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Yi Hua Holdings Limited

益華控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2213)

**CONTINUING CONNECTED TRANSACTIONS
AND
DELAY IN DESPATCH OF CIRCULAR**

SECOND ONE-MONTH YIHUA BUILDING TENANCY AGREEMENT

References are made to the announcements of the Company dated 18 November 2015 and 31 December 2019 respectively, and the circular of the Company dated 14 December 2015 respectively, in relation to, among other things, the 2015 Supplemental Agreement to the Second Tenancy Framework Agreement, the 2020 Yihua Building Tenancy Agreement and the One-Month Yihua Building Tenancy Agreement.

As the term of the tenancy under the 2015 Supplemental Agreement to the Second Tenancy Framework Agreement will be expired on 31 December 2019, the parties thereto entered into the 2020 Yihua Building Tenancy Agreement on 31 December 2019.

As disclosed in the announcement of the Company on 31 December 2019, the commencement of the term of the 2020 Yihua Building Tenancy Agreement is conditional upon the approval by the Independent Shareholders at an EGM which is originally expected to be held in around January 2020. As additional time is required for the Company to finalise certain information in the circular, it is expected that the despatch of the circular will be postponed to a date falling on or before 14 February 2020 and in light of the impending expiration of the One-Month Yihua Building Tenancy Agreement, the parties to the 2020 Yihua Building Tenancy Agreement entered into the Second One-Month Yihua Building Tenancy Agreement on 23 January 2020. Save for the term of the tenancy which shall be the period of one month commencing on 1 February 2020 and that it is not subject to the approval by the Independent Shareholders, all other terms of the Second One-Month Yihua Building Tenancy Agreement are substantially the same as that of the 2020 Yihua Building Tenancy Agreement and the One-Month Yihua Building Tenancy Agreement.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Yihua Investment is owned as to 49.6% by Shunyi Industrial (which is in turn owned as to 90% by Mr. Chen Daren, a non-executive Director and a controlling Shareholder), 28.22% by Mr. Lu (a former Director), 11.09% by Mr. Chen Zhengtao (a former Director), and 11.09% by Mr. Chen Daren. Zhongshan Yongde is owned as to 90% by Yihua Investment and 10% by Shunyi Industrial. As such, each of Yihua Investment and Zhongshan Yongde is a connected person of the Company under the Listing Rules.

As the highest applicable percentage ratio under Chapter 14A of the Listing Rules for the transactions contemplated under the 2020 Yihua Building Tenancy Agreement is, on an annual basis, expected to be more than 5% and the aggregate annual consideration is more than HK\$10,000,000, the transactions contemplated under the 2020 Yihua Building Tenancy Agreement are subject to the reporting, announcement and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio under Chapter 14A of the Listing Rules for the aggregate amount of the transactions contemplated under the One-Month Yihua Building Tenancy Agreement is more than 0.1% but less than 5%, the transactions contemplated under the One-Month Yihua Building Tenancy Agreement are subject to the announcement requirement but exempt from the circular and shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio under Chapter 14A of the Listing Rules for the aggregate amount of the transactions contemplated under the Second One-Month Yihua Building Tenancy Agreement is more than 0.1% but less than 5%, the transactions contemplated under the Second One-Month Yihua Building Tenancy Agreement are subject to the announcement requirement but exempt from the circular and shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 of the Listing Rules, the transaction contemplated under the Second One-Month Yihua Building Tenancy Agreement is required to be aggregated with the transactions under the One-Month Yihua Building Tenancy Agreement. As the highest applicable percentage ratio in respect of the transactions contemplated under the Second One-Month Yihua Building Tenancy Agreement and the One-Month Yihua Building Tenancy Agreement (after aggregation) is more than 0.1% but less than 5%, the transactions contemplated under the Second One-Month Yihua Building Tenancy Agreement and the One-Month Yihua Building Tenancy Agreement are subject to the announcement requirement but exempt from the circular and shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

GENERAL

The Independent Board Committee (which consists all the independent non-executive Directors) has been established to consider the terms of the 2020 Yihua Building Tenancy Agreement and to advise the Independent Shareholders as to whether the terms of the 2020 Yihua Building Tenancy Agreement, including its annual caps, and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendations on the same to be given by the independent financial adviser. The Company will appoint an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the 2020 Yihua Building Tenancy Agreement, including its annual caps and the transactions contemplated thereunder.

