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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)

THE STOCK EXCHANGE'S NOTICE TO SUSPEND TRADING IN THE COMPANY'S SHARES

This announcement is made by Shuanghua Holdings Limited (雙樺控股有限公司) (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of The Rules Governing the Listing of Securities on Stock Exchange (the “**Listing Rules**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

THE STOCK EXCHANGE'S NOTICE TO SUSPEND TRADING IN THE COMPANY'S SHARES

The Company received a letter (the “**Letter**”) dated 7 February 2020 from the Stock Exchange, which serves a notice that the Stock Exchange considered that the Company has failed to maintain a sufficient level of operations and assets of sufficient value to support its operations under Rule 13.24 of the Listing Rules to warrant the continued listing of the shares (the “**Shares**”) of the Company. The Stock Exchange has therefore decided to suspend trading in the Shares under Rule 6.01(3) of the Listing Rules (the “**Decision**”). In making the Decision, the Stock Exchange has considered, among other things, the following:

1. The Company's scale of operation has substantially diminished to a low level. The Group's revenue has significantly declined since 2014 and has been loss making since 2015. It is because the decline was due to the significant decline in demand from its major customers, being the domestic small to medium-sized original equipment manufacturers (“**OEMs**”). Due to the persistent industry downturn and increasing trend in in-house production of heating, ventilation and air-conditioning products, the Group's OEM customers have stopped or reduced procuring products from the Company or cut the Company's product prices over the years. There was a material drop in the number of customers of the Company. Based on the industry report from the independent industry consultant commissioned by the Company, the Group expected that its principal market (i.e. sales to small to medium-sized OEMs) will continue to shrink. The Stock Exchange is concerned that the Company would not be able to improve the operation and the existing business is no longer viable and sustainable.

2. The Stock Exchange is of the view that the Company's business plans are preliminary and generic and no concrete evidence has been provided to demonstrate that they would be able to substantially improve the scale of operation and support a viable and sustainable business:
 - (i) The Company intends to switch to the two more prospective markets, namely the large-sized OEMs and domestic aftermarket. However, the Company has not provided concrete details how it would be able to expand the relevant customer segments.
 - (ii) The Company's plan of fully relocating to its new Anhui production base will not complete till the end of 2020 and it is not clear on the amount of costs the Company can save and how the relocation can substantially improve the scale of operation.
 - (iii) The Company has recently established a subsidiary with Taizhou Donglin Automotive Air Conditioning Compressor Co., Ltd.* (台州動林汽車空調壓縮機有限公司) but it has no operating history and its substantial projected revenue is not supported by signed contracts or confirmed orders.
 - (iv) The Company's plan to develop two new products is in the initial stage and it did not project to generate any revenue from sales of these two products in the coming two years.
3. The Company's forecasted profits for the two years ending 31 December 2021 would be mainly supported by non-operating rental income, which is subject to future negotiation with potential tenants. Excluding such rental income, the Company is expected to record net losses for the said financial period.

Set out above are the Decision and the reasons considered by the Stock Exchange in making the Decision as stated in the Letter. Pursuant to the Letter, the Company is required to re-comply, amongst other things, with Rule 13.24 of the Listing Rules before the trading of its Shares is allowed to resume. The Exchange may cancel the listing of the Company's Shares if trading in the Shares remained suspended for a continuous period of 18 months pursuant to Rule 6.01A(1) of the Listing Rules.

Under Rules 2B.06(1) and 2B.08(1) of the Listing Rules, the Company has the right to request for the Decision to be reviewed by the Listing Committee (as defined under the Listing Rules) within 7 business days of receipt of the Decision. Therefore, if the Company does not make any review request by 18 February 2020, trading in the Shares will be suspended from 9:00 a.m. on 19 February 2020. Before that, trading in the Shares will continue. The Company is reviewing and considering the Decision internally and with its professional advisers, and would consider whether to lodge a review request for the Decision to be referred to the Listing Committee for review.

The Directors remind the shareholders of the Company (the "**Shareholders**") and potential investors that (i) the Company may or may not proceed with the review by the Listing Committee; and (ii) the outcome of such review is uncertain, if undertaken.

Further announcement(s) will be made by the Company as and when appropriate and in accordance with the requirements of the Listing Rules.

Shareholders who have any queries about the implications of the Decision are advised to obtain appropriate professional advice. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

On behalf of the Board
Shuanghua Holdings Limited
Zheng Ping
Chairman

Hong Kong, 10 February 2020

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.

* *For identification purpose only*