present to the shareholders of the Company (the "Shareholders") the annual report of the Company and its subsidiaries (the "Group") for the year ended 31 December 2022 (the "Year" or the "Reporting Period").

In 2022, against the backdrop of continued instability in the global political and economic environment and repeated outbreaks of the novel coronavirus (COVID-19) epidemic at home and abroad, various types of enterprises were facing pressure in their development. The Group actively seized the opportunities in the cold chain logistics industry. After nearly two years of development, the Group's cold storage plant has greatly increased its competitiveness and the "Shuanghua (雙樺)" brand awareness in the cold chain logistics industry. Moreover, the Group vertically extended the supply chain management business chain, by expanding the food supply business under the brand named "Longhuazhen (龍樺臻)" from the city of Shanghai to the Yangtze River Delta region and across the country, providing our selected high-quality products and customised services. Additionally, the Group consolidated its resources and launched new supply chain management business models, such as "one-piece" shipping service (一件代發服務), 24-hour urban distribution and transportation services, to meet more market demands. The Group strives to become one of the industry leaders, expanding its market share in the Yangtze River Delta region with Shanghai as the center, enhancing the Group's influence in different fields of the industry, and laying a solid foundation for sustainable and diversified development.

In the future, the international political and economic conditions remain uncertain. The Group will fully utilise its resources to maximise asset and business values. The Group has formulated operational plans for different business segments, aimed at promoting the Group's business development in a planned, targeted, comprehensive and systematic way. We will continue to review the Group's development strategies and respond to market competition in a timely manner, and actively explore new development opportunities and profit growth points in the fields of new energy, special vehicles, innovative technology, and supply chain services. We shall also look for development opportunities suitable for us in the form of investments, joint ventures or strategic alliances to ensure the sustainable development of the Group.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express sincere gratitude to our Directors, business partners, the entire management and the rest of our staff team. Thanks are also due to the Shareholders for their support and trust in the Group. With their assistance and support, I am confident that the Group will make prudent decisions and steadily promote the development of various business to create greater and more sustainable value for our Shareholders.

Zheng Ping
Chairman and CEO

Hong Kong
31 March 2023

Management Discussion and Analysis

BUSINESS REVIEW

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

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

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

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

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

OUTLOOK AND STRATEGY

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

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

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

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

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

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

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

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

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

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

FINANCIAL REVIEW

Revenue

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

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

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

Gross profit/(loss) and gross margin

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

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

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

Other income, gains and losses

For the year ended 31 December 2022, the Group's other income, gains and losses amounted to approximately RMB3.4 million, a decrease of approximately RMB1.1 million as compared to the same period of last year (for the year ended 31 December 2021: approximately RMB4.5 million). The decrease in other income, gains and losses was mainly due to a significant reduction in the amount of other gains arising from the write-back of other payables.

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

For the year ended 31 December 2022, the Group's impairment loss recognised on trade receivables, other receivables and other assets amounted to approximately RMB7.2 million, an increase by approximately RMB1.5 million as compared to the same period of last year (for the year ended 31 December 2021: approximately RMB5.7 million), mainly due to the lasting impact of the COVID-19 and the increase of long term receivables.

Selling and distribution costs

Selling and distribution costs primarily comprised of staff-related costs, sales transportation fees, entertainment and travelling expenses. For the year ended 31 December 2022, the Group's selling and distribution costs amounted to approximately RMB1.1 million, decreased by approximately 21.4% as compared to the same period of last year (for the year ended 31 December 2021: approximately RMB1.4 million), mainly due to the decrease of transportation fee and warranty fee.

Administrative expenses

Administrative expenses primarily comprised of staff-related costs, various local taxes and education surcharges, depreciation of property, plant and equipment and right-of-use assets, R&D expenses and miscellaneous expenses. For the year ended 31 December 2022, the Group's administrative expenses amounted to approximately RMB19.7 million, decreased by approximately 4.4% as compared to the same period of last year (for the year ended 31 December 2021: approximately RMB20.6 million), mainly due to the decrease in the staff expense because of internal structural optimisation.

Interest expense

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

Income tax credit

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

Loss for the Year

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

LIQUIDITY AND FINANCIAL RESOURCES

Net current assets

The Group's net current assets decreased from approximately RMB102.3 million as at 31 December 2021 to approximately RMB99.4 million as at 31 December 2022.

Financial position and bank borrowings

As at 31 December 2022, the Group's cash and cash equivalents, restricted time deposits and financial assets at fair value through profit or loss amounted to approximately RMB94.7 million (as at 31 December 2021: approximately RMB104.2 million). As at 31 December 2022 and 2021, the Group did not have any borrowings. The gearing ratio was not applicable to the Group (as at 31 December 2021: nil).

Save as aforesaid or otherwise disclosed in the notes to the financial statements, and apart from intra-group liabilities, as at 31 December 2022, the Group did not have any outstanding mortgages, charges, debentures, debt securities or other loan capitals or bank overdrafts or loans or other similar indebtedness or finance lease commitments, liabilities under acceptances or acceptance credits or hire purchase commitments, guarantees or other material contingent liabilities.

The Directors have confirmed that there has not been any material change in the indebtedness and contingent liabilities of the Group since 31 December 2021.

Working capital

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

For the year ended 31 December 2022, the average inventory turnover days were 23 days (for the year ended 31 December 2021: 153 days). The average inventory turnover days are arrived at by dividing the arithmetic means of the opening and ending balances of inventory for the relevant period by cost of sales of the same period and multiplying the quotient by 365 days. The decrease in the average inventory turnover days was primarily attributable to the transformation of the business.

For the year ended 31 December 2022, the average turnover days of trade and bills receivables were 88 days (for the year ended 31 December 2021: 167 days). The average turnover days of trade and bills receivables are arrived at by dividing the arithmetic means of the opening and ending balances of trade and bills receivables for the relevant period by revenue of the same period and multiplying the quotient by 365 days. The decrease in the average turnover days of trade and bills receivables was mainly due to the shorter trade receivables turnover period of the supply chain management.

For the year ended 31 December 2022, the average turnover days of trade and bills payables were 141 days (for the year ended 31 December 2021: 241 days). The average turnover days of trade and bills payables are arrived at by dividing the arithmetic means of the opening and ending balances of trade and bills payables for the relevant period by cost of sales of the same period and multiplying the quotient by 365 days. The average turnover days of trade and bills payables decreased mainly because the shorter trade payables turnover period of the supply chain management business.

CAPITAL EXPENDITURES, CAPITAL COMMITMENTS AND HUMAN RESOURCES

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

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

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

Pursuant to the relevant China labour laws and regulations, the Group has to pay contributions to a number of staff social insurance schemes (including medical, maternity, work injury, unemployment and pension insurances) and staff housing reserve funds. We provide social insurances and pay contributions to housing reserve funds for our employees in accordance with the interpretations to the relevant PRC labour laws and regulations given, and policies and measures executed by local government departments. We have established various welfare plans including the provision of pension funds, medical insurance, unemployment insurance and other relevant insurance for employees who are employed by the Group pursuant to the PRC rules and regulations and the existing policy requirements of the local government. The Group's welfare expenses for the year ended 31 December 2022 amounted to approximately RMB0.6 million (for the year ended 31 December 2021: approximately RMB0.7 million). We have complied, in all material respects, with all statutory requirements on retirement contribution in the jurisdictions where the Group operates.

The determination of the remuneration for the Directors is based on remuneration of directors of comparable companies in the industry, time commitment, duties and responsibilities of the Directors in the Group and our operational and financial performance. The basic salary of each of our executive and non-executive Directors will be reviewed by the remuneration committee of the Board at the end of each financial year. None of the Directors waived any emoluments during the year ended 31 December 2022.

DEFINED CONTRIBUTION RETIREMENT PLAN

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

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

Significant investment, material acquisitions and disposals

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

Foreign exchange risks

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

Contingent liabilities

The Group had no significant contingent liabilities as at 31 December 2022 (as at 31 December 2021: nil).

Pledge of assets

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

SHARE OPTION SCHEME

In light of the expiry of the share option scheme which was adopted on 8 June 2011 (became effective on 29 June 2011) and expired on 29 June 2021, the Company adopted a new share option scheme on 30 June 2022 (the "2022 Share Option Scheme") to enable the Company to grant options to eligible participants as incentives or rewards for their contributions to our Group.

The maximum number of shares of the Company (the "Shares") which may be issued upon exercise of all options granted and to be granted under the 2022 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 2022 Share Option Scheme. The maximum number of Shares issuable under share options granted to each eligible participant in the 2022 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. Eligible participants of the 2022 Share Option Scheme include any full-time or part-time employees, executives or officers (including executive and non-executive Directors, but excluding independent non-executive Directors) of the Company or any of the subsidiaries of the Company, as absolutely determined by the Board.

The 2022 Share Option Scheme is valid and effective for a period of 10 years commencing from the approval of the 2022 Share Option Scheme at the 2021 annual general meeting of the Company held on 30 June 2022. The exercise period of any option granted under the 2022 Share Option Scheme must not be more than ten years commencing from the date of grant. The acceptance of an offer of the grant of the option must be made within 28 days from the date of grant with a non-refundable payment of HKD1.00 from the grantee. A grant of share options under the 2022 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 2022 Share Option Scheme. There is no requirement of a minimum period for which an option must be held before it can be exercised. The subscription price for a Share in respect of any particular option granted under the 2022 Share Option Scheme (subject to adjustments upon capital restructuring) shall be such price as the Board in its absolute discretion shall determine, save that such price must not be less than the highest of (i) the official closing price of the Shares as stated in the daily quotations sheet of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of offer to grant option; (ii) the average of the official closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange for the five business days immediately preceding the date of offer to grant option; and (iii) the nominal value of a Share.

No share options have been granted under the 2022 Share Option Scheme since it became effective. During the year ended 31 December 2022, no share options were granted, exercised, lapsed or cancelled, and as at 31 December 2022, no options under the 2022 Share Option Scheme were outstanding. As at the date of this annual report, the total number of shares available for issue under the 2022 Share Option Scheme was 65,000,000 Shares, representing 10% of the issued share capital of the Company as at the date of this annual report.

As the 2011 Share Option Scheme expired on 29 June 2021 and the 2022 Share Option Scheme was adopted on 30 June 2022, there were no options available for grant as at 1 January 2022. The number of options available for grant under the 2022 Share Option Scheme as at 31 December 2022 was 65,000,000.

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

Neither the Company nor its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2022.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022 (for the year ended 31 December 2021: nil).

MATERIAL EVENTS AFTER THE REPORTING PERIOD

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

Report of the Directors

The Directors are pleased their report together with the audited financial statements of the Group for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of its subsidiaries which, in the opinion of the Directors, principally affected the results for the Year or formed a substantial portion of the net assets of the Group, are set out in Note 35 to the consolidated financial statements. There was no significant change in its activities during the Year.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2022 as well as a discussion on the Group's future business development are set out in the sections headed "Chairman's Statement" on page 4 and "Management Discussion and Analysis" on pages 5 to 14 of this annual report.

SEGMENT INFORMATION

The Group's operating segment information, including the geographical information and the information about major customers, are set out in Note 6 to the consolidated financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors are aware that a number of factors may affect the results and operation of the Group, including those which are specific to the Group or the industries in which the Group operates and those that are common to most of other businesses. Risk management and control are of great significance to the Group's long-term stable development, the management will continuously identify and monitor if there is any significant risk which may adversely affect the Group's performance and will immediately take measures if necessary.

Major risks are summarised below and are by no means exhaustive or comprehensive, and there may be other risks, in addition to those shown below, which are not known to the Group or which may not be material now but could turn out to be material in the future.

Macroeconomic environment and market risks

The slowdown in global economic growth, change of market landscape or other uncertainties such as COVID-19 around the globe may result in decline in demand and price for the Group's products, services or technologies. It deteriorates profitability or affects ability to meet business objectives. The management of the Group manages and monitors such risks to ensure appropriate measures are implemented on a timely and effective manner.

Policy and regulatory risks

The issued environmental protection regulations such as carbon neutralisation and carbon emission, and increasing road congestion, tight parking spaces and haze from time to time, may prompt relevant government agencies to introduce stricter car restrictions or other environmental protection policies, which will adversely affect car and automobile parts sales. In the context of the repeated variation and development of COVID-19 and its variants at home and abroad, the government may issue corresponding policies and regulations from time to time, which will affect the supply chain management business to a certain extent.

Intense competition

Competition takes place when companies compete for market share, sales and profitability, and so forth. The Group operates in a industry and market with a large number of domestic, overseas and other potential competitors, and the Group faces price pressure, excessive marketing, customer acquisition and other types of competition. While economy of scale has expanded the scale of production, it has also caused overcapacity in the industry, leading to price cuts and competitive selling. The management of the Group is aware of such keen competition and will constantly review and adjust the Group's sales and marketing strategies and respond to market competition in a timely manner to ensure the sustainable development of the Group.

Operational risks

Operational risks refer to the risks of loss due to insufficient or missing internal procedures, personnel, systems, or external events. Key functions in the Group are guided by their standard operating procedures, limits of authority and reporting structure. The Group's management will identify and assess key operational risks regularly so that appropriate risk response can be taken.

Financial risks

The Group is exposed to financial risks, such as credit risks, foreign exchange risks and liquidity risks. The Group reviews regularly and manages its capital structure to maintain a sound capital position. For details of the Group's management policies on foreign exchange risks, please refer to page 13 of this annual report.

ENVIRONMENTAL POLICY

The Group is committed to support the environmental sustainability. Our commitment to protect the environment is well reflected by our continuous efforts in promoting green measures and awareness in our daily business operations. The Group encourages environmental protection and promote awareness towards environmental protection to the employees. The Group adheres to the principle of recycling and waste reduction, and implements green office practices such as double-sided printing and copying, setting up recycling bins, promoting the use of recycled papers and reducing energy consumption by switching off idled lightings and electrical appliances.

Our Group will review its environmental practices from time to time and will consider implementing further eco-friendly measures in the operation of our Group's businesses to enhance environmental sustainability.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the Year, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

Employees

Employees are regarded as one of the most important and valuable assets of the Group. The Group strives to reward and recognise performing staff by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives, and to promote career development and progression by providing appropriate training and opportunities within the Group for career advancement.

Customers and Suppliers

The Group attaches importance to the relationship with its customers and suppliers. For the automobile parts business, the Group has cooperated with most of its major customers and suppliers for more than five years; and for the supply chain management business, the Group has actively developed and maintained friendly cooperative relations with existing and potential customers.

RESULTS AND DIVIDENDS

The financial performance of the Group for the year ended 31 December 2022 and the financial position of the Group as at that date are set out in the financial statements on pages 62 to 130 of this annual report. The Directors do not recommend payment of any final dividend in respect of the year ended 31 December 2022 (for the year ended 31 December 2021: Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the Year are set out in Note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of the Company's share capital during the Year are set out in Note 28 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company's distributable reserves calculated under Companies Law of the Cayman Islands comprising the share premium and retained profits amounted to approximately RMB157.7 million.

RESERVES

Details of movements in the reserves of the Company and the Group during the Year are set out in Note 41 to the consolidated financial statements and in the consolidated statement of changes in the equity, respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association (the "Articles of Association") and there was no restriction against such rights under the laws of Cayman Islands.

DIRECTORS

The Directors of the Company during the Year and up to the date of this annual report were:

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

In accordance with article 84 of the Articles of Association, Ms. Kong Xiaoling, Mr. He Binhui, and Mr. Chen Lifan will retire by rotation at the forthcoming annual general meeting and, being eligible, had offered themselves for re-election as Directors.

DIRECTORS' SERVICES CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than the statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

The Directors' interests in contracts are set out in Note 34 to the consolidated financial statements. Apart from the foregoing, no transaction, arrangement or other contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of Directors and senior management are set out on pages 24 to 26 of this annual report.

CONNECTED TRANSACTIONS

For the year ended 31 December 2022, the following connected transactions were, and will continue to be, carried out by our Group in the ordinary and normal course of business, on either normal commercial terms or terms no less favorable to our Group than those available from independent third parties.

Lease of Office Premises

Since 1 January 2011, the Group has leased its three office premises located in Shanghai from Shanghai Automart Investment Co., Ltd. ("Shanghai Automart"). On 12 February 2014, three subsidiaries of the Company, namely Shanghai Shuanghua Autoparts Co., Ltd. ("Shuanghua Autoparts"), Shanghai Youshen Industry Co., Ltd. ("Youshen Industry") and Shanghai Shuanghua Auto Component Co., Ltd. ("Shuanghua Auto Components"), as lessees, entered into the Lease Renewal Agreements with Shanghai Automart, as the lessor, in respect of the office premises for a further term of two years from 1 January 2014 to 31 December 2015, the annual caps were set at RMB2,000,000. The above Lease Agreements were further renewed on 11 December 2015 to cover the period from 1 January 2016 to 31 December 2018 with similar terms and less floor areas. On 20 November 2018, Shuanghua Autoparts, as lessee, entered into a lease agreement with Shanghai Automart, as lessor, in respect of the leasing of the office premises for an initial term of three years from 1 January 2019 to 31 December 2021. On 30 August 2019, Shuanghua Autoparts entered into a supplemental lease agreement with Shanghai Automart to reduce the floor area and shorten the lease period to the end of 2020 such that it would have a chance to re-evaluate its leasing options and budget after another year. On 6 November 2020, Shuanghua Autoparts, as lessee, entered into a lease agreement with Shanghai Automart, as lessor, in respect of the leasing of the office premises for a term of two years from 1 January 2021 to 31 December 2022. For details of these lease agreements, please refer to the Company's prospectus dated 17 June 2011 and the annual reports from 2012 to 2021.

Upon expiry of the above lease agreements, according to the operation conditions and daily office need, on 25 November 2022, Shuanghua Autoparts, as lessee, entered into a lease agreement with Shanghai Automart, as lessor, in respect of the leasing of the office premises for a term of two years from 1 January 2023 to 31 December 2024 (the "Lease Agreement"). During the Year, the Group has paid rental of approximately RMB0.9 million to Shanghai Automart.

