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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 TRANSACTION IN RELATION TO FORMATION OF A JOINT VENTURE COMPANY

FORMATON OF THE JV COMPANY

The Board is pleased to announce that on 6 November 2020, Shanghai Eagle Investment, an indirect wholly-owned subsidiary of the Company, and Shanghai Lidahang entered into the Joint Venture Agreement pursuant to which the Parties have agreed to set up the JV Company with a registered capital of RMB15.0 million and each of Shanghai Eagle Investment and Shanghai Lidahang has agreed to contribute to the registered capital of the JV Company at RMB10.5 million and RMB4.5 million, respectively. Shanghai Eagle Investment and Shanghai Lidahang will own 70% and 30% 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 business of supply chain services in Shanghai, and will be committed to optimizing the food supply services in Shanghai and its surrounding areas by providing customers with more sources of supply, better products and customized services.

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 6 November 2020, Shanghai Eagle Investment, an indirect wholly-owned subsidiary of the Company, and Shanghai Lidahang entered into the Joint Venture Agreement pursuant to which the Parties have agreed to set up the JV Company. 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 business of supply chain services in Shanghai, and will be committed to optimizing the food supply services in Shanghai and its surrounding areas by providing customers with more sources of supply, better products and customized services.

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

- Date: 6 November 2020 (after trading hours)
- Parties: (i) Shanghai Eagle Investment, an indirect wholly-owned subsidiary of the Company; and
- (ii) Shanghai Lidahang.

Business of the JV Company

The business scope of the JV Company includes food business, cargo transportation, supply chain management, warehousing services, property management, information consulting service, etc. in the PRC. The JV Company will be located at China (Shanghai) Pilot Free Trade Zone, Shanghai, the PRC.

Registered capital and capital contribution of the JV Company

The Parties agreed to establish the JV Company with a registered capital of RMB15.0 million and each of Shanghai Eagle Investment and Shanghai Lidahang has agreed to make a capital contribution of RMB10.5 million and RMB4.5 million, respectively, which shall be settled within five years upon the establishment of the JV Company. Details of the capital contributions of the Parties are as follows:

Party	Capital contribution	% of equity interest in the JV Company
Shanghai Eagle Investment	RMB10.5 million in cash	70%
Shanghai Lidahang	RMB4.5 million in cash	30%
Total	<u>RMB15.0 million</u>	<u>100%</u>

The amount of capital contribution by Shanghai Eagle Investment 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 interest held by Shanghai Eagle Investment in the JV Company. The capital contribution by Shanghai Eagle Investment will be funded by internal resources of the Group.

Restriction on equity transfer

The Parties may not transfer any of their respective equity interests in the JV Company within five years from the date of establishment of the JV Company. Upon expiry of such five-year period, without the prior written consent of more than half of the other shareholders of the JV Company, either party to the Joint Venture Agreement shall not transfer its equity interest in the JV Company. The non-selling shareholder of the JV Company shall have a pre-emptive right to acquire the equity interest proposed to be transferred.

Profit sharing

The profit of the JV Company shall be shared in proportion to the actual capital contribution made by Shanghai Eagle Investment and Shanghai Lidahang.

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 (the “**Board of JV Company**”) will comprise three directors, two of whom will be nominated by Shanghai Eagle Investment and the remaining one director will be nominated by Shanghai Lidahang. The chairman and vice chairman of the JV Company shall be elected by the Board of JV Company. Members of the Board of JV Company shall serve a term of three years for each session and may be re-elected thereafter.

There will be no supervisory committee of the JV Company. The JV Company will have one supervisor nominated by Shanghai Eagle Investment, who shall not be a director or senior management of the JV Company.

The JV Company shall have one manager to be elected by the Board of JV Company and one chief financial officer whom shall be nominated by Shanghai Eagle Investment.

INFORMATION ABOUT THE GROUP AND THE PARTIES

The Group

The Group is principally engaged in the business of trading, manufacturing and research and development of automobile parts, mainly the automotive heating, ventilation and air-conditioning components, and the cold storage and cold chain supply business.

Shanghai Eagle Investment

Shanghai Eagle Investment is an investment holding company established under the law of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company.

Shanghai Lidahang

Shanghai Lidahang is a company established under the law of the PRC with limited liability and is principally engaged in catering business management, property management, marketing planning and project investment consulting businesses in Shanghai, the PRC.

As of the date of this announcement, Shanghai Lidahang was owned as to 60%, 25% and 15% by Mr. Jiang Zhengrong (姜峥嵘), Ms. Shu Ting (舒婷) and Ms. Zhu Lijia (朱麗佳), respectively. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, each of Shanghai Lidahang and its ultimate beneficial owners is an Independent Third Party.

REASONS FOR AND BENEFITS OF THE FORMATION OF THE JV COMPANY

As disclosed in the interim report of the Group for the six months ended 30 June 2020, according to the Cold Chain Logistics Committee of the China Federation of Logistics and Purchasing, the demand and sales revenue of cold chain logistics business in China experienced a rapid growth from 2019. However, the current cold chain facilities and logistics systems in supply are unable to meet such market demand. As part of its business strategy, leveraging on its technology and experience in ventilation and cooling system, while promoting the development of its cold storages and cold chain logistics business, the Group plans to cooperate with upstream and downstream enterprises in the supply chain to meet the growing demand for city-wide and inter-city cold chain logistics and warehouse services.

The establishment of the JV Company will enable the Group to leverage on the customer base of supply and marketing system of Shanghai Lidahang and focus on developing and operating the supply chain services business with Shanghai as the center. The JV Company will be committed to optimizing the food supply services in Shanghai and its surrounding areas by providing customers with more sources of supply, better products and customized services, thus expanding the cold storage, cold chain supply and supply chain network of the Company in the Yangtze River Delta Region with Shanghai as the center.

As an effective carrier to facilitate close cooperation between the Parties, the JV Company will integrate the investment, operational strength and technical advantages of cold storage and cold chain supply services of the Group and Shanghai Lidahang's expertise and experience in the catering business management, marketing planning, and supply and marketing system. The establishment of the JV Company will enhance the existing scope of business of the Group and will facilitate expansion of its business into the supply chain services market in Shanghai, and enable the Group to form a more mature business structure by continuously improving its supply and marketing system and other operational functions to achieve win-win cooperation with multi-product and multi-channel, provide services for different supply chains, products and customers, thus create more and higher value for its shareholders.

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
“Independent Third Party”	the independent third party who is, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, independent of and not connected with the Company and the connected person(s) of the Company
“Joint Venture Agreement”	the joint venture agreement dated 6 November 2020 entered into between Shanghai Eagle Investment and Shanghai Lidahang in relation to the formation of the JV Company
“JV Company”	Shanghai Lidahang Supply and Marketing Co., Ltd. (上海利達行供銷有限公司) (tentative company name, subject to the approval of relevant registration authorities), 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, Shanghai Eagle Investment and Shanghai Lidahang
“PRC”	the People’s Republic of China, for the purpose of this announcement only, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of PRC
“Shanghai Eagle Investment”	Shanghai Eagle Investment Limited (上海鷹之星投資有限公司), 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
“Shanghai Lidahang”	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
“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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary/(ies)”	has the meaning ascribed to it under the Listing Rules

On behalf of the Board
Shuanghua Holdings Limited
Zheng Ping
Chairman

Hong Kong, 6 November 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.