An EGM will be convened and held at which the Independent Shareholders will consider, and, if thought fit, approve the 2020 Yihua Building Tenancy Agreement (including but not limited to its annual caps) and the transactions contemplated thereunder.

A circular containing, among other things, further details of the 2020 Yihua Building Tenancy Agreement and the transactions contemplated thereunder, a letter of recommendation from the Independent Board Committee, a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders on the 2020 Yihua Building Tenancy Agreement and a notice convening the EGM will be despatched to the Shareholders in compliance with the Listing Rules. It is expected that the despatch of the circular will be postponed to a date falling on or before 14 February 2020.

INTRODUCTION

References are made to the announcements of the Company dated 18 November 2015 and 31 December 2019 respectively, and the circular of the Company dated 14 December 2015 respectively, in relation to, among other things, the 2015 Supplemental Agreement to the Second Tenancy Framework Agreement, the 2020 Yihua Building Tenancy Agreement and the One-Month Yihua Building Tenancy Agreement.

As the term of the tenancy under the 2015 Supplemental Agreement to the Second Tenancy Framework Agreement will be expired on 31 December 2019, the parties thereto entered into the 2020 Yihua Building Tenancy Agreement on 31 December 2019. The areas to be rented under the 2020 Yihua Building Tenancy Agreement include the Levels 1 to 3 East Wing Area under the 2015 Supplemental Agreement to the Second Tenancy Framework Agreement as well as other areas in the Yihua Building.

Details of the 2020 Yihua Building Tenancy Agreement are set out below:

2020 YIHUA BUILDING TENANCY AGREEMENT

Date: 31 December 2019

Parties: (1) Yihua Investment as authorised agent for and on behalf of Zhongshan Yongde as the lessor; and
(2) Guangdong Yihua Department Store as the lessee

Guangdong Yihua Department Store is a wholly-owned subsidiary of the Company.

Each of Yihua Investment and Zhongshan Yongde is a connected person of the Company under the Listing Rules. For details, please refer to the section headed “Listing Rules Implications” in this announcement below.

Premises: The following areas in the Yihua Building:-

- (i) Levels 1 to 3 of East Wing# (東座1-3層), with a gross floor area of approximately 4,444 sq.m. (i.e. Levels 1 to 3 East Wing Area);
- (ii) Levels 4 to 10 of East Wing# (東座4-10樓), with a gross floor area of approximately 14,920 sq.m.;
- (iii) Levels 1 to 10, Central Block of East Wing# (東座中庭1-10樓), with a gross floor area of approximately 3,078 sq.m.;
- (iv) Levels 6 to 8 of West Wing# (西座6-8樓), with a gross floor area of approximately 7,585 sq.m.; and
- (v) Levels 1 to 9, Central Block of West Wing# (西座中庭1-9樓), with a gross floor area of approximately 3,078 sq.m..

Term: Subject to approval by the Independent Shareholders (if necessary), the term shall be the period commencing on 1 January 2020 and ending on 31 December 2022. Upon expiry, Guangdong Yihua Department Store shall have the priority to renew the agreement.

Permitted use: General commercial use.

Monthly rent:

The monthly rent (inclusive of management fee) payable shall be as follows:

- (i) for the year ending 31 December 2020: approximately RMB1.89 million (equivalent to approximately HK\$2.10 million) (calculated based on the rent of RMB34.0 per sq.m. and the management fee of RMB23.0 per sq.m.);
- (ii) for the year ending 31 December 2021: approximately RMB1.91 million (equivalent to approximately HK\$2.12 million) (calculated based on the rent of RMB34.4 per sq.m. and the management fee of RMB23.2 per sq.m.); and
- (iii) for the year ending 31 December 2022: approximately RMB2.02 million (equivalent to approximately HK\$2.24 million) (calculated based on the rent of RMB36.6 per sq.m. and the management fee of RMB24.4 per sq.m.).