Shanghai Automart is held as to 58% by Ms. Kong Xiaoling, the non-executive Director of the Company. Therefore, Shanghai Automart is an associate of Ms. Kong and a connected person of the Company as defined under Chapter 14A of the Listing Rules. As the applicable percentage ratio in respect of the aggregate annual rentals payable by Shuanghua Autoparts under the Lease Agreement is less than 5% and the total consideration is less than HK$3 million, the above office lease rentals paid constituted an exempted connected transaction of the Company under Chapter 14A of the Listing Rules.

The headquarter of the Group is based in Shanghai and needs these premises for its operations. The Directors are of the view that substantial time and costs can be saved if the Group can remain in its existing office premises instead of moving to another office building. The Directors (including the independent non-executive Directors) consider that the connected transaction under the Lease Agreement has been entered into: (1) in the ordinary and usual course of the Group's business; (2) on normal commercial terms or better; and (3) on terms that are fair and reasonable and in the interests of the Company and Shareholders as a whole.

Details of the related party transactions of the Group are set out in Note 34 to the consolidated financial statements. The Directors (including the independent non-executive Directors) believe that the related party transactions set out in Note 34(a) to the consolidated financial statements are carried out in the ordinary course of business and on normal commercial terms, and the related party transactions set out in Note 34(b) do not constitute connected transactions or continuing connected transactions as defined under Chapter 14A of the Listing Rules. The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the related party transactions.

During the Year, save as disclosed above, no other transactions listed in Note 34 to the consolidated financial statements constituted a connected transaction or continuing connected transaction under Chapter 14A of the Listing Rules.

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

As at 31 December 2022, 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 interest 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 the Appendix 10 to Listing Rules were as follows:

Long positions in the Shares

As at 31 December 2022, 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 31 December 2022, none of the Directors nor the chief executive 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 31 December 2022, 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 31 December 2022, the issued share capital of the Company comprised 650,000,000 Shares.

Name	Capacity	Nature of interest	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 and she is deemed to be interested in the 282,750,000 Shares held by Youshen Group under the SFO.

Save as disclosed, as at 31 December 2022, the Directors were not aware of any persons (not being a Director or chief executive of the Company) who had an interest or short position 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.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACT OF SIGNIFICANCE

Save as disclosed in this annual report, no controlling shareholders of the Company or their subsidiaries had a material interest, either directly or indirectly, in any contract of significance, whether for the provision of services or otherwise, to the Group to which the Company or any of its subsidiaries was a party during the Year.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of sales for the Year attributable to the Group's major customers are as follows:

Sales	
– the largest customer	11.7%
– five largest customers combined	48.6%

Three of the five largest customers have been customers of the company for more than one year and another two were new customers this year. The credit period for trade receivables is generally 30 to 90 days. For the year ended 31 December 2022, there was no recoverability issue with the five largest customers.

The percentages of purchases for the Year attributable to the Group's major suppliers are as follows:

Purchases	
– the largest supplier	16.2%
– five largest suppliers combined	27.8%

The suppliers generally provide a credit period for 30 to 90 days to the Group. For the year ended 31 December 2022, the Group did not have any major dispute with the five largest suppliers.

None of the Directors, any of their associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the issued capital of the Company) had any beneficial interest in any of the five largest customers and suppliers of the Group for the year ended 31 December 2022.

NEW SUBSIDIARY

For the year ended 31 December 2022, the Group has not established any new subsidiary.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this annual report, based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that there is sufficient public float of more than 25% of the Company's issued Shares as required under the Listing Rules.

INTEREST CAPITALISED

The Group has not capitalised any interest during the Year.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company confirmed that annual confirmations of independence were received from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules and all independent non-executive Directors are considered to be independent.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors nor their respective associates is interested in any business that competes or is likely to compete, either directly or indirectly, with the business of the Group.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, at no time during the year ended 31 December 2022 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 132 of this annual report.

AUDITOR

Following the retirement of BDO Limited as auditor of the Company on conclusion of the annual general meeting of the Company held on 25 June 2018, Ernst & Young was appointed as the auditor of the Company. The Board confirmed that there was no disagreement between BDO Limited and the Company. On 6 August 2020, Ernst & Young resigned as the auditor of the Company, and BDO Limited was appointed as the auditor of the Company on the same day. The Board confirmed that there was no disagreement between Ernst & Young and the Company. Save as disclosed above, there was no change in auditor of the Company during the past three years.

The financial statements of the Group prepared in accordance with the Hong Kong Financial Reporting Standards for the year ended 31 December 2022 have been audited by BDO Limited, who will retire and offer for re-election at the forthcoming annual general meeting.

On behalf of the Board
Zheng Ping
Chairman and CEO

Hong Kong
31 March 2023

Biography of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Zheng Ping (鄭平), aged 65, is an executive Director, the chairman (the "Chairman") and the chief executive officer (the "CEO") of the Company. Mr. Zheng is the founder of our Group and joined our Group in 2002. He was appointed to the Board on 19 November 2010. Mr. Zheng is primarily responsible for reviewing and implementing our Group's overall development strategy. From 1990 to 1993, he worked as vice general manager in Fuzhou Far East Auto Parts Company Limited (福州遠東汽車配件有限公司), the business scope of which is mainly manufacture of auto parts. From 1994 to 2001, he was a director and the general manager of Shanghai Youshen International Trade Company Limited (上海友申國際貿易有限公司), the business scope of which is mainly international trade and trade consultancy. From 2002 to 2008, Mr. Zheng served as the director of Automart Holdings Limited. In 2005, Mr. Zheng was appointed as the chairman of Shanghai Automart and the chairman and general manager of Shuanghua Autoparts. Since 2007, Mr. Zheng has been serving as the chairman of the board of directors and general manager of Shuanghua Autoparts. Mr. Zheng obtained his bachelor's degree in Electrical Combustion Management from the Navy Engineering University of the People's Liberation Army of China (中國人民解放軍 海軍工程大學) and was the teacher of the power plant department of the University from 1983 to 1990. Mr. Zheng is the spouse of the Company's non-executive Director, Ms. Kong Xiaoling, and father of the executive Director and vice president, Ms. Zheng Fei.

Ms. Zheng Fei (鄭菲), aged 33, is an executive Director and the vice president of the Company. She joined our Group in 2014 and was appointed to the Board on 19 July 2017. Ms. Zheng is primarily responsible for monitoring the business operations of the Group, reviewing and implementing the Group's strategies and policies, and managing risks while in pursuit of the Group's strategic objectives. Since 2014, Ms. Zheng has been involved in assisting the core business of the Group, including sales and distribution, procurement, accounting and finance, corporate management, human resources and operational departments. Ms. Zheng worked as the investment manager of Fu Woo International Limited (富和國際有限公司) from 2012 to 2013, and was responsible for commodity trading and foreign investments. Ms. Zheng received her bachelor's degree in Economics from the University of Chicago (美國芝加哥大學). She interned and worked in major investment banks from 2009 to 2012, dealing with capital markets, investment research and asset management related matters in the Asia Pacific region. Ms. Zheng is the daughter of Mr. Zheng Ping, who is the Chairman, executive Director and controlling Shareholder, and Ms. Kong Xiaoling, the non-executive Director.

Ms. Tang Lo Nar (鄧露娜), aged 50, is an executive Director, the chief financial officer and the company secretary of the Company. She joined our Group in 2011, and was appointed to the Board in April 2012. She has been acting as the independent non-executive director of a Hong Kong Main Board listed company, namely Ganglong China Property Group Limited (stock code: 6968) since May 2020. Ms. Tang was the company secretary of two Hong Kong Main Board listed companies for the periods from 31 December 2008 to 1 April 2010 and from 12 January 2009 to 1 April 2010, respectively, the company secretary of a Hong Kong Main Board listed company from 2 March 2012 to 10 October 2014, and has been the company secretary of a Hong Kong GEM Board listed company from September 2018 to March 2021. She is a Fellow of the Association of Chartered Certified Accountants and a member of Hong Kong Society of Accountants, the Hong Kong Institute of Company Secretaries and the Institute of Chartered Secretaries and Administrators. Ms. Tang obtained a master's degree in Applied Finance from University of Western Sydney in 2004, a master's degree in English for Professions from The Hong Kong Polytechnic University in 2002, and a bachelor's degree in Accountancy from The Hong Kong Polytechnic University in 1995. Ms. Tang has over 20 years of experience in accounting, tax, audit, company secretarial and finance. From 1995 to 2004, Ms. Tang worked in leading accounting firms, handling various matters of accounting, tax and audit matters. Since 2005, Ms. Tang began her own business by establishing a private company in Hong Kong to provide accounting, management consultancy, tax planning and company secretarial services.

NON-EXECUTIVE DIRECTOR

Ms. Kong Xiaoling (孔小玲), aged 62, is a non-executive Director. Ms. Kong joined the Group in 2007 and was appointed to the Board on 8 June 2011. Ms. Kong is primarily responsible for supervising and providing advice to the Board. From 1983 to 1996, she worked in Wuhan City Automation Meter Factory (武漢市自動化儀錶廠) as technician of technology introduction office. From 1997 to 2004, Ms. Kong worked in Shanghai Youshen International Trade Company Limited (上海友申國際貿易有限公司), the business scope of which is mainly international trade and trade consultancy as director. From 2000 to 2007, she worked in Shanghai Zhong Zhi Trade Development Co., Ltd. (上海眾智貿易發展有限公司) as vice general manager. From 2007 to now, she has been appointed as the director of Shuanghua Autoparts. From 1980, Ms. Kong studied on a full-time basis in Huazhong College of Technology (華中工學院) (currently known as Huazhong University of Science and Technology (華中科技大學)) and obtained her diploma majoring in Detection Technology and Automatic Meter in 1983. She is the spouse of the Chairman and executive Director, Mr. Zheng Ping, and mother of the executive Director and vice president, Ms. Zheng Fei.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. He Binhui (何斌輝), aged 54, joined the Group in 2007 and was appointed as an independent non-executive Director on 8 June 2011. Mr. He is also a member of the remuneration committee and the nomination committee, and the chairman of the audit committee of the Board. He has been acting as the independent director of the following companies which are listed on the Shanghai Stock Exchange: (i) Jiangsu Bioperfectus Technologies Co., Ltd. (江蘇碩世生物科技股份有限公司) (stock code: 688399) since June 2019; (ii) KraussMaffei Company Limited (克勞斯瑪菲股份有限公司) (stock code: 600579) since November 2020. During 2000 to 2009, he served as the head of capital market department and the general manger of the investment banking department of Shanghai office of China Galaxy Securities Co.,Ltd. (中國銀河證券有限責任公司). In 2007, he joined Shuanghua Autoparts as independent director. Since December 2009, he has been serving as the general manager assistant and the general manager of investment banking department of Cai Tong Securities Co. (財通證券有限公司). From 1987 to 1991, he studied Mathematics on a full-time basis in the Ningbo University (寧波大學) and obtained his bachelor's degree majoring in Science in 1991. From 1993 to 1996, he studied on a full-time basis in the Hangzhou Electronic Industry University (杭州電子工業學院) (currently known as Hangzhou Dianzi University (杭州電子科技大學) and obtained his master's degree of Economics majoring in Accounting in 1996. He was qualified as auditor in 1997 by Beijing Institute of Chartered Accountants (北京註冊會計師協會). Since July 2016, Mr. He has been the managing director of CMB International Capital Management (Shenzhen) Co., Ltd. (招銀國際資本管理有限公司) and chairman of Shenzhen Merchants Bank Synergetic Innovation Fund Management Co., Ltd. (招銀協同基金管理有限公司董事長).

Mr. Chen Lifan (陳禮璠), aged 83, joined the Group and was appointed as an independent non-executive Director on 8 June 2011. Mr. Chen is also a member of the audit committee and remuneration committee, and the chairman of the nomination committee of the Board. From 1957 to 1962, he studied on a full-time basis in the Jilin University of Technology and obtained his bachelor's degree majoring in automobile application engineering in 1962. From 1983 to 1985, he studied as a visiting scholar at the Institute of Vehicle Engineering at the Technical University of Berlin in Germany (德國柏林工業大學車輛工程研究所). In 2008, he attended and completed the training programme for independent executive directors hosted by Shenzhen Stock Exchange (深圳證券交易所). He worked as a professor and doctoral supervisor in the School of Automobile of Jilin University of Technology (吉林工業大學汽車學院), Jiaotong University (交通學院) and School of Automobile Engineering of Tongji University (同濟大學汽車工程學院), CDHK (中德學院) and CDHAW (中德工程學院) and has over 40 years' experience in automobile engineering.

Ms. Guo Ying (郭瀅), aged 42, joined the Group on 19 July 2017 and was appointed as an independent non-executive Director on 19 July 2017. Ms. Guo is also a member of the nomination committee and audit committee, and the chairman of the remuneration committee of the Board. Ms. Guo gained the bachelor's degree in finance from Hubei University (湖北大學) in 2002, received full time education in finance at Saint Mary's University (加拿大聖瑪麗大學) in 2005 and was granted a master degree in finance in 2007. Ms. Guo was a trader of Haitong Securities Co. Limited from 2002 to 2003, a sales trader of BOC International (China) Limited from 2008 to 2013, a trader of China International Capital Corporation (H.K.) Limited from 2015 to 2016, a head of trading of Harmony Capital Group Limited from 2016 to 2022, and has been the portfolio manager of Chiyu Asset Management Limited since 2023.

SENIOR MANAGEMENT

Mr. Zheng Ping (鄭平), aged 65, is an executive Director, the Chairman and the CEO. Biographical details of Mr. Zheng are set out in the paragraph headed "Executive Directors" under this section of this annual report.

Ms. Zheng Fei (鄭菲), aged 33, is an executive Director and the vice president of the Company. Biographical details of Ms. Zheng are set out in the paragraph headed "Executive Directors" under this section of this annual report.

Ms. Tang Lo Nar (鄧露娜), aged 50, is an executive Director, the chief financial officer and the company secretary of the Company. Biographical details of Ms. Tang are set out in the paragraph headed "Executive Directors" under this section of this annual report.

COMPANY SECRETARY

Ms. Tang Lo Nar (鄧露娜), aged 50, is an executive Director, the chief financial officer and the company secretary (the "Company Secretary") of the Company. Biographical details of Ms. Tang are set out in the paragraph headed "Executive Directors" under this section of this annual report.

It is the belief of the Board that corporate governance plays a vital part in maintaining the success of the Company. Various measures have been adopted to ensure that a high level of corporate governance is maintained throughout the operation of the Group. The Group's corporate governance practices are based on the principles and code provisions prescribed in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange. Save as to code provisions C.2.1, the Directors and/or the Company has complied with all the code provisions of the CG Code during the Year, the details of the deviation are set out under the paragraphs headed "Chairman and Chief Executive Officer" below.

THE BOARD

During the Year, the Board comprised three executive Directors, one non-executive Director and three independent non-executive Directors. The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent.

The Board schedules four meetings a year at approximately quarterly intervals. In addition, special Board meetings are held as necessary. During the Year, the Board held six meetings. Details of the attendance of individual Directors are as follows:

		Attendance	
		Annual/ Extraordinary general meeting	**Board of Directors' meeting**
(a)	**Executive Directors**		
	Mr. Zheng Ping (*chief executive officer*, "Mr. Zheng")	1/1	6/6
	Ms. Zheng Fei ("Ms. Zheng")	1/1	6/6
	Ms. Tang Lo Nar	1/1	6/6
(b)	**Non-executive Director**		
	Ms. Kong Xiaoling ("Ms. Kong")	1/1	6/6
(c)	**Independent Non-executive Directors**		
	Ms. Guo Ying	1/1	6/6
	Mr. He Binhui	1/1	6/6
	Mr. Chen Lifan	1/1	6/6

Mr. Zheng and Ms. Kong are spouse, Ms. Zheng is the daughter of Mr. Zheng and Ms. Kong. Save as disclosed above, there is no family or other material relationship among members of the Board.

Biographies, including relationships among members of the Board are shown on pages 24 and 26 under the section headed "Biography of Directors and Senior Management" of this annual report.

ROLES OF DIRECTORS

The Board assumes responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Group. The principle roles of the Board are:

- to lay down the Group's objectives, strategies and policies;
- to monitor operating and financial performance; and
- to set appropriate policies to manage risks in pursuit of the Group's strategic objectives.

The Board has delegated the day-to-day operation responsibility to the management under the supervision of the CEO and various Board committees. Every newly appointed Director, if any, is ensured to have a proper understanding on the operations and business of the Group and fully aware of his responsibilities under the relevant applicable legal and regulatory requirements. The senior management and the Company Secretary will conduct such briefing as is necessary to update the Board with legal and regulatory developments, business and market changes and the strategic development of the Group to facilitate the performance of their duties.

BOARD MEETINGS

Proposed regular Board meeting dates for a year are notified to each Director at the beginning of the Year. Formal notice of at least 14 days will be given in respect of a regular meeting. For special Board meeting, reasonable notice will be given.

The Board meets regularly at least four times every year. The Directors participate in person or through electronic means of communication. All notices of Board meetings are given to all Directors, who are given an opportunity to include matters in the agenda for discussion. The finalised agenda and accompanying board papers are sent to all Directors at least three days prior to the meeting.

During regular meetings of the Board, the Directors discuss the overall strategy as well as the operation and financial performance of the Group. The Board has reserved for its decision or consideration matters covering overall Group strategy, major acquisitions and disposals, annual budgets, annual and interim results, approval of major capital transactions and other significant operational and financial matters. All Directors are kept informed on a timely basis of major changes that may affect the Group's businesses, including relevant rules and regulations. Directors can also seek independent professional advice in performing their duties at the Company's expense, if necessary. The Company Secretary records the proceedings of each Board meeting in detail by keeping detailed minutes, including all decisions by the Board together with concerns raised and dissenting views expressed (if any). All minutes are open for inspection at any reasonable time on request by any Director.

Apart from regular Board meetings, the Chairman also held one meeting with the independent non-executive Directors without the presence of the remaining executive Director during the year ended 31 December 2022.

SUPPLY OF AND ACCESS TO INFORMATION

In respect of regular Board meetings, an agenda of the meeting and the accompanying board papers are sent in full to all Directors at least three days before the intended date of the meeting. Board papers are circulated to the Directors to ensure that they have adequate information before the meeting for any ad hoc projects.

