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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)

VOLUNTARY ANNOUNCEMENT

This announcement is made by Yi Hua Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) on a voluntary basis. The purpose of this announcement is to keep the shareholders (the “**Shareholders**”) of the Company and potential investors informed of the latest development of the Group..

BUSINESS UPDATE IN RELATION TO SUBOR CULTURAL DEVELOPMENT COMPANY LIMITED

Reference is made to the announcements of the Company dated 14 June 2016, 5 September 2016 and 20 October 2017, respectively, in relation to, inter alia, the cooperation (the “**Cooperation**”) between the Group’s 49% held associate, Subor Cultural Development Company Limited (the “**JV Company**”) and Advanced Micro Devices, Inc. (“**AMD**”) to develop a semi-custom system-on-chip solely for the use of the JV Company for game console products. During the normal course of business of the JV Company, the JV Company entered into the semi-custom development agreement (the “**Development Agreement**”) with AMD pursuant to which the JV Company shall make certain monetary contribution for the research and development of the semi-custom system-on-chip; and Subor Cultural Technology (HK) Limited (“**Subor HK**”), an indirect wholly-owned subsidiary of the Company, entered into the product purchase agreement (the “**Purchase Agreement**”) with AMD on 14 March 2016 and 19 June 2018, respectively, in respect of the Cooperation. The JV Company was unable to make certain payments under the Development Agreement and Subor HK was unable to take delivery of and pay for certain products under the Purchase Agreement. On 24 July 2019, AMD, the JV Company and Subor HK entered into a tri-partite agreement setting out, among others, the repayment plan in stages from July 2019 until June 2020. The Company also understands that the JV Company and Subor HK have been negotiating with AMD to formulate a revised repayment plan.

The JV Company and Subor HK made part repayment in the sum of USD0.4 million on 25 December 2019 for fees under the Development Agreement. On 25 December 2019, the Guangdong Yi Hua Group Investment Co., Ltd., a company controlled by the controlling shareholder of the Company and being the owner of the relevant trademark in the products, authorized AMD to use trademarks for the products which Subor HK was unable to take delivery and pay for pursuant to orders under the Purchase Agreement for the purpose of marketing, resell and development by AMD. The JV Company, Subor HK and AMD agreed that AMD will resell to third parties such products and the proceeds from which will be taken by AMD in lieu of the outstanding payment obligation of Subor HK which amounted to USD4 million (the “**Product Payment Obligation**”).

As at the date of this announcement, an aggregated sum of USD10.07 million due by the JV Company and Subor HK to AMD remains outstanding (the “**Outstanding AMD Debt**”) (equivalent to HK\$78.2 million), including the Product Payment Obligation, and the repayment plan for the remaining USD6.07 million of which the Company understands that JV Company and Subor HK have been negotiating with AMD to formulate a repayment plan.

As at the date of this announcement, AMD has not commenced any legal action against any of the JV Company or Subor HK.

UPDATE IN RELATION TO CERTAIN OUTSTANDING LIABILITIES OF THE COMPANY

Outstanding Loan 1 Liability

On 23 January 2019, the Company, as borrower, entered into a loan agreement (the “**Loan Agreement**”) with a lender (the “**Lender**”), and Mr. Chen Jianren, Mr. Fan Xinpei, Mr. Leung Wai Kwan, Mr. Wei Chaoling, being executive Directors (the “**Director(s)**”) of the Company, and Mr. Su Weibing and Mr. Lin Guangzheng, being former executive Directors, collectively as the guarantors. Under the terms and conditions of the Loan Agreement, payment of the principal amount of HK\$20 million and interests in the amount of HK\$2,067,558 has fallen due and was payable on 25 July 2019. As at the date of this announcement, the Company has not yet repaid the above outstanding amount, together with the default interests and other charges, in the aggregate amount of approximately HK\$22,068,000 (the “**Outstanding Loan 1 Liability**”).