The monthly rent shall be payable on or before the 20th day of the current month.

Termination:

The 2020 Yihua Building Tenancy Agreement shall terminate upon its expiry, by mutual consent, in case of defaults by a party, or the existence of force majeure circumstances.

Without prejudice to the right of any party to terminate the 2020 Yihua Building Tenancy Agreement pursuant to the terms thereof, the 2020 Yihua Building Tenancy Agreement shall be automatically terminated if:

- (a) Guangdong Yihua Department Store considers that the performance of its obligations under the 2020 Yihua Building Tenancy Agreement would result in a failure to comply with the requirements of the Listing Rules at the relevant time; or
- (b) compliance with the Listing Rules would require change(s) to the 2020 Yihua Building Tenancy Agreement which is/are not acceptable to any of the parties.

Pricing basis:

The monthly rent (inclusive of management fee) for the year ending 31 December 2020 was determined on an arm's length basis with reference to the market rent of comparable properties in Zhongshan City, Guangdong Province, the PRC, according to an opinion letter issued by an independent valuer, LCH (Asia-Pacific) Surveyors Limited.

The monthly rent (inclusive of management fee) for the year ending 31 December 2021 was calculated on the basis of a growth rate of approximately 1% for the monthly rent and approximately 0.9% for the management fee. The monthly rent (inclusive of management fee) for the year ending 31 December 2022 was calculated on the basis of a growth rate of approximately 6% for the monthly rent and approximately 5% for the management fee.

In setting the increment percentage of the monthly rent and management fee in years 2021 and 2022, the Board considered that the increases are in the trend of the property leasing market in the vicinity by reference to rents payable by the Group to Independent Third Parties and the general trend in the business of department stores.

Actual transaction amount and historical annual caps*Actual transaction amount*

The actual transaction amount (in respect of the lease of Levels 1 to 3 East Wing Area only) under the 2015 Supplemental Agreement to the Second Tenancy Framework Agreement for the three years ended 31 December 2018 and for the ten months ended 31 October 2019 are set out below:

	For the year ended 31 December 2016 (RMB'000) (approx.)	For the year ended 31 December 2017 (RMB'000) (approx.)	For the year ended 31 December 2018 (RMB'000) (approx.)	For the ten months ended 31 October 2019 (RMB'000) (approx.)
Rental fees	4,032	4,080	4,202	3,502

Historical annual caps

The historical annual caps for the transactions (in respect of the lease of Levels 1 to 3 East Wing Area only) under the 2015 Supplemental Agreement to the Second Tenancy Framework Agreement for the three years ended 31 December 2018 are set out below:

	For the year ended 31 December 2016 (RMB'000)	For the year ended 31 December 2017 (RMB'000)	For the year ending 31 December 2018 (RMB'000)
Rental fees	4,175	4,300	4,429

The Directors have been monitoring the transaction amount in respect of the transactions under the 2015 Supplemental Agreement to the Second Tenancy Framework Agreement, and the annual cap for each of the three years ended 31 December 2018 has not been exceeded.

The Company did not obtain an annual cap in respect of the lease of Levels 1 to 3 East Wing Area under the 2015 Supplemental Agreement to the Second Tenancy Framework Agreement for the year ending 31 December 2019. For details, please refer to the section headed "Listing Rules Implications" in this announcement.

Proposed annual caps

The proposed annual caps for the transactions contemplated under the 2020 Yihua Building Tenancy Agreement for the three years ending 31 December 2022 are set out below:

	For the year ending 31 December 2020 (RMB'000)	For the year ending 31 December 2021 (RMB'000)	For the year ending 31 December 2022 (RMB'000)
Rental fees	22,644	22,882	24,233

The annual cap for each of the years ending 31 December 2020, 2021 and 2022 was calculated by multiplying the agreed monthly rent (inclusive of management fee) by 12 months.