The management is responsible for supplying the Board and the committees with adequate information in a timely manner to enable it to make informed decisions. Information related to the Company's financial position and latest developments, including monthly updates on the Company's performance, position and prospects are provided to Directors to keep them up to date. Where any Director requires more information than is provided by management, each Director has separate and independent access to the Company's senior management for inquiry or additional information.

All Directors are entitled to have access to board papers and related materials. Such materials are prepared to enable the Board to make informed decisions on matters placed before it.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under the code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer of the Group of the Group should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer of the Group should be clearly established and set out in writing. The roles of the chairman and chief executive officer of the Group of the Group are not separated and is performed by the same individual. Mr. Zheng Ping acted as both the chairman and chief executive officer of the Group throughout the Year. The Directors meet 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 Group and believe that this structure will enable the Group to make and implement decisions promptly and efficiently.

APPOINTMENTS, RE-ELECTION AND REMOVAL OF DIRECTORS

When appointing new Directors, the Group follows a formal, legal, thoughtful and transparent procedure. The Nomination Committee is chaired by an independent non-executive Director and consists of a majority of independent non-executive Directors. The Nomination Committee has formulated a nomination policy (the "Nomination Policy") and is responsible for identifying suitable candidates for consideration by the Board as additional Directors or for filling temporary vacancies in the Board, and for making recommendations to Shareholders on any Directors to be re-elected at the general meeting.

The selection process and working summary of the new Directors of the Nomination Committee during the Year are contained in the paragraph headed "Nomination Committee" below.

All non-executive and independent non-executive Directors are appointed for a specific term of not more than three years. Under the Articles of Association, one-third of the Directors must retire and be eligible for re-election at each annual general meeting. All Directors, including the Chairman, are required to retire from office by rotation and are subject to re-election by Shareholders at annual general meeting at least once every three years. As such, no Director has a term of appointment longer than three years.

DIRECTORS' TRAINING

All Directors are required to provide the Company with his or her training records on a yearly basis. During the Year, the Company received training records from all Directors. The individual training record of each Director received during the year ended 31 December 2022 is set out below:

		Reading materials in relation to corporate governance/ updates on laws, rules and regulations	Attending seminars/ training in relation to corporate governance/ updates on laws, rules and regulations
(a)	**Executive Directors**		
	Mr. Zheng Ping	Yes	Yes
	Ms. Zheng Fei	Yes	Yes
	Ms. Tang Lo Nar	Yes	Yes
(b)	**Non-executive Director**		
	Ms. Kong Xiaoliang	Yes	Yes
(c)	**Independent Non-executive Directors**		
	Ms. Guo Ying	Yes	Yes
	Mr. He Binhui	Yes	Yes
	Mr. Chen Lifang	Yes	Yes

DIRECTORS' INSURANCE

The Company did not have any management liability insurance cover during the Year. The Board considered that the current industries, businesses and financial situation of the Company were relatively stable, and the Company had established a relatively complete internal monitoring system, so we did not purchase management liability insurance for Directors. The Board will review the need for insurance from time to time.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct for dealings in securities of the Company by the Directors and the relevant employees of the Group who are likely to be in possession of unpublished inside information of the Company. The Company, having made specific enquiry with all Directors, confirms that all Directors have complied with the required standard set out in the Model Code during the Year.

DELEGATION BY THE BOARD

The Board is primarily responsible for the overall strategy and direction for the Group and overseeing the Group's businesses and providing leadership in strategic issues. The management is delegated to manage the day-to-day businesses of the Group.

When the Board delegates aspect of its management and administration functions to management, clear directions would be given as to the power of management, in particular, the circumstances where management should report back to the Board before making decisions or entering into any commitments on behalf of the Group.

Principal functions that are specifically delegated by the Board to the management include (i) implementation of corporation strategy and policy initiatives; (ii) provision of management reports to the Board in respect of Group's performance, financial position and prospects; and (iii) day-to-day management of the Group.

BOARD COMMITTEES

The Board established certain Board committees with specific written terms of reference which deal clearly with the committee's authority and duties and require the committees to report back on their decisions or recommendations.

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 is responsible for nominating potential candidates for Directors, reviewing nominations, evaluating the independence of independent non-executive Directors, and making recommendations to the Board on appointments and re-elections. In addition, the Nomination Committee is responsible for reviewing the Board Diversity Policy (outlined below) to ensure its effectiveness and making recommendations to the Board on necessary amendments.

During the Year, the work performed by the Nomination Committee included the following:

- made recommendations to the Board on matters relating to the re-election of Directors;
- made recommendations to the Board on matters relating to the appointment and change of Board committees members;
- conducted an annual review of the independence of the independence non-executive Directors; and
- reviewed structure, size and composition of the Board.

The Nomination Committee comprises Mr. Chen Lifan, Mr. He Binhui and Ms. Guo Ying, and is chaired by Mr. Chen Lifan.

During the Year, two meetings of the Nomination Committee were held to review and consider the composition of the Board and senior management. The attendance records of the members of the Nomination Committee are as follows:

Name of members of the Nomination Committee	Attendance
Mr. Chen Lifan	2/2
Mr. He Binhui	2/2
Ms. Guo Ying	2/2

Nomination Policy

The Nomination Policy aims to set out the relevant selection criteria and nomination procedures.

The factors listed below would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate:

(a) character and integrity;

(b) qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;

(c) accomplishment and experience business from time to time conducted, engaged in or invested in by any member of the Group;

(d) commitment in respect of available time and relevant interest;

(e) any information obtained through third party references or background checks;

(f) requirement for the Board to have independent directors in accordance with the Listing Rules and whether the candidates would be considered independent with reference to the independence guidelines set out in the Listing Rules;

(g) the Board Diversity Policy and any measurable objectives adopted by the Nomination Committee for achieving diversity on the Board; and

(h) such other perspectives appropriate to the Company's business.

Nomination Procedures

The Committee shall identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships. In identifying suitable candidates, the Committee shall consider candidates on merit and against the objective criteria, with due regard to the principals and approach of the Board Diversity Policy.

The Nomination Committee shall, upon receipt of the proposal on appointment of new director and the biographical information (or relevant details) of the candidate and other information deemed necessary, evaluate such candidate based on the criteria as set out under the Nomination Policy above to determine whether such candidate is qualified for directorship, and his/her independence (if applicable). The Committee shall make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive. If an independent executive director served more than 9 years (or completed more than 3 consecutive terms), the Committee shall state in its recommendations reasons why it believes that the director is still independent and should be re-elected, including factors considered, the process and discussion of the Committee in arriving at such a determination.

If the general meeting intends to discuss the election of directors, the circular of the general meeting shall disclose complete information of the proposed candidates. The circular should include the information of the proposed candidate as required pursuant to applicable laws, rules and regulations. A Director shall be elected upon the passing of the proposed resolution on a general meeting. An announcement shall be made according to relevant laws, rules and regulations.

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 recognises that diversification at the Board level is one of the important factors to improve corporate performance, optimise 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 in accordance with the Company's Nomination Policy and the Board Diversity Policy.

The Board's composition under diversified perspectives was summarized as follows:

Board Diversity *(Note 2)*			
Designation	Executive Director (3)	Non-executive Director (1)	Independent non-executive Director (3)
Gender	Male (3)	Female (4)	
Age Group	25-45 (2)	45-65 (4)	Over 65 (1)
Ethnicity	Chinese (7)		
Education Background	Master Degree (3)	Bachelor's Degree (4)	
Professional Skills & Career Experience *(Note 1)*	Automobile & Industrial Engineering (3)	Financial & Accounting (4)	
	Corporate Management & Commercial (3)	Capital Management & Investor relations (4)	
Length of Service	Less than five years (0)	Five to ten years (3)	Over ten years (4)

Notes:

1. Directors may possess multiple professional skills and career experience.

2. The number in brackets refers to the number of Directors under the relevant category.

The Nomination Committee has reviewed the Board Diversity Policy and monitored the implementation of the Board Diversity Policy. Pursuant to the Board Diversity Policy, the Nomination Committee had taken into account the factors listed on the table above.

During the Year, the Company has achieved the following measurable objectives:

(1) at least one-third of the Board is composed of independent non-executive Directors;

(2) at least one-third of the Board are holders of a Bachelor's degree or above;

(3) at least one Director is a qualified accountant;

(4) at least one Director has relevant experience in motor vehicle industry or cold chain logistics industry;

(5) at least one Director has relevant experience in finance; and

(6) at least one Director is of different gender.

Based on the review by the Nomination Committee, the Nomination Committee considers that the Company has achieved the measurable objectives set for implementing the Board Diversity Policy during the Year.

As of 31 December 2022, the gender ratio in the workforce (including senior management) is approximately 60% male and 40% female. The Group provides equal opportunity to all employees regardless of gender, race, age, nationality, religion, sexual orientation, disability, and other aspects of diversity and are against any forms of discrimination.

Remuneration Committee

The Company established a Remuneration Committee which is primarily responsible for (i) making recommendations to the Board regarding the Group's policy and structure for remuneration of Directors and senior management, (ii) determine the specific remuneration packages of all executive Directors and senior management of the Company, (iii) the establishment of a formal and transparent procedure for developing policy on such remuneration and (iv) review and approve matters relation to share schemes of the Company.

The Remuneration Committee comprises Ms. Guo Ying, Mr. He Binhui and Mr. Chen Lifan, and is chaired by Ms. Guo Ying.

During the Year, two meetings of the Remuneration Committee were held to review and consider the specific remuneration packages of the Company's executive Directors and senior management, the adoption of the 2022 Share Option Scheme and performance of the executive directors and other related matters. The attendance records of the members of the Remuneration Committee are as follows:

Name of members of the Remuneration Committee	Attendance
Ms. Guo Ying	2/2
Mr. He Binhui	2/2
Mr. Chen Lifan	2/2

Details of the remuneration paid to the senior management (all of whom are also Directors) of the Group are included in Notes 12 and 13 to the consolidated financial statements.

Audit Committee

Pursuant to the Listing Rules, an Audit Committee was established on 8 June 2011, comprising three Independent Non-executive Directors, namely Mr. He Binhui, Ms. Guo Ying and Mr. Chen Lifan, and is chaired by Mr. He Binhui.

The written terms of reference which describe the authorities and duties of the Audit Committee were prepared and adopted with reference to "A Guide for the Formation of an Audit Committee" published by the 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 risk management and internal control system.

To comply with the requirement under the CG Code in respect of the responsibilities for performing the corporate governance duties, the Board has delegated its responsibilities to the Audit Committee to develop and review the policies and practices of the Company on corporate governance and make recommendations to the Board; to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; to develop, review and monitor the code of conduct applicable to the Directors and employees; to review and monitor the training and continuous professional development of Directors and senior management and to review the Company's compliance with the code provisions set out in the CG Code contained in the Listing Rules and disclosures in the corporate governance report.

During the Year, the Audit Committee held four meetings for the purpose of reviewing the Company's financial reports and accounts, and providing advice and recommendations to the Board of Directors. The Audit Committee also reviewed the risk management and internal control procedures of the Group. The minutes of the Audit Committee meeting are kept by the Company Secretary.

The Audit Committee also reviewed the Company's progress in implementing the corporate governance requirements as set out in the CG Code. The attendance records of the members of the Audit Committee are as follows:

Name of members of the Audit Committee	Attendance
Mr. He Binhui	4/4
Ms. Guo Ying	4/4
Mr. Chen Lifan	4/4

The Group's results for the Year have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards.

COMPANY SECRETARY

All Directors have access to the advice and services of the company secretary. During the Year, the Company Secretary confirmed she had taken not less than 15 hours professional trainings in accordance with Rule 3.29 of the Listing Rules.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE ACCOUNTS

The Board is responsible for presenting a balanced, clear and comprehensible assessment of the Group's performance and prospects. The Directors are responsible for the preparation of financial statements which give a true and fair view of the statement of financial position and financial performance and cash flows of the Group on a going concern basis.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The Company's consolidated financial statement are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently and that judgments and estimates made are prudent and reasonable. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group. The responsibilities of the auditor for the accounts are set out in the Independent Auditor's Report on pages 57 to 61 of this annual report.

Where appropriate, a statement will be submitted by the Audit Committee explaining its recommendation regarding the selection, appointment, resignation or dismissal of the external auditors and the reasons why the Board has taken a different view from that of the Audit Committee.

AUDITOR

BDO Limited has been appointed as auditor of the Company for the year ended 31 December 2022.

AUDITOR'S REMUNERATION

The fees in relation to the audit and other services provided to the Company and its subsidiaries by the external auditor of the Group for the year ended 31 December 2022 amounted to approximately RMB720,000. No non-audit service was provided by the external auditor of the Group for the year ended 31 December 2022.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the risk management and internal control of the Group and for reviewing its effectiveness. The internal control system of the Group comprises a comprehensive organisational structure and delegation of authorities assigned to individuals based on experience and business need. The Company has not yet established an internal audit function and is of the view that there is no immediate need to set up an internal audit function in light of the size, nature and complexity of the Group's business. The Group will continue to conduct internal control procedures and enhance its internal control measures, and will review the situation annually.

Control procedures have been designed to safeguard assets against unauthorised use and disposition; ensure compliance with relevant laws, rules and regulations; ensure proper maintenance of accounting records for provision of reliable financial information used within the business or for publication; and to provide reasonable assurance against material misstatement, loss or fraud.

A general review of the effectiveness of the Group's system of risk management and internal control covering all key control, including financial, operational and compliance, is conducted twice annually by the Audit Committee with the assistance of relevant internal audit department. The review and evaluation consisted of enquiry, discussion and validation through observation and inspection (if necessary). The result of review will be reported to the Board and some measures would be proposed if there is any area for improvement. For the year ended 31 December 2022, the Group's system of risk management and internal control was effective and adequate. No material violation of risk management and internal control system or significant risk were detected.

The Company has established a whistleblowing policy and reporting mechanism, whereby employees and those who deal with the Company (e.g. customers and suppliers) may raise concerns, in confidence, with the Audit Committee in respect of possible improprieties in any matter related to the Company. The whistleblower could report the concerns to the Audit Committee of the Company directly by sending their concerns to ir@shshuanghua.com.

DIVIDEND POLICY

Before announcing the distribution or recommendation of dividends, the Board shall take into account factors including the Group's actual and expected performance, retained profits, allocable reserves, working capital requirements, capital expenditure, future business development plans, liquidity status, the inherent and potential effects of domestic and foreign economic conditions, policies on the Company's industry, business, finance and positioning, as well as other factors that the Board considers appropriate. The Board will review the Company's dividend policy from time to time.

CONSTITUTIONAL DOCUMENTS

The Company has adopted the second amended and restated memorandum and articles of association of the Company ("new M&A") at the 2022 AGM which was held on 30 June 2022, so as to, among others, comply with the new Listing Rules and Corporate Governance Code which came into effect on 1 January 2022. The new M&A were available on the Stock Exchange's website.

SHAREHOLDERS' RIGHTS

Under the Articles of Association, the Board, on the requisition of Shareholders holding not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company, can convene an extraordinary general meeting within two months after the deposit of such requisition, to address specific issues of the Company within 21 days from the date of deposit of written notice to the Company's principal place of business in Hong Kong. The same requirement and procedure also applies to any proposal to be tabled at Shareholders' meeting for adoption.

If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

COMMUNICATION WITH SHAREHOLDERS

Communication with Shareholders could enhance the confidence of investors and the Board has adopted a Shareholder communication policy. The primary communication channels between the Company and its Shareholders include the publication of interim and annual reports, annual general meeting, and other general meetings. The Company encourages all Shareholders to attend the annual general meetings. The Company's website also provides regularly updated information of the Group to the Shareholders. Enquiries on matters relating to Shareholders and the businesses of the Group are welcome, and are dealt with in an informative and timely manner.

The Chairman and other Board members would attend the forthcoming annual general meeting in 2023 to answer questions, if any, at the meeting.

During the Year, the Board has reviewed the implementation and effectiveness of the Shareholder's communication policy, and is satisfied that the Company fulfilled its obligation of information disclosure in strict compliance with regulatory requirements to disclose all its information in a timely and fairly manner, and ensured that all Shareholders, domestic and foreign institutions and individual investors have had equal access to company information. As such, the Board believes that its Shareholder's communication policy has been properly implemented and deemed effective during the Year.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, Shareholders may send enquiries to the Company to the following email address:

E-mail address: ir@shshuanghua.com

REPORTING BASIS AND SCOPE

This is the seventh Environmental, Social and Governance ("ESG") Report issued by the Company. The report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") set out in Appendix 27 to the Listing Rules to present the corporate social responsibilities of the Group over the years and during the Year. The annual basis of this report is the same as the annual report period of the Company.

The report mainly covers the plants of the Group in the PRC, including Shuanghua Autoparts, Shanghai Shuanghua Machinery Manufacturing Co., Ltd., and Anhui Shuanghua Intelligent Technology Co., Ltd (the "Anhui Shuanghua"). The report has two versions, English and Chinese. If there is any inconsistency or ambiguity between the English version and Chinese version, the English version shall prevail. This report is incorporated in the Group's annual report and available to Shareholders in hard copy and posted on the Internet for public access. The Internet version can be downloaded from the website of the Stock Exchange, http://www.hkexnews.hk, and the website of the Company, http://www.shshuanghua.com. Questions or suggestions regarding the contents of this report can be directed to us by phone or email as follows:

Shuanghua Holdings Limited
Tel: (86 21) 5058 6337
Email: ir@shshuanghua.com
Website: http://www.shshuanghua.com

REPORTING PRINCIPLES

The reporting principles outlined in the ESG Reporting Guide have been adopted during the preparation of the report:

Materiality: This report covers material ESG information identified by the Group. When formulating the business development strategies of the Group, the Group takes into account of the views of investors and stakeholders on ESG-related issues. We conducted materiality assessments via stakeholder engagements on a regular basis to identify and prioritise the material ESG factors.

Quantitative: As far as practicable, the Group discloses its key environmental and social performance indicators with quantitative measures.

Balance: The Group has identified and disclosed the ESG issues involved in the business operation in the report, and has demonstrated the actual ESG performance of the Group by using appropriate tables.

Consistency: The Group has adopt consistent methodology and presentation methods, to make effective comparison of relevant data.

