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SHUANGHUA HOLDINGS LIMITED
雙樺控股有限公司

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

DISCLOSEABLE AND CONNECTED TRANSACTION
DISPOSAL OF 100% EQUITY INTEREST IN
SHANGHAI SHUANGHUA AUTOMOBILE TECHNOLOGY
DEVELOPMENT CO., LTD.

THE DISPOSAL

The Board announces that on 25 May 2021 (after trading hours), the Seller, a wholly-owned subsidiary of the Company and the Purchaser entered into the Equity Transfer Agreement, pursuant to which the Purchaser has agreed to acquire and the Seller has agreed to sell the Sale Interest, representing 100% of the equity interest in the Target Company, at a consideration of RMB1.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in Rule 14.07 the Listing Rules) in respect of the transaction(s) contemplated under the Equity Transfer Agreement exceed 5% but are less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to reporting and announcement requirements.

As at the date of this announcement, the Purchaser is owned as to 70% by Mr. Jiang, who is a director of Lidahang Supply Chain Management, a 70%-owned subsidiary of the Company. Mr. Jiang is also a substantial shareholder of Lidahang Supply Chain Management by virtue of his 60% equity interest in Lidahang Enterprise Agency, which in turn holds 30% equity interest in Lidahang Supply Chain Management. As such, the Purchaser is a connected person of the Company at the subsidiary level and the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As (i) the Board has approved the Disposal; and (ii) the Directors (including all of the independent non-executive Directors) have confirmed that the terms of the Disposal are fair and reasonable, on normal commercial terms and in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole, pursuant to Rule 14A.101 of the Listing Rules, the Disposal is subject to the

reporting and announcement requirements, but is exempt from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board announces that on 25 May 2021 (after trading hours), the Seller and the Purchaser entered into the Equity Transfer Agreement, pursuant to which the Purchaser has agreed to acquire and the Seller has agreed to sell the Sale Interest at a consideration of RMB1. Details of the Equity Transfer Agreement are set out below:-

The Equity Transfer Agreement

The principal terms of the Equity Transfer Agreement are as follows:

Date: 25 May 2021 (after trading hours)

Parties: (1) Seller: Shuanghua New Energy Vehicles Limited

(2) Purchaser: Shanghai Zeqing Investment Co., Ltd.

(3) Target company: Shanghai Shuanghua Automobile Technology Development Co., Ltd.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Purchaser is directly owned as to 70% by Mr. Jiang and 30% by Ms. Shu Ting (舒婷). Mr. Jiang is a director of Lidahang Supply Chain Management, a 70%-owned subsidiary of the Company. Mr. Jiang is also a substantial shareholder of Lidahang Supply Chain Management by virtue of his 60% equity interest in Lidahang Enterprise Agency, which in turn holds 30% equity interest in Lidahang Supply Chain Management, and therefore a connected person of the Company under Rule 14A.07 of the Listing Rules. Ms. Shu Ting also holds 25% equity interest in Lidahang Enterprise Agency. The Purchaser, as an associate of Mr. Jiang, is a connected person of the Company under the Listing Rules.

Assets to be disposed of

The Purchaser has agreed to acquire and the Seller has agreed to sell the Sale Interest, representing 100% of the equity interest in the Target Company, free from any encumbrances and together with all rights attaching thereto.

Consideration

The Sale Interest would be sold at a consideration of RMB1 which shall be settled within five business days from the date on which the Equity Transfer Agreement becomes effective.

Basis of the consideration

The consideration was determined after arm's length negotiations between the Purchaser and the Seller with reference to (i) the unaudited net liability of the Target Company of

approximately RMB1.9 million as at 30 April 2021; and (ii) the reasons and benefit for the Disposal as set out in the section headed “Reasons and Benefit for the Disposal” below.

The Directors (including the independent non-executive Directors) consider that the terms and conditions of the Disposal to be fair and reasonable, on normal commercial terms and in the ordinary and usual course of business of the Group, and are in the interests of the Company and the Shareholders as a whole.

Effective date

The Equity Transfer Agreement shall take effect upon satisfaction of the following conditions:

1. the Equity Transfer Agreement having been signed and sealed by the authorised representatives of each of the Purchaser and Seller;
2. the Disposal and the terms and conditions of the Equity Transfer Agreement having been approved by the shareholder or director of the Seller; and
3. the transactions contemplated under the Equity Transfer Agreement having been approved by the local business and commercial registration department.

Upon completion of the Disposal, the Group will not hold any equity interest in the Target Company and the Target Company will cease to be a subsidiary of the Company.

INFORMATION OF THE TARGET COMPANY

The Target Company is a company established under the PRC law with limited liability and is principally engaged in the business of supply and sales of automobile parts in the PRC. As at the date of this announcement, the Target Company holds 51% equity interest in Huangshan Shuanghua, which is principally engaged in the supply and sales of automobile components that require relatively low technical requirements.

The unaudited financial information of the Target Company for the two financial years ended 31 December 2019 and 2020 and for the four months ended 30 April 2021 based on its unaudited management accounts are as follows:

	For the year ended 31 December 2019 RMB'000	For the year ended 31 December 2020 RMB'000	For the four months ended 30 April 2021 RMB'000
Net loss before tax	1	3,050	698
Net loss after tax	1	3,050	698

Based on the unaudited management accounts of the Target Company, the unaudited net liability of the Target Company as at 30 April 2021 was approximately RMB1.9 million.

It is estimated that the Group will record a book gain of approximately RMB1.9 million (before taxation) from the Disposal, which represents the difference between the consideration of the Disposal and the unaudited net liability of the Target Company

attributable to the Sale Interest as at 30 April 2021. Shareholders should note that the actual amount of the gain or loss on the Disposal to be recognized in the consolidated financial statements of the Company depends on the net liability or asset value of the Target Company as at the date of completion of the Disposal and therefore may be different from the amount mentioned above.