In arriving at the monthly rent and the annual caps under the 2020 Yihua Building Tenancy Agreement, the Directors have taken into account the following factors:

- (a) the rent for similar properties in the vicinity offered by Independent Third Parties obtained through the Company's enquiries with estate agents, with reference to two samples obtained in November 2019;

- (b) the rent for similar properties in the vicinity offered by Zhongshan Yongde to other third parties, with reference to two samples obtained in November 2019; and
- (c) the view of LCH (Asia-Pacific) Surveyors Limited, an independent property valuer, that the rent (inclusive of management fee) under the 2020 Yihua Building Tenancy Agreement is comparative to market level of similar properties in the locality and are fair and reasonable.

LCH (Asia-Pacific) Surveyors Limited, the independent valuer, is of the view that the rent under the 2020 Yihua Building Tenancy Agreement represents the prevailing market rent as at 17 December 2019.

The Directors (excluding the independent non-executive Directors who will form their views after considering the recommendation from the independent financial adviser of the Company) consider that the 2020 Yihua Building Tenancy Agreement was entered into in the ordinary and usual course of business of the Group and is on normal commercial terms, and the terms of the 2020 Yihua Building Tenancy Agreement and its annual caps are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

One-Month Yihua Building Tenancy Agreement

As the commencement of the term of the 2020 Yihua Building Tenancy Agreement is conditional upon the approval by the Independent Shareholders at an EGM which is originally expected to be held in around January 2020, the parties to the 2020 Yihua Building Tenancy Agreement entered into the One-Month Yihua Building Tenancy Agreement on 31 December 2019. Save for the term of the tenancy which shall be the period of one month commencing on 1 January 2020 and that it is not subject to the approval by the Independent Shareholders, all other terms of the One-Month Yihua Building Tenancy Agreement are substantially the same as that of the 2020 Yihua Building Tenancy Agreement.

The Directors (including the independent non-executive Directors) consider that the One-Month Yihua Building Tenancy Agreement was entered into in the ordinary and usual course of business of the Group and is on normal commercial terms, and the terms of the One-Month Yihua Building Tenancy Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Second One-Month Yihua Building Tenancy Agreement

As additional time is required for the Company to finalise certain information in the circular, it is expected that the despatch of the circular will be postponed to a date falling on or before 14 February 2020 and in light of the impending expiration of the One-Month Yihua Building Tenancy Agreement, the parties to the 2020 Yihua Building Tenancy Agreement entered into the Second One-Month Yihua Building Tenancy Agreement on 23 January 2020. Save for the term of the tenancy which shall be the period of one month commencing on 1 February 2020 and that it is not subject to the approval by the Independent Shareholders, all other terms of the Second One-Month Yihua Building Tenancy Agreement are substantially the same as that of the 2020 Yihua Building Tenancy Agreement and the One-Month Yihua Building Tenancy Agreement.

The Second One-Month Yihua Building Tenancy Agreement shall be terminated and be replaced by the 2020 Yihua Building Tenancy Agreement immediately after the approval by the Independent Shareholders on the terms of the 2020 Yihua Building Tenancy Agreement having been obtained and the 2020 Yihua Building Tenancy Agreement having become effective.

The Directors (including the independent non-executive Directors) consider that the Second One-Month Yihua Building Tenancy Agreement was entered into in the ordinary and usual course of business of the Group and is on normal commercial terms, and the terms of the Second One-Month Yihua Building Tenancy Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE 2020 YIHUA BUILDING TENANCY AGREEMENT

The Group is principally engaged in the operation of department stores (which also includes operation of supermarkets, and electrical appliances stores), as well as property investment and property development, in the PRC.

Yihua Investment is principally engaged in investment in corporations (including catering, entertainment, service, processing and manufacturing, hotel and commercial), interior decoration and design, real estate investment consultancy, real estate investment management, and intellectual property service.

Zhongshan Yongde is principally engaged in real estate development and leasing of owned properties.

The 2020 Yihua Building Tenancy Agreement was entered into by the Group for the purposes of carrying out its ordinary and usual course of business. The Group has been renting Levels 1 to 3 East Wing Area at Yihua Building for its department store business purposes.

In addition to Levels 1 to 3 East Wing Area at Yihua Building, under the 2020 Yihua Building Tenancy Agreement, additional areas are proposed to be rented by the Group with a view to facilitate smooth operation and for better logistic arrangement within the same buildings.