Chairman's Statement

Since its establishment, the Group has been committed to producing and providing quality and green products and services. While striving for value creation, we always keep corporate social responsibilities in mind and integrate the sustainable development concept with consideration to environmental, social and corporate governance in all procedures of the Company.

We attach great importance to the use of sources and environmental management. In recent years, we have shortened the low-efficiency production lines through the transformation of equipment and technology to improve production efficiency and reduce energy consumption. We also have handled emissions strictly in accordance with the regulations.

We attach great importance to every employee. We deeply understand that ensuring their occupational health and safety is an important component of maintaining the Group's sustainable development. With striving to improve the level of safe production, we properly manage the environment of our factories and offices to provide our employees with a fair, safe and healthy working environment.

We attach great importance to social commonweal. We actively engage in social welfare activities, contributing to the balanced development of the society.

Attaching importance to product and service quality and safety, supporting employees' development and nurturing talents for the Group, we will never stop breakthrough and innovations. The Board is responsible for the management of the environmental, social and governance work of the Company. The Board conducts a comprehensive review of the Company's environmental, social and governance work every year. Under the leadership of the Board, the managers organise and implement relevant work, establish necessary working organisations, and various professionals continuously provide necessary support for environmental, social and governance work, carry out management research, establish relevant management systems, and formulate work plans and major deployment. This Environmental, Social and Governance Report is prepared in accordance with the ESG Reporting Guide issued by the Stock Exchange to disclose the existing projects such as energy conservation and emission reduction, staff and social participation of Shuanghua. We hope that you will have a better understanding of Shuanghua. In the future, we will pursue better performance in the environmental and social aspects, striving assiduously for the development and well-being for the Group, the society and our next generation.

Zheng Ping
Chairman and CEO

Hong Kong
31 March 2023

ABOUT US

Shuanghua Holdings Limited (1241.HK) was incorporated in the Cayman Islands on 19 November 2010 as an exempted company with limited liability, and is an investment holding company, which was listed on the Stock Exchange on 30 June 2011.

During the Reporting Period, the Group was principally involved in two major businesses, being the business of supply chain management, mainly the cold chain supply, leasing, transportation services, etc. and the business of trading, manufacturing and R&D of automobile parts, mainly the automotive HVAC components. Based on the changes of market environment and the actual situation of the Group, the Group has steadily promoted the transformation from manufacturing industry to modern service industry. The plants of the Group are located in Fengxian District, Shanghai and in Tunxi District, Huangshan City, Anhui Province. The Group has been working intensively for more than two decades in the automotive industry and accumulated a wealth of industry experiences and resources to form its core competitive advantages in technology, products and customers. With its technology and experience in ventilation and cooling system, the Group planned to use its vacant properties in Shanghai to develop supply chain management business, so as to transform the Group's business in Shanghai from traditional manufacturing to cold chain supply and storage services. The Group's cold storage plant, through two years' continuous operation, has built core competitiveness and brand influence in the cold chain logistics industry. The Group had also extended the supply chain management business, and expanded the food supply business, to improve the scale of its the supply chain management business.

STAKEHOLDER ENGAGEMENT

Effective stakeholder engagement is an important part of ESG management. Our major stakeholders include Shareholders and investors, government and regulatory authorities, employees, customers, suppliers and business partners, and we communicate with various stakeholders through diverse methods and channels to understand their needs and expectations and respond accordingly. Focusing on the expectations and demands of various stakeholders, the Company conducts in-depth communication and investigation, and collects the concerns of various stakeholders. On this basis, the Company comprehensively ranks various social responsibility issues from the dimensions of the impact on business operations and the impact on stakeholders, so as to reflect the impact of business operations on the environment, society, etc., and to better respond the expectations and demands of various stakeholders.

Communication Methods

Stakeholders	Communication Channels	Expectations and aspirations	Our response
Shareholders and investors	• General meetings • Annual reports, interim reports • Results announcements • Announcements and circulars	• Information disclosure • Sustained and steady growth • Protection of shareholders' rights and interests	• Promoting transparent and open information disclosure • Constantly improving our ability to create value
Government and regulatory authorities	• Written documents or reports • Face to face communication • Compliance management	• Compliance operation • Proper tax payment	• Enhancing compliance operations • Fulfilling tax obligations
Employees	• Employee handbook • Employee trainings • Satisfactory remuneration and benefits	• Safeguard the rights and interests of employees • Career development opportunities • Health and safety	• Implementing fair recruitment practices • Providing diversified training and study programs
Customers	• Meetings • Emails, telephone, WeChat, QQ • Customer feedback • Internal monitoring and risk management	• Safe and high-quality products and services • Stable relationship • Information security and customer privacy protection	• Refining customer management • Enriching products and services categories
Suppliers and business partners	• Open tender • Email, telephone and WeChat • Review and performance evaluation • Internal monitoring and risk management	• Long-term partnership • Honest cooperation	• Supplier management • Implementing fair and open procurement

Materiality Assessment

The Group has conducted assessments on its related ESG issues to have better understanding of the expectation of stakeholders, so as to formulate the framework and contents of disclosure, in response to the requests of the stakeholders.

Our assessment on major issues comprised the following procedures:

Identification of stakeholders	–	Identify each of the important stakeholders and formulate specific engagement plans for them.
Engagement of stakeholders	–	Conduct study of stakeholders through questionnaires to understand their concerns and expectations on the Group in respect of ESG issues.
Prioritisation of material issues	–	Analyse and prioritise the ESG issues after quantification of the result on study of the stakeholders.
Confirmation by the management	–	Submit the analysis result to the management for final confirmation.

The materiality assessment shows that product and service responsibility remains of highest importance to the Group. High quality products and services and supply chain management are the cornerstone of supporting the sustainable development of the Group. Employment, health and safety, labor standards, development and training are also relatively important to the Group, and employees are an important driving force for the business development of the Group. In terms of the environmental aspects, the use of electricity and water are key as they have not only environmental impacts but also significant implications on the daily operation costs of the Group's facilities and thus, the Group internally attaches great importance to the management of these usages.

ENVIRONMENT

The plants of the Group belong to the automobile parts manufacturing industry and cold chain logistics industry, and mainly comply with the Environmental Protection Law of the PRC, Law of the PRC on the Prevention and Control of Air Pollution, Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste, Law of the PRC on the Prevention and Control of Environmental Noise Pollution, Regulations of Shanghai Municipality on Environmental Protection, Regulations of Anhui Province on Environmental Protection and the various emissions discharging standards and other relevant laws and regulations issued by the relevant government departments. For the year ended 31 December 2022, the Group had not been punished by Environmental Protection Bureau of the PRC.

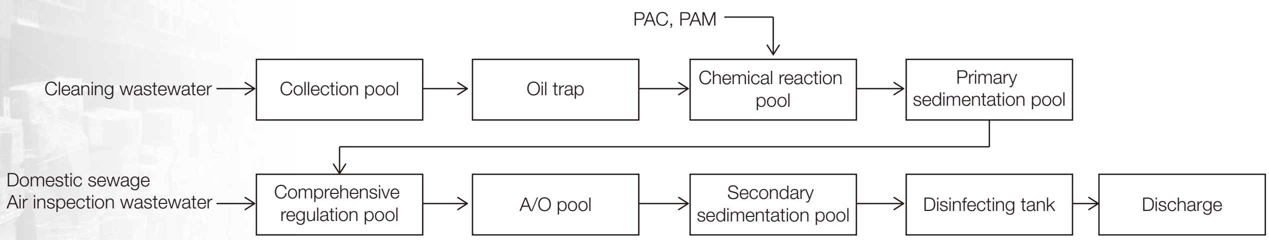
Emissions

The main emissions generated in the business operation of the Group are as follows:

Wastewater

Wastewater generated in the plants mainly include industrial wastewater and domestic sewage. Industrial wastewater include the water for parts surface cleaning and the regularly-replaced testing wastewater in the air inspection flume. Products and parts need to be cleaned before soldering to remove the surface oil, using the LT-1 special cleaning agent for aluminum products. The main pollutants in the wastewater after cleaning are CODcr, SS, PH, petroleum, total phosphorus, anionic surfactants, etc. Air inspection wastewater refers to the wastewater produced by the periodic replacement of the water stored in the air inspection flume for checking the product's air tightness. During the Year, no cleaning wastewater emission and air inspection wastewater was generated. Wastewater generated in the construction and operation of the cold storage plant is mainly the domestic sewage, and generally no production wastewater is generated. During the Year, the total wastewater generated by the Group was approximately 14,383 tonnes.

The sewage treatment facilities are installed in the plant area. After being collected by the collection pool and going through the oil trap, flocculation and precipitation, the cleaning wastewater goes into a comprehensive regulation pool, together with the domestic sewage and air inspection wastewater, and discharges through municipal sewage pipe after biochemical treatment, precipitation and disinfection. The specific sewage treatment process is as follows:



The processing capacity of the sewage treatment facilities in the plant area is over 100 tons/day. Wastewater after treatment reaches the quality standards issued by relevant departments without adverse effects to the surrounding water environment.

Exhaust

A small amount of brazing dust is generated in the brazing furnace during the soldering of the automobile parts products in production process, and discharged into the air 15 meters high above the plant roof after the treatment by the filter device equipped in the brazing equipment at about 6.05mg/m^3 of concentration and 9.08*10^{-3}kg/h of speed, which meets the emission limits of particulates in the Integrated Emission Standard of Air Pollutants (GB16297-1996). When the plant was designed, we took into consideration the adverse effects of trace amounts of HF generated in the soldering process by reaction of flux and water, and filled the entire baking and brazing furnace with liquefied nitrogen to prevent HF from being generated. During the manual soldering process, a small amount of soldering dust is generated in the argon arc welder and discharged out of the workshop through the exhaust fan, and the concentration of the dust in workshop meets the requirements of the Occupational Exposure Limit for Workplace Hazards (GZ2.1-2007). During the Year, no exhaust was generated in the automobile parts business.

The operation of cold storage plant does not involve the generation of exhaust gas. The exhaust gas and dust generated in the construction of the cold storage plant meet the relevant national air quality standards such as the Law of the PRC on the Prevention and Control of Air Pollution and the Integrated Emission Standard of Air Pollutants, measures include, but not limit to, water sprinkling for dust suppression during excavation, burying and crushing works, covering, curing, greening and hardening the main roads on the sites to conform with the requirements of the supervisory limit for non-organised emission of particulates – less than 1.0 mg/m^3 as set out under the Integrated Emission Standard of Air Pollutants; and earthwork backfilling, transhipment and other construction processes that may cause dust pollution are prohibited when windstorm level 4 or above is hoisted.

In order to ensure the compliance of national environmental standards, Shuanghua Autoparts commissioned Shanghai Star Environmental Protection Technology Co., Ltd. to design, manufacture, install and debug the exhaust treatment system (15,000m^3/h) in 2016. This system is effective and still in use. The processed exhaust has reached the relevant standards in the Integrated Emission Standard of Air Pollutants of Shanghai (DB31-933-2015). Anhui Shuanghua specially commissioned Huangshan Yuanxing Environmental Technology Co., Ltd. to monitor the pollutants in the plant area of Anhui Shuanghua in August 2020, so as to ensure that the pollutant discharge meets the requirements of Regulations of Anhui Province on Prevention and Control of Air Pollutants.

Greenhouse gas emissions

The major greenhouse gas emissions of the Group were mainly accounted for the Carbon dioxide ("CO_2") emissions for gasoline combustion in commercial vehicles and operation electricity consumption of the Group's cold storage plants. During the Reporting year, the Company's direct greenhouse gas emissions generated by electricity consumption were equivalent to 8,160 tonnes CO_2, the indirect greenhouse gas emissions generated by commercial vehicles were equivalent to 3.6 tonnes CO_2, and the total greenhouse gas emissions were equivalent to 8,163.6 tonnes CO_2. The greenhouse gas emission intensity was 4,000 kg CO_2 equivalent/RMB10,000 of revenue.

As for the reduction of greenhouse gas emissions, the Group will also set targets on eliminating CO_2 emissions to achieve carbon peak and carbon neutrality in the plant by using natural light as much as possible in the office area, introducing ERP system for purchase and production management of the Group's automobile parts business, WMS system for warehouse and logistics management of the Group's supply chain management business and DingTalk system for paperless approval of personnel, seals, contracts, reimbursements and payments, etc., advocating low-carbon travel for employees, and increasing of green vegetation in the office area, etc.

Solid waste

The scraps, substandard products and waste packaging materials (for the Year: approximately 0 tonnes) generated in production processes, including parts pre-cut, stamping and fins, etc., are collected by the industrial waste recycling department; a small amount of waste oil, waste oil tarpaulins and waste saponified solution are regularly disposed of by the commissioned qualified contractor; the sludge from sewage treatment station and the brazing furnace purification dust are also recycled and disposed of by the commissioned qualified contractor; and the household refuse and office waste are regularly cleared and disposed of by public sanitation departments.

The solid waste generated during the operation of the cold storage plant mainly contains wrapping film, waste wood, packing tape (for the Year: approximately 6.0 tonnes). The solid waste generated during the construction of the cold storage plant mainly contains construction waste and earthwork. Our solid waste management during the construction and operation is complied with the Standards for Pollution Control on the Storage and Disposal Site for General Industrial Solid Wastes and other relevant requirements. Recyclable solid waste such as wasted steel materials should be handled by the approved recycling department, the surplus earthwork and building materials should be backfilled, and the non-recyclable waste should be handled by the qualified departments.

For the Year, the total volume of the non-hazardous waste generated in the operation of the Group was approximately 6.0 tonnes. The Group does not produce hazardous waste during its operation, so it is not applicable. Reduction for generation of solid waste and its reasonable disposal are important measures for minimizing environmental impact, we will closely monitor the current policies for handling solid waste to reduce solid waste production.

Noise

Noise is mainly generated from metal processing equipment, furnace exhaust fan, air compressor and cooling towers, etc. The impact of the plants' production on the external environment has been reduced through reasonable layout, placing the equipment in isolated processing room, as well as installing shock absorbers and sound insulation windows. The noise within plant area was able to meet the standards in the Environmental Noise Emission Standards at the Boundary of Industrial Enterprises.

The major sources of noise during the construction of the cold storage plant come from refrigeration facilities and freight vehicles. We maintain the refrigeration facilities regularly, and set up sound barrier, etc., to meet the standards in the Environmental Noise Emission Standards at the Boundary of Industrial Enterprises. The major sources of noise during the construction of the cold storage plant come from construction machines and vehicles. We strictly comply with the requirements of on the Emission Standard of Environment Noise for Boundary of Construction Site, reasonably schedule construction timetable as well as use machines and equipment with qualified noise emission standards during the construction.

Use of Resources

Green and environmental protection has always been the Group's philosophy and goal. The Group has formulated a series of environmental protection system to actively improve the production lines with a view to increase production efficiency and reduce consumption of energy and resources. The consumption of energy and resources by the Group's plants in the past two years was as follows. In 2022, the Group's cold storage and cold chain business operated during the whole year and the operation scale increased compared to last year. Therefore, the Group's electricity consumption in 2022 increased significantly compared with last year.

Indicators / Year	Direct energy (Scope 1)		Indirect energy (Scope 2)					
	Petrol consumption (L)	Petrol consumption per unit of revenue (L/RMB million)	Electricity Consumption (KWH)	Electricity Consumption per unit of revenue (KWH/RMB million)	Water Consumption (ton)	Water Consumption per person (ton/person)	Use of packing Materials (ton)	Use of packing materials per unit of revenue (ton/RMB million)
2021	2,554	78	3,043,716	93,108	15,386	233	5	0.15
2022	1,532	75	8,184,458	401,080	14,383	225	4	0.20

Energy Management

The Group closely monitors and reviews current energy consumption settings and systems and will set up policies and procedures in the coming years. Currently, the following management measures are in place to reinforce the Group's energy saving practices, so as to improve the energy efficiency of business operation. The Group has set a target of reducing the total energy consumption of unit cold storage by 2% to 5% by 2025.

- Use energy-efficient lighting equipment and adopt natural light wherever possible;
- Turn off equipments when staff leaves the premises to save electricity;
- Introduce intelligent equipment into our cold storage operation to reduce energy consumption; and
- Conduct monthly count on electricity consumption and prepare relevant records; if the consumption exceeds the range of the benchmark, the reasons for such will be analysed and timely remedial actions will be taken.

Water Management

The majority of water consumption was incurred by domestic usage for employees. We did not face any issue with sourcing water that is fit for purpose. We will implemented various measures to mitigate our water consumption, including:

- Expand the scope of recycled water, to the greatest extent, for greening and for restrooms to increase the recycling rate;
- Conduct monthly review on water consumption and prepare relevant records. If the consumption exceeds the range specified, reasons for such would be analysed for timely remedial actions; and
- Encourage staff to save water in factories, offices as well as in their living quarters.

Emission and Waste Reduction Targets

In respect of greenhouse gas emission, the Group actively responds to the national energy conservation guidelines and policies, and has set medium and long-term energy conservation and emission reduction targets. Energy cost is the main cost of the Group's cold storage business. In the operation of the cold storage, intelligent equipment and systems will be gradually equipped and improved to reduce energy consumption. At the same time, the Group will reduce the energy loss in the daily operating process through more standardized operation, so as to reduce greenhouse gas emissions and reduce operation costs.

In respect of wastewater, the Group intends to gradually set emission targets for each plant area, and is expected to recover all domestic sewage in the medium and short term for irrigation of green space in the plant area, so as to achieve zero discharge of domestic sewage in the long run. As to industrial wastewater, the Group strives for zero discharge of sewage through implementing high-end sewage treatment facilities into the production plants.

In respect of exhaust, generally no exhaust is generated during the operation of the cold storage. For the exhaust in industrial production, the Group entrusted a qualified company to design, manufacture and install the exhaust treatment system, and entrusted a professional qualified company to monitor the exhaust pollutants in the plant. We will continuously upgrade the waste gas treatment system and reduce the exhaust emission.

In respect of solid waste, the Group strives to enhance the daily collection, storage and recycle of solid waste, and has contracted qualified disposal agencies for all non-recyclable solid waste.

Climate Change

Climate change as an emerging global risk, may impact companies in the form of physical risks ranging from acute weather events such as flooding and storms, to chronic physical risks arising from the rising temperature and sea levels. Climate change will have certain effects on the Group's operations and the Group will continue to monitor the climate-related risks and implement relevant measures to minimize its potential impact.