The Company is currently in active negotiation with the Lender with a view to reach a settlement agreement as soon as possible. As at the date of this announcement, no legal action has been commenced by the Lender against the Company in relation to the Outstanding Loan 1 Liability.

Outstanding Loan 2 Liability

On 30 May 2019, Billion Profit Trading Limited (“**Billion Profit**”), a direct wholly-owned subsidiary of the Company and Intelligence Link Limited (“**Intelligence Link**”), a wholly-owned subsidiary of Billion Profit, entered into a facility letter (“**Facility Letter**”) with a bank (the “**Bank**”), pursuant to which the Bank provided various commercial banking facilities in the amount of HK\$5.5 million (“**Bank Loan 1**”) to Intelligence Link and in the amounts of HK\$8.5 million (“**Bank Loan 2**”) and HK\$0.5 million (“**Bank Loan 3**”, together with Bank Loan 1 and Bank Loan 2, “**Loan Facilities**”), respectively, to Billion Profit. Bank Loan 1, Bank Loan 2 and Bank Loan 3 were repayable on 31 July 2019, 29 June 2019 and 31 July 2019, respectively. As at the date of this announcement, Intelligence Link and Billion Profit have not yet repaid the respective outstanding amount of principals and accrued interests to the Bank.

On 12 June 2015, the Company entered into a guarantee (the “**Guarantee 1**”) under which the Company guaranteed to pay to the Bank up to the amount of HK\$43 million for all monies and liabilities (including interest on such monies and expenses and fees incurred by the Bank in enforcing the Guarantee 1) incurred by Intelligence Link to the Bank. On 15 April 2016, the Company entered into a guarantee (the “**Guarantee 2**”, together with Guarantee 1, “**Guarantees**”) under which the Company guaranteed jointly and severally with Guangdong Yihua Department Store Limited, an indirect wholly-owned subsidiary of the Company, to pay to the Bank up to the amount of HK\$100 million for all monies and liabilities (including interest on such monies and expenses and fees incurred by the Bank in enforcing the Guarantee 2) incurred by Billion Profit to the Bank. As at the date of this announcement, HK\$13,405,608.25 has been drawn from the Loan Facilities which has not been repaid by the Company. The Company has received a writ of summons (“**Writ**”) issued by the Bank against Intelligence Link, Billion Profit and the Company in the Court of First Instance in the High Court of the Hong Kong Administrative Region (the “**High Court**”) dated 26 November 2019. As mentioned in the Writ, the outstanding liability (the “**Outstanding Loan 2 Liability**”) due by the Company to the Bank, includes the outstanding principal amount of HK\$13,405,608.25 of the Loan Facilities, outstanding interest in the amount of HK\$62,658.38 and further interest on the principal outstanding amount of approximately HK\$12,965,075.72 for the Loan Facilities and approximately HK\$440,532.53 for overdrafts.

The Company and Intelligence Link applied to the Court for extension of time to file and serve the defence, and the Court granted an extension to 17 February 2020. The Company, Intelligence Link and Billion Profit have served the aforesaid defence to the Bank but have yet to file it to the court as there have been general adjournment of court proceedings and businesses starting from 29 January 2020 due to public health concerns, as announced by the Judiciary. The Company, Intelligence Link and Billion Profit will file the defence to the Court when the Court resumes businesses.

Outstanding debts to bondholders

The following table set out the outstanding debts due by the Company to the subscribers of respective unlisted corporate bonds issued by the Company and their relevant details:

Bonds	Issue date	Documents constituting the bonds and the relevant parties	Principal	Interests	Maturity date or due date	Repayments as at the date of this announcement	Overdue amount as at the date of this announcement	Status as at the date of this announcement
1	21 December 2018	Deed poll dated 21 December 2018	HK\$20 million	18% per annum	Maturity date is on 21 December 2021, however as the breach of the Loan Agreement also constitutes an event of default, Bonds 1 has become due and payable at its principal amount together with accrued interests and other charges	The Company has not yet made any repayment to Bondholder 1 as at the date of this announcement	Approximately HK\$24,143,000 (“ Outstanding Bondholder 1 Debt ”), including the principal amount, interests and other charges	The Company is currently in active negotiation with Bondholder 1 with a view to reach a settlement agreement as soon as possible. No legal action has been commenced by Bondholder 1 against the Company in relation to the Outstanding Bondholder 1 Debt.
2	8 November 2018	Deed poll dated 8 November 2018	HK\$2.3 million	0.133% per month	Maturity date is on 8 May 2019	The Company has repaid HK\$0.2 million on 8 November 2019	Approximately HK\$2,361,000 (the “ Outstanding Bondholder 2 Debt ”), including the principal amount and accrued interests	The Company is currently in active negotiation with Bondholder 2 with a view to reach a settlement agreement as soon as possible. No legal action has been commenced by Bondholder 2 against the Company in relation to the Outstanding Bondholder 2 Debt.

Bonds	Issue date	Documents constituting the bonds and the relevant parties	Principal	Interests	Maturity date or due date	Repayments as at the date of this announcement	Overdue amount as at the date of this announcement	Status as at the date of this announcement
3	19 October 2018	Acquisition of debenture stock agreement dated 19 October 2018 entered into by the Company as issuer and Bondholder 3 as subscriber	HK\$80 million	2% per month	Maturity date is on 19 April 2019	The Company has repaid RMB20 million, RMB3.5 million and RMB4.7 million on 19 April 2019, 28 August 2019 and 4 September 2019, respectively	Approximately HK\$52,442,000 (the “ Outstanding Bondholder 3 Debt ”), including the outstanding balance of the principal amount, interests and other charges	The Company has received a writ of summons issued by Bondholder 3 against the Company in the Court of First Instance in the High Court dated 11 June 2019, and in relation to which Bondholder 3 has filed an application to the High Court for summary judgment (“ High Court Proceedings ”). The hearing of the summary judgment originally scheduled to be held on 20 February 2020 will be adjourned to a date to be fixed in view of public health consideration as announced by the Judiciary of Hong Kong.
								The Company has on one hand engaged its legal advisers to act for it in relation to the High Court Proceedings and on the other hand is currently in active negotiation with Bondholder 3 with a view to reach a settlement agreement as soon as possible.

Bonds	Issue date	Documents constituting the bonds and the relevant parties	Principal	Interests	Maturity date or due date	Repayments as at the date of this announcement	Overdue amount as at the date of this announcement	Status as at the date of this announcement
4A	28 June 2017	Deed poll dated 28 June 2017	HK\$1.5 million	6.5% per annum	Maturity date is on 31 July 2019, as extended by a deed of undertaking dated 27 June 2019	The Company has repaid HK\$21,102,91 on 6 September 2019	Approximately HK\$1,478,897 (the “ First Bondholder 4 Debt ”), being the outstanding balance of the principal amount	The Company is currently in active negotiation with Bondholder 4 with a view to reach a settlement agreement as soon as possible. No legal action has been commenced by Bondholder 4 against the Company in relation to the Outstanding Bondholder 4 Debts in the aggregate amount of approximately HK\$8,978,897.09
4B	28 June 2017	Deed poll dated 28 June 2017	HK\$2.5 million	6.5% per annum	Maturity date is on 31 August 2019, as extended by a deed of undertaking dated 27 June 2019	The Company has not yet made any repayment to Bondholder 4 as at the date of this announcement	HK\$2.5 million (the “ Second Bondholder 4 Debt ”), being the principal amount	
4C	8 August 2017	Deed poll dated 8 August 2017	HK\$5 million	6.5% per annum	Maturity date is on 7 August 2019	The Company has not yet made any repayment to Bondholder 4 as at the date of this announcement	HK\$5 million (the “ Third Bondholder 4 Debt ”, and together with First Bondholder 4 Debt and Second Bondholder 4 Debt, the “ Outstanding Bondholder 4 Debts ”), being the principal amount	

