

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **SHUANGHUA HOLDINGS LIMITED**

### **雙樺控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1241)**

## **DISCLOSEABLE TRANSACTION IN RELATION TO FORMATION OF A JOINT VENTURE COMPANY**

### **FORMATON OF THE JV COMPANY**

The Board is pleased to announce that on 10 November 2019, Shuanghua Automotive Technology, an indirect wholly-owned subsidiary of the Company, and Taizhou Donglin entered into the Joint Venture Agreement pursuant to which the Parties have agreed to set up the JV Company with a registered capital of RMB20 million and each of Shuanghua Automotive Technology and Taizhou Donglin has agreed to contribute to the registered capital of the JV Company at RMB10.2 million and RMB9.8 million, respectively. Shuanghua Automotive Technology and Taizhou Donglin will own 51% and 49% of the equity interests of the JV Company, respectively. Upon establishment of the JV Company, it will be recognized as an indirect non wholly-owned subsidiary of the Company and its accounts will be consolidated with those of the Company. The JV Company will be principally engaged in the research, development, manufacturing and sales of automotive air conditioning compressors in the PRC.

### **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the formation of the JV Company exceeds 5% but is less than 25%, the entering into of the Joint Venture Agreement constitutes a discloseable transaction and is subject to the reporting and announcement requirements but exempt from shareholders' approval requirements under Chapter 14 of the Listing Rules.

## THE JOINT VENTURE AGREEMENT

The Board is pleased to announce that on 10 November 2019, Shuanghua Automotive Technology, an indirect wholly-owned subsidiary of the Company, and Taizhou Donglin entered into the Joint Venture Agreement pursuant to which the Parties have agreed to set up the JV Company with a registered capital of RMB20 million and each of Shuanghua Automotive Technology and Taizhou Donglin has agreed to contribute to the registered capital of the JV Company at RMB10.2 million and RMB9.8 million, respectively. Shuanghua Automotive Technology and Taizhou Donglin will own 51% and 49% of the equity interests of the JV Company, respectively. Upon establishment of the JV Company, it will be recognized as an indirect non wholly-owned subsidiary of the Company and its accounts will be consolidated with those of the Company.

The principal terms of the Joint Venture Agreement are summarized below:

- Date: 10 November 2019 (after trading hours)
- Parties: (i) Shuanghua Automotive Technology, an indirect wholly-owned subsidiary of the Company; and
- (ii) Taizhou Donglin.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, each of Taizhou Donglin and its respective ultimate beneficial owners is a third party independent of and not connected with the Company and its connected persons.

### Business of the JV Company

The JV Company will be principally engaged in the research, development, manufacturing and sales of automotive air conditioning compressors in the PRC. The JV Company will be located at Huangshan City, Anhui Province, the PRC. Registration of the JV Company in accordance with applicable laws in the PRC shall be completed before 30 November 2019.

### Registered capital and capital contribution of the JV Company

The Parties agreed to establish the JV Company with a registered capital of RMB20 million and Shuanghua Automotive Technology and Taizhou Donglin has agreed to make a capital contribution of RMB10.2 million and RMB9.8 million, respectively. Details of the capital contributions of the Parties are as follows:

Party	Capital contribution	% of equity interest in the JV Company
Shuanghua Automotive Technology	RMB10.2 million in cash	51%
Taizhou Donglin	RMB9.8 million in cash	49%
Total	RMB20 million	100%

The amount of capital contribution by Shuanghua Automotive Technology is arrived at after arm's length negotiations between the Parties with reference to, among others, the projected capital requirement of the JV Company and the percentage of equity interests held by Shuanghua Automotive Technology in the JV Company. The capital contribution by Shuanghua Automotive Technology will be funded by internal resources of the Group.

### **Restriction on equity transfer**

The Parties may transfer any or all of their equity interest in the JV Company among themselves. Without the prior consent of the other party, either party to the Joint Venture Agreement shall not transfer its equity interest in the JV Company to any third party. The non-selling shareholder of the JV Company shall have a pre-emptive right to acquire the equity interest proposed to be transferred.

### **Conditions precedent**

The transaction contemplated under the Joint Venture Agreement is not subject to any condition.