The Group's main business is located in Fengxian District of Shanghai and in Tunxi District, Huangshan City of Anhui Province in China. Climate change may lead to more frequent extreme weather events. Natural disasters such as heavy rains, floods and typhoon may directly damage the Group's assets, and affect the normal operation of the Group. In order to mitigate the impact of climate change on us in the long term, precautionary measures such as contingency plans at our operations and flexible working arrangement at our offices has been adopted in response to the possible extreme weather scenarios of typhoon and flooding. We regularly carry out hidden danger investigation and management to ensure the sufficient supply of emergency materials and equipment, and at the same time improve the emergency response capabilities of employees to improve the overall emergency management level of the Group. During the Reporting Period, the Group has been closely connected with Meteorological Bureau of Shanghai and Anhui, paying attention to weather and climate change 24 hours a day, and formulating targeted plans and measures to predict climate change from a scientific perspective and make timely adjustments to ensure the safe and stable operation of production facilities and equipment.

In the future, we plan to address the various impacts of climate-related risks through robust enterprise risk management and strategic plans, and actively take corresponding measures to seize the potential opportunities arising therefrom.

SOCIETY

Employment

In respect of employment of labour, the Group has strictly complied with the relevant laws and administrative regulations of China, such as the Labour Law of the PRC, the Labour Contract Law of the PRC and the Special Provisions on the Labour Protection of Women Workers. In accordance with the needs of each post, the Group recruits all the talents regardless of race, gender, age, religion, region and nationality. As at 31 December 2022, the total number of employees of the Group was 64. All employees came from the PRC except for three of them. All of them are full-time employees which can be categorised as follows:

Gender	Male					Female					Total
Age	Headcount at beginning of 2022	New recruits	Resignation	Rate of resignation	Headcount at end of 2022	Headcount at beginning of 2022	New recruits	Resignation	Rate of resignation	Headcount at end of 2022	Headcount at end of 2022
30 or below	4	0	0	0.0%	4	5	0	0	0.0%	5	9
31-50	21	3	7	10.6%	17	16	2	0	0.0%	18	35
50 or above	16	0	0	0.0%	16	4	0	0	0.0%	4	20
Total	41	3	7	10.6%	37	25	2	0	0.0%	27	64

Educational background	Headcount at beginning of 2022	New recruits	Resignation	Rate of resignation	Headcount at end of 2022
Bachelor's degree or above	21	3	0	0.0%	24
College	13	2	0	0.0%	15
High school or below	32	0	7	10.6%	25
Total	66	5	7	10.6%	64

Region	Headcount at beginning of 2022	New recruits	Resignation	Rate of resignation	Headcount at end of 2022
Outside the PRC	3	0	0	0.0%	3
Eastern Region of the PRC	61	5	7	10.6%	59
Middle Region of the PRC	2	0	0	0.0%	2
Western Region of the PRC	0	0	0	0.0%	0
Total	66	5	7	10.6%	64

Health and Safety

The Group is committed to providing employees with a safe, harmless and comfortable working environment. Besides the security, cooling, heating and other hardware installed in the plants and offices, Shuanghua has also made significant investment in green projects. Green trees, grass and red flowers can be seen everywhere in the plant area of Shuanghua, so that the employees can work in the garden-style plant joyfully. The hardware facilities in respect of labour safety and hygiene and main construction work in the plant and office area are designed and carried out simultaneously and put into use at the same time. The Group provides workers with the necessary labour protection products and regular health checks for workers engaging in works with occupational hazards. The Group has formulated the Safety Production Management System and the safety production process and operating procedures. The new recruits and trainees must attend the safety production training at three different levels, from the working unit, team and operation position. Workers who change jobs must be re-educated. Those who are engaged in special work of electrical, soldering, vehicle driving, flammable and explosive substance, etc. must attend professional safety and technical training, and obtain a qualified operating permit (license) after strict examination by the relevant departments before operating independently. The plants organises fire safety training regularly to enhance the safety awareness of employees. The plants set up a special quality and safety department to check, correct and educate the irregularities every day, including not wearing labour insurance products and operations in violations of rules, etc., to prevent accidents in the working process and reduce the occurrence of safety incidents. The plants have also formulated a contingency plan for various emergencies to ensure the safe and orderly operation and the safety of the staff to the greatest extent.

In the context of COVID-19 and its variants repeated outbreak and spread at home and abroad, cold storage is more likely to cause the spread of COVID-19 due to the storage of cold chain food. The Group actively responds to the call of the government, strengthens the operation management of the cold storage plant in the four dimensions of “personnel, vehicles, goods and sites”, strictly registers and verifies the vehicles and personnel entering into the cold storage area. Personnel is obliged to wear masks when entering into the cold storage area and all goods can only be store into the storage after disinfection. The Group also increased the frequency of nucleic acid detection and strengthens environmental cleaning and disinfection. Throughout the past three years, the Group recorded zero work-related fatal incidents. There were no lost days due to work injury.

During the Year, the total working hours and accidents in the Group’s plants were as follows:

Gender	Total working hours (hrs)	Work injuries (times)	Death from work (per)	Rate of death from work (%)
Male	82,368	0	0	0
Female	52,800	0	0	0

Development and Training

The Group attaches importance to the improvement of the employees’ ability, and various training measures have been implemented to continuously improve their professional knowledge and skills, enhance the management skills and develop their problem-solving ability, in order to ensure the innovation within the Group and maintain the competitive advantage.

The training courses of the Group include: new recruits training, first aid knowledge and non-smoking training, fire drill, labour laws training, accountant’s re-education, safety management training, equipment operation training, special vehicle operation training and professional experience training, etc. The Group fully subsidises the internal and external training courses and partly subsidises the voluntary study and further education of the employees. The training measures above cover all employees in the Group.

The Company continued to focus on building a high quality, high technology and skilled talent team. During the Reporting Period, a total of 62 employees had attended the training provided or sponsored by the Group. The distribution of gender and employment category are set out as follows:

Social KPIs	Percentage of employees trained	Average training hours completed per trained employee
Trained percentage		
Total workforce	97%	34
Trained percentage by gender		
Female	44%	30
Male	56%	38
Trained percentage by employee category		
Senior management	13%	50
Middle management	16%	40
General	71%	30

Labour standards

In order to safeguard the health and safety of employees and fully comply with the labour laws and regulations, the Group has never employed child labour under 16 years old since its establishment, and strictly forbids forced labours or untrained employees to be engaged in dangerous work. Under the premise of consensus, the Group signs labour contract with the employees in accordance with the Labour Law of the PRC and Labour Contract Law of the PRC, and offers compensation according to the position. Employees work within the legal working hours and enjoy the rest periods regulated by the State and a free lunch is provided by the Group. The Group provides social insurances such as medical, maternity, work injury, unemployment and pension to its employees and makes contributions to the housing reserve funds for them. The Group offers special protection to female employees through the prohibition on hazardous works to female employees and appropriate rest periods offered during their pregnancy, postpartum period and lactation. Since the establishment of the Group and its predecessor, no female employees have involved in deduction of salary, dismissal or termination of labour contracts because of their pregnancy, fertility or lactation. After maternity leave, female employees are arranged to return to their original department and position and reintegrate into the workplace with active assistance from the Group. During the Year, 100% of the pregnant female employees return to their position after maternity leave.

The Group strictly observes the requirements of laws. The human resources department of the Group will regularly inspect whether the labour practice is in compliance with the labour laws and regulations. Any non-compliance, such as employment of child or forced labour, will be met with the following measures:

1) Investigate the incident and report to the local labour department;

2) If the investigation reveals that the incident occurred due to negligence, the Group will immediately terminate the labour contract with the party concerned and make compensation to the party concerned for the loss and injury caused by the incident.

In case of fraud, the Group will take the necessary legal measures and actions.

Supply Chain Management

The main suppliers of the Group include raw material suppliers, service suppliers, fresh food suppliers and engineering suppliers. The Group establishes a long-term strategic cooperative relationship with suppliers of good performances in qualification, reputation, product quality, environmental protection and social responsibility, and is committed to establish an efficient and green supply chain together with the suppliers. The Group has formulated a procurement control procedure to standardise our approaches in selecting, auditing, and evaluating all of our suppliers. We strive to leverage our influence to advocate an ethical and sustainable supply chain by incorporating considerations of suppliers' corporate responsibilities and sustainable performance into our supply chain management.

The Group requires all of the suppliers to fulfill the Group's environmental and social requirements. During process of selecting new suppliers, the procurement department of the Group reviews and selects quality suppliers from a number of supplier candidates, covering their ESG related policies, environmental certificate and labour practices. We require suppliers to commit themselves to complying with ESG related national and local laws and regulations, and to seek effective methods to reduce impact on environment and protect natural resources. To ensure suppliers' compliance with the Group's requirements, the procurement department of the Group will inspect the suppliers at least once a year to enhance the control and assess the supplier's sustainability performance. Inspection includes data checking and employee interview to ensure in-depth understanding of suppliers' performance.

As at 31 December 2022, the Group had a total of 58 suppliers, distribution of which were as follows:

Region	Number
Shanghai	41
Anhui	7
Zhejiang	4
Jiangsu	2
Shandong	1
Sichuan	1
Guangzhou	1
Henan	1
Total	58

Product and Service Responsibility

We have been committed to producing the best automotive HVAC components and providing the best supply chain management services. We attach great importance to product and service quality and reputation, by enhancing the product quality review and sales management to ensure the delivery of quality products to our customers, and by enhancing high standard hardware and software facilities and the management of all links in and out of the cold storage plant to provide best services to customers. The Group strictly implements its job quality standards and quality responsibilities, and improves the product and service quality management and development plan. In the production, operation and sales process, we enhance the product quality management and develop a reasonable and flexible program aimed at meeting market and customer needs. We have obtained the ISO14001 quality management system certification.

The Group has formulated the Control Procedure for Product Inspection and Measurement and the Control Procedure for Unqualified Products. If a quality issue of the delivered product does exist in spite of our best efforts in guaranteeing product quality, the customer can submit the case to our customer service staff who will then inform the relevant departments and responsible person to verify the causes and arrange product return or exchange. The Group has installed temperature control equipment in the cold storage plant. If the goods are damaged due to temperature of the cold storage and losses caused by wrong delivery, mixed delivery, missed delivery, etc., customers can propose to our service staff, and compensation can be arranged after verification. The products and the services of the Group are safe and harmless, no sold or delivered products had been recalled due to safety health issues, no compensation for the loss of services provided had been caused due to service problems, and the Group has received no complaint from any of its customers on products or services provided by the Group during the Year.

The Group respects and protects intellectual rights. The Group currently conducts cold chain warehouse business under its core brand "SHUANGHUA (雙樺)" trademark, and conducts food supply business under brand "LONGHUAZHEN". The Group has completed the necessary registration and has taken proactive measures to protect its trademarks and other intellectual properties. A professional institution has been commissioned to protect our products and trademarks and apply for the patents according to the Patent Law of the PRC and the Trademark Law of the PRC. The Company will take all possible actions against acts of counterfeiting the Company's trademarks and products.

In order to ensure the safety and rational use of customer information, the Company has taken appropriate measures for privacy protection, such as setting data management permission and distinguishing the management permission of written data and system data, to ensure that unauthorised persons cannot browse or access the information, and the expired documents or information will be destroyed accordingly. Since its establishment, the personal and customer information of the Group has never been stolen, tampered, damaged or leaked out.

Anti-corruption

The Group has formulated a comprehensive internal control structure and prudent policies (including a whistle-blowing mechanism), and signed honesty agreements with relevant staff to prevent and control corruption, fraud, cheat or unethical behaviours. Employees can report any irregularities, such as dereliction of duty, abuse of power, bribery, embezzlement of the Company's property, etc., to the Company's board of supervisors and internal audit department through letter, email, telephone, etc., and the relevant departments will investigate and collect the evidence to verify the report, followed by punishment after a conclusion is drawn. The Group will keep the whistleblower and the reporting information strictly confidential to protect the whistleblower from retaliation.

We organised training programmes on anti-corruption in new employees orientation for all new-hired, and we regularly organise training related to business ethics, Code of Conduct and anti-corruption to our employees and the Board. 207 hours of anti-corruption training were provided to our employees and Board members during the Year.

Since the establishment of the Group, no cases of corruption, bribery, extortion, fraud or money laundering have occurred and the Group has complied with the relevant laws and regulations that have a significant impact on the Group relating to bribery, extortion, fraud and money laundering. The Group will continue to adhere to its code of ethics, uphold good reputation and prevent any incidents of corruption in the future.

Social Investment

As a corporate citizen, the Group sees shouldering of corporate social responsibility as its mission and actively participates in the community and charity works with a view to bring corporate value into full play, and assumes its corporate responsibility. The Group is not only devoted to its business operation but also strives to contribute, show care and give help to the society. The Group also sets aside reserved funds for social services every year and has taken practical measures to contribute to the society and actively perform its corporate civic responsibility by making donations to help underprivileged families.

In 2005, RMB2,000 was donated to the tsunami disaster area of Southeast Asia.

In 2006, RMB4,000 was donated to “Beloved under the Blue Sky”.

In 2007, RMB10,000 was donated to “Daily Charity”.

In 2008, RMB15,000 was donated to “Daily Charity”, RMB30,000 was donated to Fengxian District Sports Day, RMB300,000 was donated to Wenchuan earthquake disaster area, and RMB20,000 was donated to “New Rural Construction” in CSPGP of Fengxian District.

In 2010, RMB20,000 was donated to “Beloved under the Blue Sky”.

In 2011, RMB20,000 was donated to “Beloved under the Blue Sky”.

In 2012, RMB50,000 was donated to Preference for Military Families Foundation of Shanghai, and RMB20,000 was donated to “Beloved under the Blue Sky”.

In 2014, RMB250,000 was donated to Silk Road Peace Prize Foundation of Shanghai.

In 2015, RMB30,000 was donated to “Beloved under the Blue Sky”.

In 2016, RMB50,000 was donated to “Beloved under the Blue Sky” (including 2017 advance donation of RMB30,000).

In 2018, RMB20,000 was donated to “Beloved under the Blue Sky”.

In 2019, RMB2,000,000 was donated to “Huangshan United Applied Technology Research Institute”.

ESG INDEX

No.	Description	Disclosure Status	Pages
A1 Emissions	General Disclosures Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to exhaust and greenhouse gas emissions, discharges into water and soil, generation of hazardous and non-hazardous wastes, etc.	Disclosed	P42-P44
	A1.1 Types of emissions and respective emission data.	Disclosed	P42-P44
	A1.2 GHG emissions in total (in tonnes) and, if appropriate, intensity (e.g. per unit of production volume, per facility).	Disclosed	P43
	A1.3 Hazardous wastes generated in total (in weight or volume) and, if appropriate, intensity (e.g. per unit of production volume, per facility and per regular employee).	Disclosed	P44
	A1.4 Non-hazardous wastes generated in total (in weight or volume) and, if appropriate, intensity (e.g. per unit of production volume, per facility and per regular employee).	Disclosed	P44
	A1.5 Description of measures to mitigate emissions and results achieved.	Disclosed	P42-P44
	A1.6 Description of treatment of hazardous and non-hazardous wastes, reduction initiatives and results achieved.	Disclosed	P44
A2 Use of Resources	General Disclosure Policies on efficient use of resources, including energy, water and other raw materials. Note: Resources may be used for production, storage, transportation, buildings, electronic equipment, etc.	Disclosed	P45
	A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (KWh in’000s) and intensity (e.g. per unit of production volume, per facility).	Disclosed	P45
	A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Disclosed	P45
	A2.3 Description of energy use efficiency initiatives and results achieved.	Disclosed	P45
	A2.4 Description of whether there is any issue in sourcing water that is fit for the purpose, water efficiency initiatives and results achieved.	Disclosed	P45
	A2.5 Total packaging materials used for finished products (in tonnes) and, if appropriate, packaging materials used for per unit produced.	Disclosed	P45

No.	Description	Disclosure Status	Pages
A3 Environment and Natural Resources	General Disclosure Policies on minimising the issuer's significant impact on the environment and natural resources.	Disclosed	P46
	A3.1 Description of the significant impacts of business activities on the environment and natural resources and the actions taken to control such impacts.	Disclosed	P46
A4 Climate Change	General Disclosure Policies on identification and mitigation of significant climate-related issues which have impacted and may impact the issuer.	Disclosed	P46
B1 Employment	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Disclosed	P47
	B1.1 The total number of employees by gender, employment type, age group and geographical region.	Disclosed	P47
	B1.2 The employee turnover rate by gender, age group and geographical region.	Disclosed	P47
B2 Health and Safety	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Disclosed	P48
	B2.1 Number and rate of work-related fatalities.	Disclosed	P48
	B2.2 Lost days due to work injury.	Disclosed	P48
	B2.3 Description of occupational health and safety measures adopted, as well as how they are implemented and monitored.	Disclosed	P48

No.	Description	Disclosure Status	Pages
B3 Development and Training	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external training programs paid by the employer.	Disclosed	P48-P49
	B3.1 The percentage of employees receiving trainings by gender and employee category (e.g. senior management, middle management, etc.).	Disclosed	P49
	B3.2 The average training hours completed per employee by gender and employee category.	Disclosed	P49
B4 Labour Standard	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing use of child labour or forced labour.	Disclosed	P49
	B4.1 Description of measures to review recruitment practices to avoid child labour and forced labour.	Disclosed	P49
	B4.2 Description of steps taken to eliminate such practices when discovered.	Disclosed	P49
B5 Supply Chain Management	General Disclosure Policies on managing the environmental and social risks of the supply chain.	Disclosed	P50
	B5.1 Number of suppliers by geographical region.	Disclosed	P50
	B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, as well as how they are implemented and monitored.	Disclosed	P50
	B5.3 Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Disclosed	P50
	B5.4 Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Disclosed	P50

No.	Description	Disclosure Status	Pages
B6 Product Responsibility	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labeling and privacy matters in relation to products and services provided and methods of redress.	Disclosed	P50-P51
	B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Disclosed	P51
	B6.2 Number of products and service related complaints received and how they are dealt with.	Disclosed	P51
	B6.3 Description of practices relating to observing and protecting intellectual property rights.	Disclosed	P51
	B6.4 Description of quality assurance process and recall procedures.	Disclosed	P51
	B6.5 Description of consumer data protection and privacy policies, as well as how they are implemented and monitored.	Disclosed	P51
B7 Anti-corruption	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Disclosed	P51
	B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Disclosed	P51
	B7.2 Description of preventive measures and whistleblowing procedures, and the related implementation and supervision approaches.	Disclosed	P51
	B7.3 Description of anti-corruption training provided to directors and staff.	Disclosed	P51
B8 Community Investment	General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities taking into consideration the communities' interests.	Disclosed	P52
	B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Disclosed	P52
	B8.2 Resources contributed (e.g. money or time) to the focus area.	Disclosed	P52

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Hong Kong

To the Shareholders of Shuanghua Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Shuanghua Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 62 to 130, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

KEY AUDIT MATTERS (CONTINUED)

Impairment of property, plant and equipment and right-of-use assets

As at 31 December 2022, the carrying values of the Group's property, plant and equipment and right-of-use assets amounted to RMB95,406,000 and RMB38,887,000 respectively.

