SHUANGHUA HOLDINGS LIMITED
雙樺控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1241)

PROFIT WARNING FOR THE YEAR ENDED 31 DECEMBER 2019

This announcement is made by Shanghua 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 board of directors (the "**Directors**") of the Company (the "**Board**") wishes to inform the shareholders (the "**Shareholders**") and the potential investors of the Company that, based on the information currently available to the Company and the preliminary review of the unaudited consolidated management accounts of the Group, it is expected that the Group will record a net loss after tax of approximately RMB31 million to RMB34 million for the year ended 31 December 2019, as compared to the net loss after tax of approximately RMB13 million for the year ended 31 December 2018.

Based on the information currently available to the Company, the Board believes that the expected net loss after tax of the Group for the year ended 31 December 2019 is mainly attributable to the combined effect of the following factors:

(i) in view of the recent downturn in the automotive industry, the slowing economic growth and the Sino-U.S. trade war, the Group took the initiative to actively adjust its order structure and customer composition, by reducing orders/products with low or negative profitability or with customers that had delayed or defaulted in payment to the Group, resulting in a significant decline in the expected revenue of the Group for the year ended 31 December 2019;

(ii) the increase in costs and loss on disposal of idle inventory due to the relocation of the Group's production base from Shanghai to a new factory owned by Anhui Shuanghua Heat Exchange System Co., Ltd. (a 86.49%-owned subsidiary of the Company as at the date of this announcement) located in Anhui Province where the main construction of the new factory has been completed and the production costs would be lower; and

(iii) the impairment provisions for the Group's inventory and trade receivables.

The Group will continue to conduct comprehensive evaluation on the market conditions and be prudent in adjusting the Group's strategies and business plans in a timely manner to manage and optimize its existing business and achieve a sustainable business development.

As at the date of this announcement, the Company is still in the course of preparing the final results of the Group for the year ended 31 December 2019. The information contained in this announcement is only based on the preliminary assessment by the Board with reference to the information currently available and the unaudited consolidated management accounts of the Group, which have not been reviewed or audited by the Company's auditors or reviewed by the audit committee of the Company. The annual results announcement of the Company for the year ended 31 December 2019 is expected to be released on or around 31 March 2020. Shareholders and investors are advised to read the annual results announcement carefully when it is issued.

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, 19 March 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.