Bonds	Issue date	Documents constituting the bonds and the relevant parties	Principal	Interests	Maturity date or due date	Repayments as at the date of this announcement	Overdue amount as at the date of this announcement	Status as at the date of this announcement
5	28 June 2017	Deed poll dated 28 June 2017	HK\$1 million	6.5% per annum	Maturity date is on 31 July 2019, as extended by a deed of undertaking dated 27 June 2019	The Company has repaid HK\$14,068,60 on 6 September 2019	Approximately HK\$985,931 (the “ Outstanding Bondholder 5 Debt ”), being the outstanding balance of the principal amount	The Company is currently in active negotiation with Bondholder 5 with a view to reach a settlement agreement as soon as possible. No legal action has been commenced by Bondholder 5 against the Company in relation to the Outstanding Bondholder 5 Debt.
6	17 August 2018	Deed poll dated 17 August 2018	HK\$0.8 million	7% per annum	Maturity date is on 17 August 2019	The Company has not yet made any repayment to Bondholder 6 as at the date of this announcement	Approximately HK\$856,000 (the “ Outstanding Bondholder 6 Debt ”), including the principal amount and accrued interests	The Company is currently in active negotiation with Bondholder 6 with a view to reach a settlement agreement as soon as possible. No legal action has been commenced by Bondholder 6 against the Company in relation to the Outstanding Bondholder 6 Debt.
7	7 September 2018	Deed poll dated 7 September 2018	HK\$1.5 million	7% per annum	Maturity date is on 7 September 2019	The Company has not yet made any repayment to Bondholder 7 as at the date of this announcement	Approximately HK\$1,599,000 (the “ Outstanding Bondholder 7 Debt ”), including the principal amount and accrued interests	The Company is currently in active negotiation with Bondholder 7 with a view to reach a settlement agreement as soon as possible. No legal action has been commenced by Bondholder 7 against the Company in relation to the Outstanding Bondholder 7 Debt.

Bonds	Issue date	Documents constituting the bonds and the relevant parties	Principal	Interests	Maturity date or due date	Repayments as at the date of this announcement	Overdue amount as at the date of this announcement	Status as at the date of this announcement
8	12 October 2018	Deed poll dated 12 October 2018	HK\$0.5 million	7% per annum	Maturity date is on 12 October 2019	The Company has not yet made any repayment to Bondholder 8 as at the date of this announcement	Approximately HK\$530,000 (the “ Outstanding Bondholder 8 Debt ”), including the principal amount and accrued interests	The Company is currently in active negotiation with Bondholder 8 with a view to reach a settlement agreement as soon as possible. No legal action has been commenced by Bondholder 8 against the Company in relation to the Outstanding Bondholder 8 Debt.
9	29 January 2019	Subscription agreement dated 29 January 2019 entered into by the Company as issuer and Bondholder 9 as subscriber	HK\$1,164,820	4.8% per quarter	Maturity date is on 29 April 2019	The Company has not yet made any repayment to Bondholder 9 as at the date of this announcement	HK\$1,164,820 (the “ Outstanding Bondholder 9 Debt ”), being the principal amount	The Company is currently in active negotiation with Bondholder 9 with a view to reach a settlement agreement as soon as possible. No legal action has been commenced by Bondholder 9 against the Company in relation to the Outstanding Bondholder 9 Debt.
10	30 January 2019	Subscription agreement dated 30 January 2019 entered into by the Company as issuer and Bondholder 10 as subscriber	HK\$1 million	5% per quarter	The original maturity date was on 30 April 2019 which was extended to 30 September 2019 pursuant to a supplemental agreement dated 15 July 2019 entered into by the Company and Bondholder 10 which also set out, among others, the repayment plan in stages	The Company has repaid interests accrued under Bonds 10 up to and inclusive of 23 June 2019 in the amount of RMB70,000 (equivalent to approximately HK\$77,617) on 18 June 2019	Approximately HK\$1,081,000 (the “ Outstanding Bondholder 10 Debt ”), being the principal amount and default interests	The Company is currently in active negotiation with Bondholder 10 with a view to reach a settlement agreement as soon as possible. No legal action has been commenced by Bondholder 10 against the Company in relation to the Outstanding Bondholder 10 Debt.