Management is required to perform impairment assessment on an asset if there is an indicator that the asset's recoverable amount may be lower than its carrying amount. The impairment reviews performed by the Group's management include a number of significant judgements and estimates including cash generating unit ("CGU") identification, future sales expectation, operating profit forecasts, discount rate, fair value, costs of disposal and overall market and economic conditions. Changes in these assumptions may have a significant impact on the impairment assessment.

As a result of the Group's impairment review completed during the year ended 31 December 2022, no impairment charge was recognised.

The Group's disclosures about impairment of property, plant and equipment and right-of-use assets are included in notes 4(c), 5(b) and 16 to the consolidated financial statements, which also explain the accounting policies and management's accounting estimates.

Our responses:

- We evaluated management's identification of indicators of impairment.

- For recoverable amount determined based on value in use, we obtained the calculation of value-in-use, checked the mathematical accuracy of the calculation and evaluated the key assumptions by comparing to the Group's development plan.

- For recoverable amount determined based on fair value less costs of disposal, we assessed the appropriateness of valuation methodologies applied and the reasonableness of key inputs and assumptions used in the fair value less costs of disposal determination.

Impairment assessment of trade and bills receivables, financial assets included in prepayments, other receivables and other assets

As at 31 December 2022, the carrying values of the Group's trade and bills receivables and financial assets included in prepayments, other receivables and other assets amounted to RMB4,280,000 and RMB6,388,000, respectively, for which respective impairment losses of RMB2,033,000 and RMB5,147,000, respectively, were recognised during the year ended 31 December 2022.

The expected credit loss ("ECL") calculations of financial assets at amortised cost under HKFRS 9 "Financial Instruments" ("HKFRS 9") involved management's significant judgement and high level of estimation uncertainty. It includes key assumptions such as probability of default rates, expected recovery rates in the event of loss-given default and forward-looking information specific to the debtors and the macroeconomic environment where the debtors are located.

We identified the impairment assessment of trade and bills receivables and financial assets included in prepayments, other receivables and other assets as a key audit matter because of the significant judgement and high level of estimation uncertainty involved in the ECL calculations and the carrying amounts thereof are material to the consolidated financial statements.

KEY AUDIT MATTERS (CONTINUED)

Impairment assessment of trade and bills receivables, financial assets included in prepayments, other receivables and other assets (Continued)

Our responses:

- Assessing the appropriateness of the ECL models by challenging the reasonableness of key assumptions and inputs used by the management in estimating the ECL, including evaluating the accuracy and relevance of the historical default rates and whether they are properly adjusted based on the recent credit loss experience and forward-looking information; and

- Evaluating the reasonableness of disclosures relating to impairment assessment of trade and bills receivables and financial assets included in prepayments, other receivables and other assets.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The audit committee of the Company (the "Audit Committee") assists the directors in discharging their responsibility in the regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants
Alfred Lee
Practising Certificate Number: P04960

Hong Kong, 31 March 2023

Consolidated Statement of Profit or Loss

For the year ended 31 December

	Notes	2022 RMB'000	2021 RMB'000
Revenue	*7*	**20,406**	32,690
Cost of sales		**(17,174)**	(27,724)
Gross profit		**3,232**	4,966
Other income, gains and losses	*8*	**3,366**	4,477
Impairment losses recognised on			
– trade receivables	*21*	**(2,033)**	(5,229)
– other receivables and other assets	*22*	**(5,147)**	(519)
Selling and distribution costs		**(1,060)**	(1,426)
Administrative expenses		**(19,657)**	(20,587)
Interest expense	*10*	**(22)**	(63)
Loss before tax	*9*	**(21,321)**	(18,381)
Income tax credit	*14*	**1,372**	192
Loss for the year		**(19,949)**	(18,189)
Attributable to:			
Owners of the parent		**(19,949)**	(18,581)
Non-controlling interests		**–**	392
		(19,949)	(18,189)
Loss per share attributable to ordinary equity owners of the parent			
Basic and diluted	*15*	**RMB(3.1) cents**	RMB(2.9) cents

Consolidated Statement of Comprehensive Income

For the year ended 31 December

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

Consolidated Statement of Financial Position

As at 31 December

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*16*	**95,406**	99,816
Investment properties	*17*	**51,048**	54,606
Right-of-use assets	*18*	**38,887**	40,768
Advance payments for property, plant and equipment		**376**	376
Financial assets at fair value through profit or loss	*19*	**5,386**	6,443
Other receivables	*22*	**–**	6,469
Total non-current assets		**191,103**	208,478
CURRENT ASSETS			
Inventories	*20*	**10**	2,148
Trade and bills receivables	*21*	**4,280**	5,611
Prepayments, other receivables and other assets	*22*	**18,864**	10,228
Cash and cash equivalents	*23*	**89,275**	97,730
Total current assets		**112,429**	115,717
CURRENT LIABILITIES			
Trade payables	*24*	**6,868**	6,431
Other payables and accruals	*25*	**6,062**	4,611
Provision for warranties	*26*	**96**	400
Lease liabilities	*18*	**–**	878
Tax payable		**–**	1,090
Total current liabilities		**13,026**	13,410
NET CURRENT ASSETS		**99,403**	102,307
TOTAL ASSETS LESS CURRENT LIABILITIES		**290,506**	310,785

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	*27*	**805**	1,135
Total non-current liabilities		**805**	1,135
NET ASSETS		**289,701**	309,650
EQUITY			
Equity attributable to owners of the parent			
Issued capital	*28*	**5,406**	5,406
Reserves	*29*	**284,291**	304,240
		289,697	309,646
Non-controlling interests		**4**	4
TOTAL EQUITY		**289,701**	309,650

Zheng Ping
Director

Tang Lo Nar
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December

	Attributable to owners of the parent									
	Share capital RMB'000 *(note 28)*	Share premium RMB'000 *(note 29)*	Capital reserve RMB'000 *(note 29)*	Statutory surplus reserve RMB'000 *(note 29)*	Merger reserve RMB'000 *(note 29)*	Exchange fluctuation reserve RMB'000 *(note 29)*	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2021	5,406	133,658	168,183	42,857	(119,378)	–	102,601	333,327	6,058	339,385
(Loss)/profit and total comprehensive loss for the year	–	–	–	–	–	–	(18,581)	(18,581)	392	(18,189)
Disposal of subsidiaries *(note 30)*	–	–	–	–	–	–	–	–	1,103	1,103
Transaction with non-controlling interests *(note 35)*	–	–	(49)	–	–	–	(5,051)	(5,100)	(7,549)	(12,649)
As at 31 December 2021 and 1 January 2022	5,406	133,658	168,134	42,857	(119,378)	–	78,969	309,646	4	309,650
Loss and total comprehensive loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(19,949)**	**(19,949)**	**-**	**(19,949)**
As at 31 December 2022	**5,406**	**133,658**	**168,134**	**42,857**	**(119,378)**	**-**	**59,020**	**289,697**	**4**	**289,701**

Consolidated Statement of Cash Flows

For the year ended 31 December

	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	**(21,321)**	(18,381)
Adjustments for:		
Interest income	**(2,248)**	(1,938)
Imputed interest income	**(678)**	–
Dividend income from financial assets at fair value through profit or loss	**(367)**	(366)
Loss on disposal of items of property, plant and equipment	**22**	2,175
Fair value change on financial assets at fair value through profit or loss	**1,057**	868
Depreciation of items of property, plant and equipment	**7,118**	7,154
Depreciation of investment properties	**3,558**	3,427
Depreciation of right-of-use assets	**1,881**	1,885
Foreign exchange differences, net	**13**	199
Impairment of trade receivables, other receivables and other assets	**7,180**	5,748
Interest expense	**22**	63
Write-down of inventories to net realisable value	**88**	133
Written back trade payables	**–**	(495)
Written back other payables	**(914)**	(4,558)
Loss on disposal of subsidiaries	**12**	196
Operating loss before working capital changes	**(4,577)**	(3,890)
(Increase)/decrease in trade and bills receivables	**(702)**	964
Increase in prepayments, other receivables and other assets	**(6,717)**	(11,123)
Decrease in inventories	**2,050**	4,678
Decrease in provision for warranties	**(304)**	(83)
Increase in trade payables	**437**	3,898
Increase in other payables and accruals	**2,508**	6,986
Cash (used in)/generated from operations	**(7,305)**	1,430
Interest received	**2,248**	767
Net cash flows (used in)/from operating activities	**(5,057)**	2,197

Consolidated Statement of Cash Flows

For the year ended 31 December

	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	**(2,788)**	(30,507)
Decrease in prepayment for property, plant and equipment	**–**	14,880
Proceeds from disposal of investments at fair value through profit or loss	**–**	55,000
Dividend income from financial assets at fair value through profit or loss	**367**	366
Proceeds from disposal of items of property, plant and equipment	**45**	2,029
Interest received for restricted time deposits	**–**	1,171
Decrease in restricted time deposits	**–**	40,000
Disposal of subsidiaries	**(109)**	(1,294)
Net cash flows (used in)/from investing activities	**(2,485)**	81,645
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	**(22)**	(63)
Principal portion of lease payments	**(878)**	(837)
Transactions with non-controlling interests	**–**	(4,600)
Net cash flows used in financing activities	**(900)**	(5,500)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(8,442)**	78,342
Cash and cash equivalents at beginning of year	**97,730**	19,587
Effect of foreign exchange rate changes, net	**(13)**	(199)
CASH AND CASH EQUIVALENTS AT END OF YEAR	**89,275**	97,730

1. CORPORATE AND GROUP INFORMATION

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

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

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

2. BASIS OF PREPARATION

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

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2. BASIS OF PREPARATION (CONTINUED)

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

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

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

3. ADOPTION OF HKFRSs

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

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

Amendments to HKFRS 3	*Reference to the Conceptual Framework*
Amendments to HKFRS 16	*Covid-19-related rent concessions beyond 30 June 2021*
Amendments to HKAS 16	*Property, Plant and Equipment – Proceeds before Intended Use*
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2018-2020*

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

Amendments to HKFRS 3 Reference to the Conceptual Framework

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

3. ADOPTION OF HKFRSs (CONTINUED)

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

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

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

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

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

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

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

Amendments to HKFRSs Annual Improvements to HKFRSs 2018-2020

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

HKFRS 9 Financial Instruments

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

HKFRS 16 Leases

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

HKAS 41 Agriculture

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

3. ADOPTION OF HKFRSs (CONTINUED)

(b) New/revised HKFRSs that have been issued but are not yet effective

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

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

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

The Group is not yet in a position of state whether these new pronouncements will result is substantial to the Group's accounting policies and financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Business combinations and goodwill (continued)

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in the consolidated statement of profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in the consolidated statement of profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash – generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Fair value measurement

The Group measures its financial assets at fair value through profit or loss and debt instrument at fair value through other comprehensive income at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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).

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(c) Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Impairment of non-financial assets (continued)

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the consolidated statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the consolidated statement of profit or loss in the period in which it arises.

(d) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group;

(vi) The entity is controlled or jointly controlled by a person identified in (a);

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity); or

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Company's parent.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Related parties (continued)

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

(e) Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	4.75%
Machinery and equipment	9.50%
Computer and office equipment	19.00%
Motor vehicles	23.75%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the consolidated statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building and machinery and equipment under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost is the direct costs of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Investment property

Investment property is property held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment property is stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. Depreciation is charged so as to write off the cost of investment property net of expected residual value over the estimated useful live using straight-line method. The useful live, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

Depreciation is calculated on the straight-line basis to write off the cost of each item to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	4.75%
Leasehold land	48 to 50 years

Where parts of an item of investment properties have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

(g) Lease

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful life of the assets as follows:

Leasehold land	48 to 50 years
Office rental	2 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Lease (continued)

Group as a lessee (continued)

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in – substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g. a change to future lease payments resulting from a change in an index or rate) or a change in the assessment to purchase the underlying asset.

The Group's lease liabilities are presented separately in the consolidated statement of financial position.

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of warehouses (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in other income in the consolidated statement of profit or loss due to its non-operating nature.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest rate method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Investments and other financial assets (continued)

Subsequent measurement (continued)

Financial assets at fair value through other comprehensive income (debt instruments)

For debt instruments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the consolidated statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the consolidated statement of profit or loss.

Financial assets designated at fair value through other comprehensive income (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 “Financial Instruments: Presentation” and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the consolidated statement of profit or loss. Dividends are recognised as other income in the consolidated statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss.

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the consolidated statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred assets is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(j) Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment of financial assets (continued)

General approach (continued)

At each reporting date, the Group evaluates whether the debt investments at fair value through other comprehensive income are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs.
Stage 2	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs.
Stage 3	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs.

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables and accruals and lease liabilities.

Subsequent measurement

The subsequent measurement of loans and borrowings is as follows:

Financial liabilities at amortised cost (loans and borrowings)

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the consolidated statement of profit or loss.

(l) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the consolidated statement of profit or loss.

(m) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(n) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

(p) Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated statement of profit or loss.

The Group provides for warranties in relation to the sale of certain products for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are recognised based on sales volume and past experience of the level of repairs, discounted to their present values as appropriate.

(q) Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside of the consolidated statement of profit or loss is recognised outside of the consolidated statement of profit or loss, either in the consolidated statement of other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the country in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Income tax (continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carry-forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Sale of products

Revenue from the sale of products is recognised at the point in time when control of the asset is transferred to the customer, generally on receipt of the products.

Supply chain management business income

Revenue from the provision of supply chain management business income is recognised when the services have been provided.

Leasing services income

Leasing services income is recognised on a time proportion basis over the lease terms.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Revenue recognition (continued)

Other income (continued)

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(s) Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

(t) Employee benefits

Defined contribution retirement plans

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

(u) Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Foreign currencies

These consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of the overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of these entities which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

(a) Provision for ECLs on trade and other receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on ageing for groupings of various customer segments that have similar loss patterns (i.e., by customer type and rating).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

For other receivables, the loss allowance is calculated by 12-month ECL assessment. However, when there has been a significant increase in credit risk since initial recognition, the loss allowance will be calculated by lifetime ECL assessment.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of debtors' actual default in the future. The information about ECLs on the Group's trade and other receivables is disclosed in notes 21 and 22 to the consolidated financial statements.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

(b) *Impairment of non-financial assets (other than goodwill)*

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of the reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. As at 31 December 2022, the Company's market capitalisation was lower than the Group's net assets value which is an indicator of impairment for non-financial assets. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and chooses a suitable discount rate in order to calculate the present value of those cash flows.

(c) *Provision for slow-moving inventories and net realisable value of inventories*

Management reviews the ageing analysis of inventories of the Group at the end of each reporting period, and makes a provision for slow-moving inventory items. Management estimates the net realisable value for such inventories based primarily on the market selling prices and current market conditions. A write-down of inventories to net realisable value is made based on the estimated net realisable value of inventories. The assessment of the write-down amount requires management's estimates and judgement. Where the actual outcome or expectation in the future is different from the original estimate, such differences will impact the carrying value of inventories and write down/write-back of inventories in the period in which such estimate has been changed.

6. OPERATING SEGMENT INFORMATION

Segment revenue and results

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

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

6. OPERATING SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (continued)

Year ended 31 December 2022	Supply chain management business RMB'000	Automobile parts business RMB'000	Total RMB'000
REVENUE	**16,769**	**3,637**	**20,406**
RESULTS			
Segment results	**2,264**	**968**	**3,232**
Other income, gains and losses			**3,366**
Impairment losses recognised on trade and other receivable and other assets			**(7,180)**
Selling and distribution costs			**(1,060)**
Administrative expenses			**(19,657)**
Interest expense			**(22)**
Loss before tax			**(21,321)**

Year ended 31 December 2021	Supply chain management business RMB'000	Automobile parts business RMB'000	Total RMB'000
REVENUE	10,138	22,552	32,690
RESULTS			
Segment results	3,244	1,722	4,966
Other income, gains and losses			4,477
Impairment losses recognised on trade and other receivable and other assets			(5,748)
Selling and distribution costs			(1,426)
Administrative expenses			(20,587)
Interest expense			(63)
Loss before tax			(18,381)

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

6. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

Revenue from external customers

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

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

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

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

Information about major customers

For the year ended 31 December 2022, 1 customer (2021: nil) accounted for more than 10% of the Group's total revenue individually.

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

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

7. REVENUE

An analysis of revenue is as follows:

	2022 RMB'000	2021 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
– Supply chain management business	**16,141**	6,386
– Automobile parts business	**3,637**	22,552
Revenue from other sources		
– Supply chain management business *(note 18)*	**628**	3,752
	20,406	32,690

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

For the years ended 31 December 2022 and 2021

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

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2022 RMB'000	2021 RMB'000
Sale of products *(note 25(a))*	**69**	2,621

(ii) Performance obligations

At 31 December 2022, the remaining performance obligations (unsatisfied or partially unsatisfied) are expected to be recognised within one year. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied or partially unsatisfied contracts is not disclosed.