The Group would perform due diligence on properties prior to leasing them so as to ensure that the landlord is the real owner and has the right to lease the property in accordance with the PRC laws, rules and regulations. Before entering into future leases where the owner has not provided the building ownership certificates, the Group would seek approval from all the independent non-executive Directors, who would have access to the PRC legal counsel (and where deemed appropriate by them, other professional advisers and experts) to address their queries and such PRC legal counsel will be engaged to issue a report on the reason for the title defect, verification that the purported landlords are the legal owners of the property and investigate the expected timetable for rectification in the title defect.

The Company had previously conducted due diligence on the relevant premises before entering into the 2015 Supplemental Agreement to the Second Tenancy Framework Agreement. The Directors (including the independent non-executive Directors) were satisfied that the relevant parties have the authority to enter into the 2020 Yihua Building Tenancy Agreement and have the right to lease such premises in accordance with the PRC laws, rules and regulations.

The terms of the 2020 Yihua Building Tenancy Agreement (including the monthly rent and the management fees) were determined after arm's length negotiations between the Group and the lessor with reference to the prevailing market rent and management fee of similar properties in the vicinity. LCH (Asia-Pacific) Surveyors Limited, an independent property valuer, is of the view that the rent and management fees under the 2020 Yihua Building Tenancy Agreement are comparative to market level of similar properties in the locality and are fair and reasonable. In determining whether the rent and management fees under the 2020 Yihua Building Tenancy Agreement were comparative to market level of similar properties in the locality, the valuer has conducted relevant market research including verbal enquiries/study with local agent and/or leasing team of comparable developments on the prevailing rent level and management fee of similar properties in the vicinity and city. In the PRC, rental and management fee are usually separately charged/quoted to tenant and the valuer has gathered separate information for rental and management fees of comparable properties. The valuer was also given to understand that market participants/tenants usually consider the sum of rental and the management fee as a whole instead of simply looking at a single element.

The Directors (excluding the independent non-executive Directors who will form their views after considering the recommendation from the independent financial adviser of the Company) consider that (i) the 2020 Yihua Building Tenancy Agreement was entered into in the ordinary and usual course of business of the Group and is on normal commercial terms; and (ii) the terms of 2020 Yihua Building Tenancy Agreement and its annual caps are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Mr. Chen Jianren, Mr. Fan and Mr. Chen Daren, who have a material interest in the 2020 Yihua Building Tenancy Agreement, the One-Month Yihua Building Tenancy Agreement and the Second One-Month Tenancy Agreement and the transactions contemplated thereunder, had abstained from voting on the resolutions of the Board approving the 2020 Yihua Building Tenancy Agreement, the One-Month Yihua Building Tenancy Agreement and the Second One-Month Tenancy Agreement and the transactions contemplated thereunder.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Yihua Investment is owned as to 49.6% by Shunyi Industrial (which is in turn owned as to 90% by Mr. Chen Daren, a non-executive Director and a controlling Shareholder), 28.22% by Mr. Lu (a former Director), 11.09% by Mr. Chen Zhengtao (a former Director), and 11.09% by Mr. Chen Daren. Zhongshan Yongde is owned as to 90% by Yihua Investment and 10% by Shunyi Industrial. As such, each of Yihua Investment and Zhongshan Yongde is a connected person of the Company under the Listing Rules.

As the highest applicable percentage ratio under Chapter 14A of the Listing Rules for the transactions contemplated under the 2020 Yihua Building Tenancy Agreement is, on an annual basis, expected to be more than 5% and the aggregate annual consideration is more than HK\$10,000,000, the transactions contemplated under the 2020 Yihua Building Tenancy Agreement are subject to the reporting, announcement and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio under Chapter 14A of the Listing Rules for the aggregate amount of the transactions contemplated under the One-Month Yihua Building Tenancy Agreement is more than 0.1% but less than 5%, the transactions contemplated under the One-Month Yihua Building Tenancy Agreement are subject to the announcement requirement but exempt from the circular and shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio under Chapter 14A of the Listing Rules for the aggregate amount of the transactions contemplated under the Second One-Month Yihua Building Tenancy Agreement is more than 0.1% but less than 5%, the transactions contemplated under the Second One-Month Yihua Building Tenancy Agreement are subject to the announcement requirement but exempt from the circular and shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 of the Listing Rules, the transaction contemplated under the Second One-Month Yihua Building Tenancy Agreement is required to be aggregated with the transactions under the One-Month Yihua Building Tenancy Agreement. As the highest applicable percentage ratio in respect of the transactions contemplated under the Second One-Month Yihua Building Tenancy Agreement and the One-Month Yihua Building Tenancy Agreement (after aggregation) is more than 0.1% but less than 5%, the transactions contemplated under the Second One-Month Yihua Building Tenancy Agreement and the One-Month Yihua Building Tenancy Agreement are subject to the announcement requirement but exempt from the circular and shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