### **Management of the JV Company**

The board of directors of the JV Company shall be comprised of five directors, three of whom will be appointed by Shuanghua Automotive Technology and the remaining two directors will be appointed by Taizhou Donglin. The board of directors of the JV Company shall have (i) one chairman whom shall be nominated by Shuanghua Automotive Technology; and (ii) one vice chairman whom shall be elected by Taizhou Donglin. The general manager and deputy general manager of the JV Company will be appointed by the board of directors. Shuanghua Automotive Technology and Taizhou Donglin shall be entitled to nominate the financial manager and the first general manager of the JV Company, respectively.

## **INFORMATION ABOUT THE GROUP AND THE PARTIES**

### **The Group**

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

### **Shuanghua Automotive Technology**

Shuanghua Automotive Technology is a company established under the law of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. Shuanghua Automotive Technology is principally engaged in the business of research, development, manufacturing and sales of automotive air conditioning parts and automotive safety systems components.

### **Taizhou Donglin**

Taizhou Donglin is a company established under the law of the PRC with limited liability and is principally engaged in the business of research, development, manufacturing and sales of automotive air conditioning compressors.

## **REASONS FOR AND BENEFITS OF THE FORMATION OF THE JV COMPANY**

Automotive air conditioning compressor is a key component of the automotive heating, ventilation and cooling (“HVAC”) system where an automotive air conditioning compressor plays a large part in determining the effectiveness and efficiency of an automotive HVAC system as a whole. Over the years, the Group has endeavored to improve its sales of automotive air conditioning compressors in the domestic market by seeking business cooperation with other enterprises and institutions to expand its sales network.

The Company considers that the establishment of the JV Company would enable the Group to leverage on the customer base of Taizhou Donglin to further expand the Group’s sales network in the domestic market. As an effective carrier to facilitate close cooperation between the Parties, the JV Company will integrate the research, development and technological strengths of the Group and Taizhou Donglin, Taizhou Donglin’s competitive advantage in its quality control, timely delivery and a comprehensive product line of the automotive air conditioning compressors and the Group’s product range in other components of the automotive HVAC system. The JV Company will also make use of Taizhou Donglin’s suppliers network in Zhejiang Province, which would enable the Group to have a wider range of selection of suppliers to diversify risks and enhance its working capital management.

Based on the above, the Directors are of the view that the Joint Venture Agreement is made on normal commercial terms of the Company and the transactions contemplated thereunder are fair and reasonable, and are in the interest of the Company and the Shareholders as a whole.

## **IMPLICATIONS OF THE LISTING RULES**

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the formation of the JV Company exceeds 5% but is less than 25%, the entering into of the Joint Venture Agreement constitutes a discloseable transaction and is subject to the reporting and announcement requirements but exempt from shareholders’ approval requirements under Chapter 14 of the Listing Rules.

## **DEFINITIONS**

Unless the context otherwise requires, the following expressions shall have the meanings below in this announcement:

“Board”	the board of Directors
“Company”	Shuanghua Holdings Limited, an exempted company incorporated in the Cayman Islands and whose shares are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

“Director(s)”	the director(s) of the Company
“Group”	the Company, its subsidiaries and its consolidated affiliated entities from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Joint Venture Agreement”	the joint venture agreement dated 10 November 2019 entered into between Shuanghua Automotive Technology and Taizhou Donglin in relation to the formation of the JV Company
“JV Company”	Huangshan Shuanghua Donglin Compressor Co., Ltd. (黃山雙樺動林壓縮機有限公司), a limited liability company to be established by the Parties pursuant to the Joint Venture Agreement;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Parties”	collectively, Shuanghua Automotive Technology and Taizhou Donglin
“PRC”	the People’s Republic of China, for the purpose of this announcement only, excluding Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of PRC
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s) from time to time
“Shuanghua Automotive Technology”	Shanghai Shuanghua Automotive Technology Development Co., Ltd. (上海雙樺汽車科技發展有限公司), a limited liability company established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company as at the date of this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary/(ies)”	has the meaning ascribed to it under the Listing Rules

“Taizhou Donglin”

Taizhou Donglin Automotive Air Conditioning Compressor Co., Ltd. (台州動林汽車空調壓縮機有限公司), a limited liability company established under the laws of the PRC

“%”

per cent.

On behalf of the Board  
**Shuanghua Holdings Limited**  
**Zheng Ping**  
*Chairman*

Hong Kong, 10 November 2019

*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.*