Bonds	Issue date	Documents constituting the bonds and the relevant parties	Principal	Interests	Maturity date or due date	Repayments as at the date of this announcement	Overdue amount as at the date of this announcement	Status as at the date of this announcement
11	29 January 2019	Subscription agreement dated 29 January 2019 entered into by the Company as issuer and Bondholder 11 as subscriber	HK\$1.5 million	5% per quarter	Maturity date is on 28 April 2019	The Company has not yet made any repayment to Bondholder 11 as at the date of this announcement	HK\$1.5 million (the "Outstanding Bondholder 11 Debt"), being the principal amount	The Company is currently in active negotiation with Bondholder 11 with a view to reach a settlement agreement as soon as possible. No legal action has been commenced by Bondholder 11 against the Company in relation to the Outstanding Bondholder 11 Debt.
12	24 April 2019	Subscription agreement dated 24 April 2019 entered into by the Company as issuer and Bondholder 12 as subscriber	HK\$1.2 million	4% per quarter	Maturity date is on 27 July 2019	The Company has not yet made any repayment to Bondholder 12 as at the date of this announcement	HK\$1.2 million (the "Outstanding Bondholder 12 Debt"), being the principal amount	The Company is currently in active negotiation with Bondholder 12 with a view to reach a settlement agreement as soon as possible. No legal action has been commenced by Bondholder 12 against the Company in relation to the Outstanding Bondholder 12 Debt.

Bonds	Issue date	Documents constituting the bonds and the relevant parties	Principal	Interests	Maturity date or due date	Repayments as at the date of this announcement	Overdue amount as at the date of this announcement	Status as at the date of this announcement
13	4 December 2017	Subscription agreement dated 4 December 2017 entered into by the Company as issuer and Bondholder 13 as subscriber	HK\$10 million	6% per annum	Maturity date is on 4 December 2020 but annual interest in the aggregate amount of HK\$0.6 million (“ Accrued Bond 13 Interest ”) has fallen due by the Company on 4 December 2019 for which the Company has not yet repaid as at the date of this announcement. Bondholder 13 exercised the right to fully redeem the full value of Bonds 13 by virtue of the default in payment of the Accrued Bond 13 Interest. Bonds 13 has become due and payable at its principal amount together with the accrued interest and other charges.	The Company has not yet made any repayment to Bondholder 13 as at the date of this announcement	Approximately HK\$10,722,724 (the “ Outstanding Bondholder 13 Debt ”), including the principal amount, accrued interests and other charges	The Company is currently in active negotiation with Bondholder 13 with a view to reach a settlement agreement as soon as possible. No legal action has been commenced by Bondholder 13 against the Company in relation to the Outstanding Bondholder 13 Debt.

The Company will disclose further developments on the above matters by way of further announcement(s) as and when appropriate in accordance with regulatory requirements.

Shareholders and potential investors of the Company should exercise caution when dealing in or investing in the securities of the Company.

For the purpose of this announcement, unless otherwise indicated, conversion of USD into HK\$ is calculated at the approximate exchange rate of USD1.00 to HK\$7.77; and conversion of RMB into HK\$ is calculated at the approximate exchange rate of RMB1.00 to HK\$1.11. These exchange rates are adopted for illustration purpose only and do not constitute a representation that any amounts have been, could have been, or may be, exchanged at these rates or any other rate at all.

By Order of the Board
Yi Hua Holdings Limited
Chen Jianren
Chairman

Hong Kong, 19 February 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. Zeng Zhiyi, Mr. Tong I Tony, Mr. Chong Ning and Mr. Huang Jianhang.