References are made to the announcement and circular of the Company dated 18 November 2015 and 14 December 2015 respectively in relation to, among other things, the 2015 Supplemental Agreement to the GH Tenancy Framework Agreement and the 2015 Supplemental Agreement to the Second Tenancy Framework Agreement.

Due to unintentional and inadvertent oversights, the Board only realised that no annual caps were obtained for the transactions under the 2015 Supplemental Agreement to the GH Tenancy Framework Agreement and the 2015 Supplemental Agreement to the Second Tenancy Framework Agreement for the year ending 31 December 2019 during the course of negotiation for the entering into of the 2020 Yihua Building Tenancy Agreement. The terms of the 2015 Supplemental Agreement to the GH Tenancy Framework Agreement and the 2015 Supplemental Agreement to the Second Tenancy Framework Agreement will both expire on 31 December 2019, however, the annual caps for the transactions thereunder were approved by the Independent Shareholders for the three years ended 31 December 2018 only.

The Company should have set an annual cap for the transactions during the year ending 31 December 2019 under the 2015 Supplemental Agreement to the GH Tenancy Framework Agreement and the 2015 Supplemental Agreement to the Second Tenancy Framework Agreement respectively, which should have been approved by the Independent Shareholders. The Company has not timely complied with Rule 14A.53 of the Listing Rules in relation to setting of the annual caps and the approval by the Independent Shareholders.

In order to prevent similar incidents from occurring again, after seeking professional advices, the Company has taken steps to strengthen its compliance procedures including (i) to ensure the close monitoring, collecting and evaluating the specific information in relation to the continuing connected transactions; (ii) to ensure the term of the existing tenancy agreements, including the annual caps obtained, shall be checked regularly to avoid non-compliance.

GENERAL

The Independent Board Committee (which consists all the independent non-executive Directors) has been established to consider the terms of the 2020 Yihua Building Tenancy Agreement and to advise the Independent Shareholders as to whether the terms of the 2020 Yihua Building Tenancy Agreement, including its annual caps, and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendations on the same to be given by the independent financial adviser. The Company will appoint an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the 2020 Yihua Building Tenancy Agreement, including its annual caps and the transactions contemplated thereunder.

An EGM will be convened and held at which the Independent Shareholders will consider, and, if thought fit, approve the 2020 Yihua Building Tenancy Agreement (including but not limited to its annual caps) and the transactions contemplated thereunder.

A circular containing, among other things, further details of the 2020 Yihua Building Tenancy Agreement and the transactions contemplated thereunder, a letter of recommendation from the Independent Board Committee, a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders on the 2020 Yihua Building Tenancy Agreement and a notice convening the EGM will be despatched to the Shareholders in compliance with the Listing Rules. As additional time is required for the Company to finalise certain information in the circular, it is expected that the despatch of the circular will be postponed to a date falling on or before 14 February 2020.