As only a nominal consideration of RMB1 is payable in connection with the Disposal, the Group does not expect to receive any net proceeds from the Disposal.

INFORMATION OF THE PURCHASER

The Purchaser is a company established under the PRC law with limited liability and is principally engaged in the business of industrial investment and investment management.

INFORMATION OF THE SELLER

The Seller is a limited liability company incorporated in Hong Kong and is principally engaged in investment holding. As at the date of this announcement, it is an indirect wholly-owned subsidiary of the Company.

REASONS AND BENEFIT FOR THE DISPOSAL

The Group is principally engaged in the business of trading, manufacturing and research and development of automobile parts and components, cold storage and cold chain supply.

As part of the Group's strategy to develop and diversify its business, the Group is aiming to focus more resources and effort on its mid-to-high end automobile heating, ventilation and air-conditioning ("HVAC") system business and cold storage and cold chain supply business. Due to the increased demand for mid-to-high end HVAC systems in the domestic aftermarket and cold storage trucks in the cold chain logistics industry, the Group has integrated its mid-to-high end HVAC system business with cold storage trucks business, and consolidated the two businesses under the operation of Anhui Shuanghua. The Group is of view that the Target Company, which currently engages in the supply and sales of automobile components with relatively low technical requirement, does not have a high growth prospect. The Disposal offers a good opportunity for the Company to improve its business structure and enhance its working capital. It would also enable the Group to focus on its core business in the mid-to-high end automobile parts market and the development of cold storage truck business, which would involve higher technical requirement and generate higher growth for the Group's overall business.

Based on the above, the Directors (including the independent non-executive Directors) consider that the terms and conditions of the Disposal to be fair and reasonable, on normal commercial terms and in the ordinary and usual course of business of the Group, and are in the interests of the Company and the Shareholders as a whole.

As none of the Directors has a material interest in the Disposal, no Director is required to abstain from voting on the Board resolution(s) approving the Disposal.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in Rule 14.07 the Listing Rules) in respect of the transaction(s) contemplated under the Equity Transfer Agreement exceed 5% but are less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to reporting and announcement requirements.

As at the date of this announcement, the Purchaser is owned as to 70% by Mr. Jiang, who is a director of Lidahang Supply Chain Management, a 70%-owned subsidiary of the Company. Mr. Jiang is also a substantial shareholder of Lidahang Supply Chain Management by virtue of his 60% equity interest in Lidahang Enterprise Agency, which in turn holds 30% equity interest in Lidahang Supply Chain Management. As such, the Purchaser is a connected person of the Company at the subsidiary level and the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As (i) the Board has approved the Disposal; and (ii) the Directors (including all of the independent non-executive Directors) have confirmed that the terms of the Disposal are fair and reasonable, on normal commercial terms and in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole, pursuant to Rule 14A.101 of the Listing Rules, the Disposal is subject to the reporting and announcement requirements, but is exempt from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“Anhui Shuanghua”	Anhui Shuanghua Intelligent Technology Co., Ltd. (安徽雙樺智能技術有限公司), a company established under the PRC law with limited liability, which is an indirect 99.999%-owned subsidiary of the Company as at the date of this announcement
“Board”	the board of Directors
“Company”	Shuanghua Holdings Limited (雙樺控股有限公司), a company incorporated in the Cayman Islands with limited liability
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the proposed disposal of the Sale Interest pursuant to the terms of the Equity Transfer Agreement
“Equity Transfer Agreement”	the equity transfer agreement dated 25 May 2021 entered into between the Seller and the Purchaser in relation to the Disposal
“Group”	the Company and its subsidiaries from time to time

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huangshan Shuanghua”	Huangshan Shuanghua Donglin Compressor Co., Ltd. (黃山雙樺動林壓縮機有限公司), a company established under the PRC law with limited liability, which is an indirect 51%-owned subsidiary of the Company as at the date of this announcement
“Lidahang Enterprise Agency”	Shanghai Lidahang Enterprise Registration Agency Co., Ltd. (上海利達行企業登記代理有限公司), a company established under the PRC law with limited liability
“Lidahang Supply Chain Management”	Shanghai Lidahang Supply Chain Management Co., Ltd. (上海利達行供應鏈管理有限公司), a company established under the PRC law with limited liability, which is an indirect 70%-owned subsidiary of the Company as at the date of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Jiang”	Mr. Jiang (姜崢嶸), a director and substantial shareholder of Lidahang Supply Chain Management as at the date of this announcement
“PRC”	The People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Shanghai Zeqing Investment Co., Ltd. (上海澤青投資有限公司), a company established under the PRC law with limited liability
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Interest”	100% of the equity interest in the Target Company
“Seller”	Shuanghua New Energy Vehicles Limited (雙樺新能源汽車有限公司), a limited liability company incorporated in Hong Kong, which is an indirect wholly-owned subsidiary of the Company as at the date of this announcement
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Shanghai Shuanghua Automobile Technology Development Co., Ltd. (上海雙樺汽車科技發展有限公司), a company

established under the PRC law with limited liability, which is an indirect wholly-owned subsidiary of the Company as at the date of this announcement

“0%”

per cent

On behalf of the Board
Shuanghua Holdings Limited
Zheng Ping
Chairman

Hong Kong, 25 May 2021

As at the date of this announcement, the Board consists of three executive Directors, Mr. Zheng Ping, Ms. Zheng Fei and Ms. Tang Lo Nar, one non-executive Director, Ms. Kong Xiaoling, and three independent non-executive Directors, Ms. Guo Ying, Mr. He Binhui and Mr. Chen Lifan.