8. OTHER INCOME, GAINS AND LOSSES

	Note	2022 RMB'000	2021 RMB'000
Other income			
Interest income		**2,248**	1,938
Imputed interest income		**678**	–
Dividend income from financial assets at fair value through profit or loss		**367**	366
		3,293	2,304
Gains and losses			
Loss on disposal of items of property, plant and equipment		**(22)**	(2,175)
Loss on disposal of subsidiaries	*30*	**(12)**	(196)
Fair value change on financial assets at fair value through profit or loss		**(1,057)**	(868)
Foreign exchange loss, net		**(13)**	(199)
Written back trade payables		**–**	495
Written back other payables		**914**	4,558
Others		**263**	558
		73	2,173
Total other income, gains and losses		**3,366**	4,477

9. LOSS BEFORE TAX

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

	Notes	**2022 RMB'000**	2021 RMB'000
Cost of inventories sold		**4,047**	20,697
Write-down of inventories to net realisable value		**88**	133
Depreciation of property, plant and equipment	*16*	**7,118**	7,154
Depreciation of investment properties	*17*	**3,558**	3,427
Depreciation of right-of-use assets	*18*	**1,881**	1,885
Product warranty provision, net of reversal	*26*	**(295)**	(74)
Lease payments not included in the measurement of lease liabilities	*18(c)*	**1,259**	1,098
Auditor's remuneration		**720**	720
Employee benefit expense (excluding directors' and chief executives' remuneration) *(note 12)*:			
Wages and salaries		**5,717**	7,542
Pension scheme contributions*		**624**	622
Staff welfare expenses		**12**	114
		6,353	8,278

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

10. INTEREST EXPENSE

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

11. DIVIDEND

No dividend was declared and paid during the year ended 31 December 2022 (2021: nil).

12. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2022 RMB'000	2021 RMB'000
Fees	**480**	480
Other emoluments:		
Salaries, bonus, allowances and benefits in kind	**2,040**	2,040
Pension scheme contributions	**16**	16
	2,056	2,056
	2,536	2,536

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2022 RMB'000	2021 RMB'000
He Binhui	**60**	60
Guo Ying	**60**	60
Chen Lifan	**60**	60
	180	180

There were no other emoluments payable to the independent non-executive directors during the year (2021: nil).

12. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(b) Executive directors and a non-executive director

	Fees RMB'000	Salaries, bonuses, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total RMB'000
For the year ended 31 December 2022				
Executive directors:				
Zheng Ping (chief executive)	**120**	**1,000**	**–**	**1,120**
Zheng Fei	**60**	**480**	**16**	**556**
Tang Lo Nar	**60**	**320**	**–**	**380**
	240	**1,800**	**16**	**2,056**
Non-executive director:				
Kong Xiaoling	**60**	**240**	**–**	**300**
	300	**2,040**	**16**	**2,356**
For the year ended 31 December 2021				
Executive directors:				
Zheng Ping (chief executive)	120	1,000	–	1,120
Zheng Fei	60	480	16	556
Tang Lo Nar	60	320	–	380
	240	1,800	16	2,056
Non-executive director:				
Kong Xiaoling	60	240	–	300
	300	2,040	16	2,356

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2021: nil).

13. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included 3 directors (2021: 3 directors), details of whose remuneration are set out in note 12 above. Details of the remuneration for the year of the remaining 2 (2021: 2) highest paid employee who is neither a director nor chief executive of the Company are as follows:

	2022 **RMB'000**	2021 RMB'000
Salaries, allowances and benefits in kind	**741**	635
Pension scheme contributions	**104**	69
	845	704

The remuneration of the above non-director and non-chief executive highest paid employee is within HK$1,000,000.

No bonus was paid or receivable by directors or five highest paid employees after considering the Group's operational and financial performance during the year (2021: nil).

14. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate. The Company was incorporated in the Cayman Islands as an exempted company with limited liability under Companies Law of the Cayman Islands and accordingly is not subject to Cayman Islands corporate income tax ("CIT").

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

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

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

	2022 **RMB'000**	2021 RMB'000
Current tax		
Corporate income tax		
– Over-provision in respect of prior years	**(1,042)**	–
Deferred tax *(note 27)*	**(330)**	(192)
Total tax credit for the year	**(1,372)**	(192)

14. INCOME TAX (CONTINUED)

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

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

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

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

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

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery and equipment RMB'000	Computer and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost						
At 1 January 2022	**110,533**	**12,005**	**2,807**	**5,077**	**14,861**	**145,283**
Additions	**85**	**–**	**47**	**–**	**2,656**	**2,788**
Disposal	**–**	**–**	**–**	**(1,213)**	**–**	**(1,213)**
Disposal of subsidiaries *(note 30)*	**–**	**–**	**(21)**	**–**	**–**	**(21)**
Transfer	**603**	**382**	**26**	**–**	**(1,011)**	**–**
At 31 December 2022	**111,221**	**12,387**	**2,859**	**3,864**	**16,506**	**146,837**
Depreciation						
At 1 January 2022	**38,302**	**1,306**	**1,320**	**4,539**	**–**	**45,467**
Depreciation charge for the year	**5,519**	**1,170**	**375**	**54**	**–**	**7,118**
Eliminated on disposal	**–**	**–**	**–**	**(1,146)**	**–**	**(1,146)**
Eliminated on disposal of subsidiaries *(note 30)*	**–**	**–**	**(8)**	**–**	**–**	**(8)**
At 31 December 2022	**43,821**	**2,476**	**1,687**	**3,447**	**–**	**51,431**
Carrying amounts						
At 31 December 2022	**67,400**	**9,911**	**1,172**	**417**	**16,506**	**95,406**

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings RMB'000	Machinery and equipment RMB'000	Computer and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost						
At 1 January 2021	148,625	17,587	2,309	5,077	11,319	184,917
Additions	4,355	114	403	–	25,635	30,507
Disposal	–	(4,738)	–	–	–	(4,738)
Disposal of subsidiaries *(note 30)*	–	(3,135)	(568)	–	(128)	(3,831)
Transfer	19,125	2,177	663	–	(21,965)	–
Transfer to investment properties *(note 17)*	(61,572)	–	–	–	–	(61,572)
At 31 December 2021	110,533	12,005	2,807	5,077	14,861	145,283
Depreciation						
At 1 January 2021	63,680	628	1,067	4,169	–	69,544
Depreciation charge for the year	4,717	1,563	504	370	–	7,154
Eliminated on disposal	–	(534)	–	–	–	(534)
Eliminated on disposal of subsidiaries *(note 30)*	–	(351)	(251)	–	–	(602)
Transfer to investment properties *(note 17)*	(30,095)	–	–	–	–	(30,095)
At 31 December 2021	38,302	1,306	1,320	4,539	–	45,467
Carrying amounts						
At 31 December 2021	72,231	10,699	1,487	538	14,861	99,816

The recoverable amounts of the supply chain management business' cash-generating unit as at 31 December 2022 and 2021 have been determined based on a value-in-use calculation which was approved by management using cash flow projection based on financial budgets covering a five-year period, and extrapolated by using an estimated 3% long-term growth rate (2021: 3%) beyond the budget period. The discount rate used as at 31 December 2022 was 12.76% (2021: 13%).

The recoverable amounts of the automobile parts business' cash-generating unit as at 31 December 2022 have been determined based on the fair value less costs of disposal.

No impairment expense was recognised in the consolidated statement of profit or loss for the years ended 31 December 2022 and 2021.

17. INVESTMENT PROPERTIES

During the year ended 31 December 2022, there were changes in the use of certain of the Group's owner-occupied properties to generate leasing services income or for capital appreciation purposes. As a results, these properties were reclassified from property, plant and equipment and right-of-use assets to investment properties at their carrying amounts and measured using the cost model.

Changes to the carrying amounts presented in the consolidated statement of financial position are summarised as follows:

	RMB'000
Cost	
At 1 January 2022 and 31 December 2022	**99,349**
Depreciation	
At 1 January 2022	**44,743**
Depreciation charge for the year	**3,558**
At 31 December 2022	**48,301**
Carrying amounts	
At 31 December 2022	**51,048**

	RMB'000
Cost	
At 1 January 2021	–
Transfer from property, plant and equipment *(note 16)*	61,572
Transfer from right-of-use assets *(note 18)*	37,777
At 31 December 2021	99,349
Depreciation	
At 1 January 2021	–
Transfer from property, plant and equipment *(note 16)*	30,095
Transfer from right-of-use assets *(note 18)*	11,221
Depreciation charge for the year	3,427
At 31 December 2021	44,743
Carrying amounts	
At 31 December 2021	54,606

17. INVESTMENT PROPERTIES (CONTINUED)

The fair value of the Group's investment properties was approximately RMB125,500,000 as at 31 December 2022 (2021: RMB125,740,000), as determined by the directors of the Company with reference to the valuation performed by an independent qualified professional valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment properties being valued. Valuation was performed using the combination of income and cost approach which best reflect the current condition and available market information of the properties under valuation. During the year, no direct operating expenses, including repairs and maintenance, arising from investment property that generated or did not generate leasing services income.

18. LEASES

The Group as a lessee

The Group has a lease contract for office rental. Lump sum payments were made upfront to acquire the leased land from the authorised government departments of Shanghai and Anhui with lease periods of 48 to 50 years (2021:48 to 50 years), and no ongoing payments will be made under the terms of these land leases. A lease of office has lease term of 2 years (2021: 2 years). Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Prepaid land lease payments RMB'000	**Office RMB'000**	**Total RMB'000**
As at 1 January 2022	**39,890**	**878**	**40,768**
Depreciation charge	**(1,003)**	**(878)**	**(1,881)**
Carrying amount at 31 December 2022	**38,887**	**–**	**38,887**

	Prepaid land lease payments RMB'000	Office RMB'000	Total RMB'000
As at 1 January 2021	67,494	1,715	69,209
Transfer to investment properties *(note 17)*	(26,556)	–	(26,556)
Depreciation charge	(1,048)	(837)	(1,885)
Carrying amount at 31 December 2021	39,890	878	40,768

18. LEASES (CONTINUED)

The Group as a lessee (continued)

(b) *Lease liabilities*

The carrying amount of lease liabilities and the movements during the year are as follows:

	2022 RMB'000	2021 RMB'000
Carrying amount at 1 January	**878**	1,715
Accretion of interest recognised during the year	**22**	63
Payments	**(900)**	(900)
	–	878
Less: Amount due for settlement with 12 months shown under current liabilities	**–**	(878)
Amount due for settlement after 12 months shown under non-current liabilities	**–**	–

The maturity analysis of lease liabilities is disclosed in note 38 to the consolidated financial statements.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2022 RMB'000	2021 RMB'000
Interest on lease liabilities	**22**	63
Depreciation charge of right-of-use assets	**1,881**	1,885
Expense relating to short-term leases included in administrative expenses	**1,259**	1,098
Total amount recognised in profit or loss	**3,162**	3,046

(d) The total cash outflow for leases is disclosed in note 32 to the consolidated financial statements.

18. LEASES (CONTINUED)

The Group as a lessor

The Group leases part of its properties consisting mainly warehouses in the Mainland China under operating lease arrangements. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Leasing services income recognised by the Group during the year was RMB628,000 (2021: RMB3,752,000).

At 31 December 2022 and 2021, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2022 **RMB'000**	2021 RMB'000
Within one year	**2,175**	900
After one year but within two years	**2,220**	–
After two years but within five years	**6,375**	–
	10,770	900

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

20. INVENTORIES

	2022 **RMB'000**	2021 RMB'000
Raw materials	**–**	1,610
Finished goods	**10**	538
	10	2,148

21. TRADE AND BILLS RECEIVABLES

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

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. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest bearing.

As at 31 December 2022, bills receivable of RMB47,000 (2021: RMB77,000) whose fair values approximate to their carrying values were classified as financial assets at fair value through other comprehensive income under HKFRS 9. The fair value changes of these bills receivable at fair value through other comprehensive income were insignificant during the year.

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

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

21. TRADE AND BILLS RECEIVABLES (CONTINUED)

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

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

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on ageing for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2022

	Gross carrying amount RMB'000	Expected credit loss rate	Expected credit losses RMB'000
Trade receivables aged, based on the invoice date:			
Less than 1 year	**3,311**	**10.1%**	**333**
Between 1 and 2 years	**1,382**	**65.1%**	**899**
Between 2 and 3 years	**8,176**	**90.6%**	**7,404**
Over 3 years	**7,633**	**100.0%**	**7,633**
	20,502	**79.4%**	**16,269**

21. TRADE AND BILLS RECEIVABLES (CONTINUED)

As at 31 December 2021

	Gross carrying amount RMB'000	Expected credit loss rate	Expected credit losses RMB'000
Trade receivables aged,			
based on the invoice date:			
Less than 1 year	3,186	14.2%	453
Between 1 and 2 years	8,903	68.8%	6,129
Between 2 and 3 years	2,072	98.7%	2,045
Over 3 years	5,609	100.0%	5,609
	19,770	72.0%	14,236

22. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2022 RMB'000	2021 RMB'000
Other receivables	**2,702**	697
Prepayments	**12,356**	3,531
Interest receivables	**60**	122
Other receivables from disposed subsidiaries *(note (a))*	**9,537**	8,859
Value-added tax recoverable	**120**	4,252
	24,775	17,461
Impairment allowance	**(5,911)**	(764)
	18,864	16,697
Portion classified as current assets	**(18,864)**	(10,228)
Non-current portion *(note (a))*	**–**	6,469

Note:

(a) This represents the amount due from the disposed subsidiaries (note 30), which is unsecured, interest free and with fixed repayment terms. As one instalment has not been repaid on schedule by the disposed subsidiaries, the Group reclassified the entire amount due from disposed subsidiaries as current as at 31 December 2022.

22. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (CONTINUED)

The movements in the loss allowance for impairment of financial assets included in prepayments, other receivables and other assets are as follows:

	2022 RMB'000	2021 RMB'000
At beginning of year	**764**	709
Impairment losses, net	**5,147**	519
Written-off	**–**	(464)
At end of year	**5,911**	764

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts.

23. CASH AND CASH EQUIVALENTS AND RESTRICTED TIME DEPOSITS

	2022 RMB'000	2021 RMB'000
Cash and bank balances	**89,275**	97,730
Cash and cash equivalents	**89,275**	97,730
Denominated in RMB	**62,735**	92,895
Denominated in United States dollars	**25,445**	3,122
Denominated in other currencies	**1,095**	1,713
Cash and cash equivalents	**89,275**	97,730

As at 31 December 2022, cash and cash equivalents of the Group denominated in RMB amounted to RMB62,735,000 (2021: RMB92,895,000). 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.

24. TRADE PAYABLES

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

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

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

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

25. OTHER PAYABLES AND ACCRUALS

	2022 RMB'000	2021 RMB'000
Contract liabilities *(note (a))*	**1,474**	1,782
Other payables *(note (b))*	**683**	495
Taxes payable other than corporate income tax	**2,544**	941
Payroll payables	**1,358**	1,390
Accrued expenses	**3**	3
	6,062	4,611

Notes:

(a) Details of contract liabilities are as follows:

	2022 RMB'000	2021 RMB'000
At 1 January	**1,782**	5,881
Amounts included in contract liabilities that was recognised as revenue during the year	**(69)**	(2,621)
Cash received in advance of performance and not recognised as revenue during the year	**675**	224
Written-back	**(914)**	(1,702)
At 31 December	**1,474**	1,782

Contract liabilities include short-term advances received to deliver products. The decrease in contract liabilities in 2022 and 2021 was mainly due to the decrease in short-term advances received from customers in relation to the sale of goods and services at the end of the year.

(b) Other payables are non-interest-bearing and repayable on demand.

26. PROVISION FOR WARRANTIES

	2022 RMB'000	2021 RMB'000
Warranties		
At 1 January	**400**	483
Additional provision	**–**	120
Amounts utilised during the year	**(9)**	(9)
Reversal of unutilised amounts	**(295)**	(194)
At 31 December	**96**	400

The Group provides two-year warranties to its customers on certain of its industrial products for general repairs of defects occurring during the warranty period. The amount of the provision is estimated based on sales volumes and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

27. DEFERRED TAX

The movements in deferred tax liabilities during the year are as follows:

	Fair value adjustments arising from acquisition of a subsidiary RMB'000	Withholding tax RMB'000	Total RMB'000
At 1 January 2021	36	1,291	1,327
Deferred tax credited to the consolidated statement of profit or loss during the year *(note 14)*	–	(192)	(192)
At 31 December 2021 and 1 January 2022	36	1,099	1,135
Deferred tax credited to the consolidated statement of profit or loss during the year *(note 14)*	**–**	**(330)**	**(330)**
At 31 December 2022	**36**	**769**	**805**

27. DEFERRED TAX (CONTINUED)

As at 31 December 2022, the Group has tax losses arising in Hong Kong of RMB nil (2021: nil) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

The Group also has tax losses arising in the Mainland China of RMB122,783,000 (2021: RMB120,251,000) that will expire in one to five years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses and deductible temporary differences as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Deferred tax assets have not been recognised in respect of the following items:

	2022 RMB'000	2021 RMB'000
Tax losses	**122,783**	120,251
Deductible temporary differences	**12,824**	3,585
At end of year	**135,607**	123,836

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the Mainland China. A lower withholding tax rate may be applied if there is a tax treaty between the Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in the Mainland China in respect of earnings generated.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

28. SHARE CAPITAL

Shares

	2022 RMB'000	2021 RMB'000
Authorised:		
10,000,000,000 (2021: 10,000,000,000) ordinary shares of HK$0.01 each	**83,293**	83,293
Issued and fully paid:		
650,000,000 (2021: 650,000,000) ordinary shares of HK$0.01 each	**5,406**	5,406

29. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

(i) Share premium

The application of the share premium account is governed by the Companies Law of the Cayman Islands. Under the constitutional documents and the Companies Law of the Cayman Islands, the share premium is distributable as dividend on condition that the Company is able to pay its debts when they fall due in the ordinary course of business at the time the proposed dividend is to be paid.

(ii) Capital reserve

The capital reserve represents the aggregated amount of the paid-up capital of those companies comprising the Group prior to the incorporation of the Company.

(iii) Statutory surplus reserve

In accordance with the Company Law of the PRC, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserve may be converted to increase share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

(iv) Merger reserve

The merger reserve of the Group represents the reserve which arose pursuant to the reorganisation which is accounted for as reorganisation under common control.