DEFINITIONS

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

“2015 Supplemental Agreement to the GH Tenancy Framework Agreement”	the supplemental agreement entered into between Guzhen Yihua Department Store and Guomao Hotel on 18 November 2015 in relation to the lease of the properties located at portion of Level 3, Zone B of Guomao Plaza by Guomao Hotel to Guzhen Yihua Department Store, which was supplemental to the long term framework tenancy agreement entered into between Guzhen Yihua Department Store and Guomao Hotel dated 1 January 2010
“2015 Supplemental Agreement to the Second Tenancy Framework Agreement”	the supplemental agreement entered into between Guangdong Yihua Department Store and Guangdong Yihua Management on 18 November 2015 in relation to the lease of the property located at Levels 1 to 3 East Wing Area from Guangdong Yihua Management to Guangdong Yihua Department Store, which was supplemental to the long term framework tenancy agreement entered into between Guangdong Yihua Department Store and Guangdong Yihua Management dated 1 September 2012
“2020 Yihua Building Tenancy Agreement”	the tenancy agreement dated 31 December 2019 and entered into between Yihua Investment as authorised agent for and on behalf of Zhongshan Yongde and Guangdong Yihua Department Store in relation to the lease of the properties located at Levels 1 to 3 of East Wing# (東座1-3層), Levels 4 to 10 of East Wing# (東座4-10樓), Levels 1 to 10, Central Block of East Wing# (東座中庭1-10樓), Levels 6 to 8 of West Wing# (西座6-8樓) and Levels 1 to 9, Central Block of West Wing# (西座中庭1-9樓), in the Yihua Building
“associate(s)”	has the meaning ascribed to it under the Listing Rules

“Board”	the board of Directors
“Company”	Yi Hua Holdings Limited (益華控股有限公司), a company incorporated in the Cayman Islands with limited liability whose issued Shares are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, approve the 2020 Yihua Building Tenancy Agreement, including its annual caps and the transactions contemplated thereunder
“Guangdong Yihua Department Store”	Guangdong Yihua Department Store Limited# (廣東益華百貨有限公司), a company established in the PRC with limited liability, which is a wholly-owned subsidiary of the Company
“Guangdong Yihua Management”	Guangdong Yihua Plaza Management Limited# (廣東益華廣場管理有限公司), a company established in the PRC with limited liability which is owned as to 60% by Yihua Investment, 10% by Mr. Xu Chenghai (徐成海), 10% by Mr. Fan, 10% by Mr. Lu and 10% by Mr. Chen Zhengtao
“Guomao Hotel”	Zhongshan Guzhen Guomao Hotel Company Limited# (中山市古鎮國貿大酒店有限公司), a company established in the PRC with limited liability, which is owned as to 64% by Yihua Investment
“Guomao Plaza”	Guomao Plaza, Zhongxing Avenue, Guzhen Town, Zhongshan City, Guangdong Province, the PRC# (中國廣東省中山市古鎮中興大道國貿廣場)
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Board Committee”	an independent committee of the Board consisting of all independent non-executive Directors, namely Mr. Mao Dan, Mr. Wong Kwok Wai, Albert, Dr. Lieu Geoffrey Sek Yiu, Mr. Zeng Zhiyi and Mr. Tong I Tony, established for the purpose of advising the Independent Shareholders as to the fairness and reasonableness of the 2020 Yihua Building Tenancy Agreement (including its annual caps) and the transactions contemplated thereunder
“Independent Shareholder(s)”	Shareholder(s) other than Mr. Chen Daren, Mr. Chen Jianren, Mr. Chen Zhengtao, Mr. Fan and Mr. Lu and their respective associates and all other Shareholders who are interested in the 2020 Yihua Building Tenancy Agreement and the transactions contemplated thereunder
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons
“Jinghua Century Hotel”	Zhongshan Jinghua Century Hotel Company Limited# (中山市京華世紀酒店有限公司), a company established in the PRC with limited liability, which is owned as to 80% by Yihua Investment
“Levels 1 to 3 East Wing Area”	Levels 1 to 3 of East Wing# (東座1-3層), the Yihua Building, with a gross floor area of approximately 4,444 sq.m
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Chen Daren”	Mr. Chen Daren (陳達仁), a non-executive Director, a controlling Shareholder, and brother of Mr. Chen Jianren and uncle of Mr. Chen Zhengtao
“Mr. Chen Jianren”	Mr. Chen Jianren (陳健仁), an executive Director and chairman of the Company, and brother of Mr. Chen Daren and father of Mr. Chen Zhengtao
“Mr. Chen Zhengtao”	Mr. Chen Zhengtao (陳正陶), a former executive Director who ceased to be a Director with effect from 17 April 2019, son of Mr. Chen Jianren and nephew of Mr. Chen Daren
“Mr. Fan”	Mr. Fan Xinpei (范新培), an executive Director and the chief executive officer of the Company

“Mr. Lu”	Mr. Lu Hanxing (陸漢興), a former non-executive Director who ceased to be a Director with effect from 4 May 2015
“One-Month Yihua Building Tenancy Agreement”	the tenancy agreement dated 31 December 2019 and entered into between Yihua Investment as authorised agent for and on behalf of Zhongshan Yongde and Guangdong Yihua Department Store for a period of one month commencing on 1 January 2020 in relation to the lease of the properties located at Levels 1 to 3 of East Wing# (東座1-3層), Levels 4 to 10 of East Wing# (東座4-10樓), Levels 1 to 10, Central Block of East Wing# (東座中庭1-10樓), Levels 6 to 8 of West Wing# (西座6-8樓) and Levels 1 to 9, Central Block of West Wing# (西座中庭1-9樓), in the Yihua Building
“PRC”	the People’s Republic of China, which for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Second One-Month Yihua Building Tenancy Agreement”	the tenancy agreement dated 23 January 2020 and entered into between Yihua Investment as authorised agent for and on behalf of Zhongshan Yongde and Guangdong Yihua Department Store for a period of one month commencing on 1 February 2020 in relation to the lease of the properties located at Levels 1 to 3 of East Wing#(東座1-3層), Levels 4 to 10 of East Wing#(東座4-10樓), Levels 1 to 10, Central Block of East Wing#(東座中庭1-10樓), Levels 6 to 8 of West Wing#(西座6-8樓) and Levels 1 to 9, Central Block of West Wing#(西座中庭1-9樓), in the Yihua Building
“Share(s)”	ordinary share(s) of HK\$0.005 each in the share capital of the Company
“Shareholder(s)”	holder(s) of issued Share(s)
“Shunyi Industrial”	Zhongshan Shunyi Industrial Development Company Limited# (中山市順益實業發展有限公司), a company established in the PRC with limited liability, which is owned as to 90% by Mr. Chen Daren and 10% by Mr. Chen Zhengtao
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Yihua Building”	Yihua Building, Zhongshan Third Road, East District, Zhongshan City, Guangdong Province, the PRC# (中國廣東省中山市東區中山三路怡華大廈)

“Yihua Investment”	Guangdong Yihua Group Investment Company Limited [#] (廣東益華集團投資有限公司), a company established in the PRC with limited liability, which is owned as to 49.60% by Shunyi Industrial, approximately 28.22% by Mr. Lu, approximately 11.09% by Mr. Chen Daren and approximately 11.09% by Mr. Chen Zhengtao
“Zhongshan Yongde”	Zhongshan Yongde Real Estate Development Co., Ltd. [#] (中山市永德房地產開發有限公司), a company established in the PRC with limited liability, which is owned as to 90% by Yihua Investment and 10% by Shunyi Industrial
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“sq.m.”	square metre

[#] *The English translation of the Chinese names in this announcement, where indicated, are included for information purpose only, and should not be regarded as the official English names of such Chinese names.*

For the purpose of this announcement, unless otherwise indicated, conversion of RMB into HK\$ is calculated at the approximate exchange rate of RMB1.00 to HK\$1.11. This exchange rate is adopted for illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be, exchanged at this rate or any other rate at all.

By Order of the Board
Yi Hua Holdings Limited
Fan Xinpei
Chief Executive Officer and Executive Director

Hong Kong, 23 January 2020

As at the date of this announcement, the executive Directors are Mr. Chen Jianren, Mr. Fan Xinpei, Mr. Leung Wai Kwan, Mr. Wei Chaoling, Mr. Tse Wing York and Mr. Deng Zhipeng; the non-executive Director is Mr. Chen Daren; and the independent non-executive Directors are Mr. Wong Kwok Wai, Albert, Mr. Zeng Zhiyi, Mr. Tong I Tony, Mr. Chong Ning and Mr. Huang Jianhong.