(v) Exchange fluctuation reserve

The exchange fluctuation reserve is used to record exchange differences arising from the translation of the financial statements of entities of which the functional currency is not RMB.

30. DISPOSAL OF SUBSIDIARIES

On 20 December 2022, the Company's subsidiary had entered into an equity transfer agreement with a purchaser to dispose of its equity interests of an indirectly non-wholly-owned subsidiary, Shanghai Lidahang Supply Chain Management Co., Limited, at a consideration of approximately RMB1,569,000. The fair values of the identifiable assets and liabilities of approximately RMB1,581,000 as at the date of disposal were as follows:

	2022 RMB'000
Net assets disposed of:	
Property, plant and equipment *(note 16)*	**13**
Cash and cash equivalents	**1,678**
Other receivables and deposits	**33**
Accruals and other payables	**(143)**
	1,581
Loss on disposal of a subsidiary *(note 8)*	**(12)**
	1,569
Satisfied by:	
Consideration receivable	**1,569**

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2022 RMB'000
Cash consideration	**1,569**
Cash and bank balances disposed of	**(1,678)**
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	**(109)**

30. DISPOSAL OF SUBSIDIARIES (CONTINUED)

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 interests 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 that require relatively low technical requirements and the fair values of the identifiable assets and liabilities of Shuanghua Automobile Technology and its subsidiary as at the date of disposal were as follows:

	2021 RMB'000
Net assets disposed of:	
Property, plant and equipment *(note 16)*	3,229
Cash and cash equivalents	1,294
Trade receivables	12,517
Other receivables	120
Inventories	14,138
Trade payables	(22,460)
Other payables	(9,745)
Non-controlling interest	1,103
	196
Loss on disposal of subsidiaries *(note 7)*	(196)
	–
Satisfied by:	
Cash	–*

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2021 RMB'000
Cash consideration	–*
Cash and bank balances disposed of	(1,294)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(1,294)

* Amount less than RMB1,000

31. CONTINGENT LIABILITIES

At the end of the reporting period, the Group did not have any significant contingent liabilities.

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Total cash outflow for leases

The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

	2022 RMB'000	2021 RMB'000
Within operating activities	**1,259**	1,098
Within financing activities	**900**	900
	2,159	1,998

33. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2022 RMB'000	2021 RMB'000
Contracted but not portion for:		
Property, plant and equipment	**7,262**	7,262

34. RELATED PARTY TRANSACTIONS

Details of the Group's principal related party are as follows:

Name	Relationship
Shanghai Automart Investment Co., Ltd. ("Shanghai Automart")	An entity controlled by a director

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

	2022 RMB'000	2021 RMB'000
Office rental paid to Shanghai Automart	**900**	900

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:

	2022 RMB'000	2021 RMB'000
Short term employee benefits	**3,526**	3,371
Pension scheme contributions	**210**	144
Total compensation paid to key management personnel	**3,736**	3,515

Further details of the emoluments of the directors and the chief executive are set out in note 12 to the consolidated financial statements.

35. INTERESTS IN SUBSIDIARIES

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of Incorporation/ registration and business	Principal activity	Issued ordinary/ registered capital	Percentage of equity attributable to the Company	
				Direct	Indirect
Automart Holdings Limited	Incorporated BVI	Investment holding	US$100,000	100%	–
Automart Holdings Limited	Incorporated in Hong Kong ("HK")	Investment holding and import and export of automobile air-conditioner parts and components	HK$1,200,000	–	100%
Shanghai Shuanghua Autoparts Co., Ltd. *(note (i))*	Incorporated in the PRC/ Mainland China	Manufacture and sale of automobile air-conditioner parts and components and supply chain management	RMB389,289,704	–	99.999%
Shanghai Shuanghua Machinery Manufacturing Co., Ltd. *(note (ii))*	Incorporated in the PRC/ Mainland China	Manufacture and sale of automobile air-conditioner parts and components	RMB60,000,000	–	99.999%
Shanghai Youshen Industry Co., Ltd. *(note (ii))*	Incorporated in the PRC/ Mainland China	Import and export of air-conditioner parts and components	RMB10,000,000	–	99.999%
Shanghai Shuanghua Auto Components Co., Ltd. *(note (ii))*	Incorporated in the PRC/ Mainland China	Sale of automobile air-conditioner parts and components	RMB2,000,000	–	99.999%
Shanghai Eagle Investment Limited *(note (ii))*	Incorporated in the PRC/ Mainland China	Investment holding and sale of automotive lubricants	RMB150,000,000	–	100%
Anhui Shuanghua Intelligent Technology Co., Ltd. ("Anhui Shuanghua") *(note (ii))*	Incorporated in the PRC/ Mainland China	Manufacture and sale of automobile air-conditioner parts and components	RMB37,000,000	–	99.999%
Shanghai Shuanghua Supply Chain Management Co., Ltd ("Shuanghua Supply Chain") *(note (ii))*	Incorporated in the PRC/ Mainland China	Supply chain management	RMB20,000,000	–	100%
Shanghai Longhua Food Co., Ltd. *(note (ii))*	Incorporated in the PRC/ Mainland China	Food business	RMB30,000,000	–	100%

35. INTERESTS IN SUBSIDIARIES (CONTINUED)

Notes:

(i) This entity is a Sino-foreign equity company established under PRC law.

(ii) These entities are limited liability enterprises established under PRC law.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Transactions with non-controlling interests

During the year ended 31 December 2021, the Group entered into two transactions that change the Group's ownership in certain subsidiaries that does not result in loss of control. The Group treats transactions with non – controlling interests that do not result in a loss of control as transactions with equity holders of the Group. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity.

During the year ended 31 December 2021, the Group acquired the remaining 13.51% equity interests of Anhui Shuanghua at a total consideration of RMB4,600,000. Upon completion of this transaction, Anhui Shuanghua became the subsidiary of the Company with 99.999% equity interests owned by the Company.

During the year ended 31 December 2021, the non-controlling interests of Shuanghua Supply Chain failed to pay up an outstanding capital contribution of RMB8,000,000. During the year ended 31 December 2021, the Company agreed to buy back the 40% equity interests from non-controlling interests at nil consideration and at the same time does not require the purchaser to pay this outstanding capital contribution. As a result, the Company resumed 100% equity interest of Shuanghua Supply Chain as at 31 December 2021.

36. 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

31 December 2022

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total
		Debt instrument		
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at fair value through profit of loss	**5,386**	**–**	**–**	**5,386**
Trade and bills receivables	**–**	**47**	**4,233**	**4,280**
Financial assets included in prepayments, other receivables and other assets	**–**	**–**	**6,388**	**6,388**
Cash and cash equivalents	**–**	**–**	**89,275**	**89,275**
	5,386	**47**	**99,896**	**105,329**

31 December 2021

	Financial assets at fair value through	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total
		Debt instrument		
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at fair value through profit of loss	6,443	–	–	6,443
Trade and bills receivables	–	77	5,534	5,611
Financial assets included in prepayments, other receivables and other assets	–	–	8,914	8,914
Cash and cash equivalents	–	–	97,730	97,730
	6,443	77	112,178	118,698

36. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Financial liabilities – at amortised cost

	2022 RMB'000	2021 RMB'000
Trade payables	**6,868**	6,431
Financial liabilities included in other payables and accruals	**686**	498
Lease liabilities	**–**	878
	7,554	7,807

37. 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.

Fair value hierarchy

The fair values of the non-current portion of lease liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for lease liabilities as at the end of the reporting period was assessed to be insignificant.

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

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

Assets measured at fair value:

As at 31 December 2022

	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	**–**	**47**	**–**	**47**
Financial assets at fair value through profit or loss:				
Listed equity investments	**5,386**	**–**	**–**	**5,386**
	5,386	**47**	**–**	**5,433**

As at 31 December 2021

	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	–	77	–	77
Financial assets at fair value through profit or loss:				
Listed equity investments	6,443	–	–	6,443
	6,443	77	–	6,520

The Group did not have any financial liabilities measured at fair value as at 31 December 2022 (2021: nil).

During the year, 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 (2021: nil).

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and restricted time deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between the RMB and other currencies in which the Group conducts business may affect the Group's financial condition and results of operations. The Group seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in foreign exchange rates, with all other variables held constant, of the Group's loss before tax (due to changes in the fair values of monetary assets and liabilities).

2022

	Increase/ (decrease) in rate of foreign currency %	**Decrease/ (increase) in loss before tax RMB'000**
If RMB weakens against United States dollar	**5**	**98**
If RMB strengthens against United States dollar	**(5)**	**(98)**
If RMB weakens against Hong Kong dollar	**5**	**29**
If RMB strengthens against Hong Kong dollar	**(5)**	**(29)**
If RMB weakens against Japanese Yen	**5**	**23**
If RMB strengthens against Japanese Yen	**(5)**	**(23)**

2021

	Increase/ (decrease) in rate of foreign currency %	Decrease/ (increase) in loss before tax RMB'000
If RMB weakens against United States dollar	5	271
If RMB strengthens against United States dollar	(5)	(271)
If RMB weakens against Hong Kong dollar	5	33
If RMB strengthens against Hong Kong dollar	(5)	(33)
If RMB weakens against Japanese Yen	5	23
If RMB strengthens against Japanese Yen	(5)	(23)

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the General Manager and Chairman.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2022

	12-month ECLs	Lifetime ECLs		Simplified	
	Stage 1	Stage 2	Stage 3	approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables*	–	–	–	20,502	20,502
Bills receivable**	47	–	–	–	47
Financial assets included in prepayments, other receivables and other assets**					
– Normal	2,762	–	–	–	2,762
– Doubtful	–	–	9,537	–	9,537
Cash and cash equivalents					
– Not yet past due	89,275	–	–	–	89,275
	92,084	–	9,537	20,502	122,123

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

As at 31 December 2021

	12-month ECLs Stage 1 RMB'000	Lifetime ECLs Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	19,770	19,770
Bills receivable**	77	–	–	–	77
Financial assets included in prepayments, other receivables and other assets**					
– Normal	9,678	–	–	–	9,678
Cash and cash equivalents					
– Not yet past due	97,730	–	–	–	97,730
	107,485	–	–	19,770	127,255

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 21 to the consolidated financial statements.

** The credit quality of the bills receivable and financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and other receivables are disclosed in notes 21 and 22 to the consolidated financial statements.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty and by geographical region. At 31 December 2022, the Group had certain concentrations of credit risk as 14% (2021: 13%) and 52% (2021: 50%) of the Group's trade receivables were due from the Group's largest customer and five largest customers, respectively.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

All the Group's financial liabilities at the end of the reporting period are due within one year or payable on demand.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

2022

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	Over 1 year RMB'000	Total RMB'000
Trade payables	**6,868**	**–**	**–**	**–**	**6,868**
Financial liabilities included in other payables and accruals	**686**	**–**	**–**	**–**	**686**
	7,554	**–**	**–**	**–**	**7,554**

2021

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	Over 1 year RMB'000	Total RMB'000
Trade payables	6,431	–	–	–	6,431
Financial liabilities included in other payables and accruals	498	–	–	–	498
Lease liabilities	–	215	663	–	878
	6,929	215	663	–	7,807

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirement. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 31 December 2021.

The Group did not have any borrowings as at 31 December 2022 and 2021.

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. Net debt includes lease liabilities, less cash and cash equivalents and pledged deposits.

As at 31 December 2022 and 2021, the Group's cash and cash equivalents exceeded the total of lease liabilities. As such, no gearing ratio at 31 December 2022 and 2021 is presented.

39. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Lease liabilities RMB'000
At 31 December 2021	1,715
Financing cash flows	
– Repayment of lease liabilities	(837)
– Interest paid on lease liabilities	(63)
Non-cash changes	
– Interest expense recognised	63
At 31 December 2021 and 1 January 2022	878
Financing cash flows	
– Repayment of lease liabilities	**(878)**
– Interest paid on lease liabilities	**(22)**
Non-cash changes	
– Interest expense recognised	**22**
At 31 December 2022	**–**

40. SHARE OPTION SCHEME

In light of the expiry of the share option scheme which was adopted on 8 June 2011 (became effective on 29 June 2011) and expired on 29 June 2021, the Company adopted a new share option scheme on 30 June 2022 (the "2022 Share Option Scheme") to enable the Company to grant options to eligible participants as incentives or rewards for their contributions to the Group.

The maximum number of shares of the Company (the "Shares") which may be issued upon exercise of all options granted and to be granted under the 2022 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 2022 Share Option Scheme and 10% of the Shares of the Company in issue as at the end of the reporting period. The maximum number of Shares issuable under share options granted to each eligible participant in the 2022 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 approval of the shareholders of the Company in a general meeting. Eligible participants of the 2022 Share Option Scheme include any full-time or part-time employees, executives or officers (including executive and non-executive directors, but excluding independent non-executive directors) of the Company or any of the subsidiaries of the Company, as absolutely determined by the Board.

The 2022 Share Option Scheme is valid and effective for a period of 10 years commencing from the approval of the 2022 Share Option Scheme at the 2021 annual general meeting of the Company held on 30 June 2022. The exercise period of any option granted under the 2022 Share Option Scheme must not be more than ten years commencing from the date of grant. The acceptance of an offer of the grant of the option must be made within 28 days from the date of grant with a non-refundable payment of HKD1.00 from the grantee. A grant of share options under the 2022 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 2022 Share Option Scheme. There is no requirement of a minimum period for which an option must be held before it can be exercised. The subscription price for a Share in respect of any particular option granted under the 2022 Share Option Scheme (subject to adjustments upon capital restructuring) shall be such price as the Board in its absolute discretion shall determine, save that such price must not be less than the highest of (i) the official closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange on the date of offer to grant option; (ii) the average of the official closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange for the five business days immediately preceding the date of offer to grant option; and (iii) the nominal value of a Share.

No share options have been granted under the 2022 Share Option Scheme since it became effective. During the year ended 31 December 2022, no share options were granted, exercised, lapsed or cancelled, and as at 31 December 2022, no options under the 2022 Share Option Scheme were outstanding. As at the end of the reporting period, the total number of shares available for issue under the 2022 Share Option Scheme was 65,000,000 Shares, representing 10% of the issued share capital of the Company as at the end of the reporting period.

As the 2011 Share Option Scheme expired on 29 June 2021 and the 2022 Share Option Scheme was adopted on 30 June 2022, there were no options available for grant as at 1 January 2022. The number of options available for grant under the 2022 Share Option Scheme as at 31 December 2022 was 65,000,000 Shares.

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**117,174**	117,174
Total non-current assets	**117,174**	117,174
CURRENT ASSETS		
Amounts due from subsidiaries	**163,198**	161,670
Cash and cash equivalents	**32**	987
Total current assets	**163,230**	162,657
CURRENT LIABILITIES		
Amounts due to subsidiaries	**130**	130
Other payables and accruals	**34**	34
Total current liabilities	**164**	164
NET CURRENT ASSETS	**163,066**	162,493
TOTAL ASSETS LESS CURRENT LIABILITIES	**280,240**	279,667
NET ASSETS	**280,240**	279,667
EQUITY		
Issued capital	**5,406**	5,406
Reserves *(note)*	**274,834**	274,261
TOTAL EQUITY	**280,240**	279,667

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Information about the statement of financial position of the Company at the end of the reporting period is as follows (continued):

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Capital reserve RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2021	133,658	117,131	28,316	279,105
Loss and total comprehensive loss for the year	–	–	(4,844)	(4,844)
At 31 December 2021 and 1 January 2022	133,658	117,131	23,472	274,261
Loss and total comprehensive income for the year	**–**	**–**	**573**	**573**
At 31 December 2022	**133,658**	**117,131**	**24,045**	**274,834**

42. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 31 March 2023.

Particular of Major Investment Properties

Location	Lot number	Use	Our Group's interest %	Lease term	Government lease expiry
No. 488, Yaoqiao Village, Zhelin Town, Fengxian District, Shanghai	Lot No. 5 / 10, Block 6, Huqiao Town, Fengxian District, Shanghai	Industrial	99.999%	Medium	2055
No. 88, Lane 3111, Huancheng West Road, Fengxian District, Shanghai	Lot No. 78 / 19, Block 1, Xidu Town, Fengxian District, Shanghai	Industrial	99.999%	Medium	2058

Five Year Financial Summary

	Year ended 31 December				
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000	**2022** **RMB'000**
REVENUE	55,166	28,616	63,793	32,690	**20,406**
Cost of sales	(44,313)	(34,354)	(54,196)	(27,724)	**(17,174)**
Gross profit/(loss)	10,853	(5,738)	9,597	4,966	**3,232**
Other income, gains and losses	9,688	7,640	11,969	4,477	**3,366**
Reversal of impairment/(impairment losses) recognised on					
– trade receivables	(2,158)	(3,747)	(591)	(5,229)	**(2,033)**
– other receivables and other assets	1,293	(695)	(6)	(519)	**(5,147)**
Selling and distribution expenses	(4,788)	(1,120)	(1,984)	(1,426)	**(1,060)**
Administrative expenses	(21,726)	(29,481)	(25,891)	(20,587)	**(19,657)**
Other expenses	(6,877)	(11)	(1,077)	–	**–**
Interest expense	–	(128)	(25)	(63)	**(22)**
Share of (loss)/gain of a joint venture	(231)	181	–	–	**–**
LOSS BEFORE TAX	(13,946)	(33,099)	(8,008)	(18,381)	**(21,321)**
Income tax credit	701	1,551	881	192	**1,372**
LOSS FOR THE YEAR	(13,245)	(31,548)	(7,127)	(18,189)	**(19,949)**
Attributable to:					
Owners of the parent	(13,245)	(31,377)	(5,153)	(18,581)	**(19,949)**
Non-controlling interests	–	(171)	(1,974)	392	**–**
	(13,245)	(31,548)	(7,127)	(18,189)	**(19,949)**

	As at 31 December				
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000	**2022** **RMB'000**
Total assets	409,175	365,256	382,821	324,195	**303,532**
Total liabilities	(44,368)	(26,995)	(43,436)	(14,545)	**(13,831)**
Non-controlling interests	(5)	(4,832)	(6,058)	(4)	**(4)**
	364,802	333,429	333,327	309,646	**289,697**