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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)

CONNECTED TRANSACTIONS

FOURTH ONE-MONTH YIHUA BUILDING TENANCY AGREEMENT

References are made to the announcements of the Company dated 18 November 2015, 31 December 2019, 23 January 2020 and 28 February 2020, 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, the One-Month Yihua Building Tenancy Agreement, the Second One-Month Yihua Building Tenancy Agreement and the Third One-Month Tenancy Agreement.

In light of the impending expiration of the Third One-Month Yihua Building Tenancy Agreement, the parties to the Third One-Month Yihua Building Tenancy Agreement entered into the Fourth One-Month Yihua Building Tenancy Agreement on 31 March 2020. Save for the term of the tenancy which shall be the period of one month commencing on 1 April 2020, all other terms of the Fourth One-Month Yihua Building Tenancy Agreement are substantially the same as that of the One-Month Yihua Building Tenancy Agreement, the Second One-Month Yihua Building Tenancy Agreement and the Third 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 aggregate amount of the transactions contemplated under the Fourth One-Month Yihua Building Tenancy Agreement is less than 5% and the total consideration payable is less than HK\$3,000,000, the Fourth One-Month Yihua Building Tenancy Agreement itself is fully exempt from the announcement, circular and shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

However, pursuant to Rule 14A.81 of the Listing Rules, the transactions contemplated under the Fourth One-Month Yihua Building Tenancy Agreement is required to be aggregated with the transactions under the One-Month Yihua Building Tenancy Agreement, the Second One-Month Yihua Building Tenancy Agreement and the Third One-Month Yihua Building Tenancy Agreement. As the highest applicable percentage ratio in respect of the transactions contemplated under the Fourth One-Month Yihua Building Tenancy Agreement, the One-Month Yihua Building Tenancy Agreement, the Second One-Month Yihua Building Tenancy Agreement and the Third One-Month Yihua Building Tenancy Agreement (after aggregation) is more than 0.1% but less than 5%, the transactions contemplated under the Fourth One-Month Yihua Building Tenancy Agreement, the One-Month Yihua Building Tenancy Agreement, the Second One-Month Yihua Building Tenancy Agreement and the Third 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.

INTRODUCTION

References are made to the announcements of the Company dated 18 November 2015, 31 December 2019, 23 January 2020 and 28 February 2020, 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, the One-Month Yihua Building Tenancy Agreement, the Second One-Month Yihua Building Tenancy Agreement and the Third One-Month Yihua Building Tenancy Agreement.

In light of the impending expiration of the Third One-Month Yihua Building Tenancy Agreement, the parties to the Third One-Month Yihua Building Tenancy Agreement entered into the Fourth One-Month Yihua Building Tenancy Agreement on 31 March 2020. Save for the term of the tenancy which shall be the period of one month commencing on 1 April 2020, all other terms of the Fourth One-Month Yihua Building Tenancy Agreement are substantially the same as that of the One-Month Yihua Building Tenancy Agreement, the Second One-Month Yihua Building Tenancy Agreement and the Third One-Month Tenancy Agreement.

Details of the Fourth One-Month Yihua Building Tenancy Agreement are set out below:

FOURTH ONE-MONTH YIHUA BUILDING TENANCY AGREEMENT

Date: 31 March 2020

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:

The term shall be the period of one month commencing on 1 April 2020. Upon expiry, Guangdong Yihua Department Store shall have the priority to renew the agreement.

Permitted use:

General commercial use.

Rent:

The rent (inclusive of management fee) payable shall be 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.).

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

Termination:

The Fourth One-Month 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 Fourth One-Month Yihua Building Tenancy Agreement pursuant to the terms thereof, the Fourth One-Month Yihua Building Tenancy Agreement shall be automatically terminated if:

- (a) Guangdong Yihua Department Store considers that the performance of its obligations under the Fourth One-Month 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 Fourth One-Month Yihua Building Tenancy Agreement which is/are not acceptable to any of the parties.

Pricing basis:

The rent (inclusive of management fee) 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.

In arriving at the rent under the Fourth One-Month 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 Fourth One-Month 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 Fourth One-Month Yihua Building Tenancy Agreement represents the prevailing market rent as at 17 December 2019.

REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE FOURTH ONE-MONTH 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 Fourth One-Month 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 Fourth One-Month 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 Fourth One-Month 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 Fourth One-Month Yihua Building Tenancy Agreement (including the 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 Fourth One-Month 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 Fourth One-Month 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 (including the independent non-executive Directors) consider that (i) the Fourth 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 (ii) the terms of Fourth One-Month Yihua Building Tenancy Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The Company intends to renew the agreement after the expiry of the term of the Fourth One-Month Yihua Building Tenancy Agreement. The Company will make further announcement as and when appropriate and shall aggregate the transactions contemplated under such renewal agreement with the transactions under the One-Month Yihua Building Tenancy Agreement, the Second One-Month Yihua Building Tenancy Agreement, the Third One-Month Yihua Building Tenancy Agreement and the Fourth One-Month Yihua Building Tenancy Agreement in due course, in compliance with the requirements pursuant to Chapter 14A of the Listing Rules.

Mr. Chen Jianren, Mr. Fan and Mr. Chen Daren, who have a material interest in the Fourth One-Month Yihua Building Tenancy Agreement and the transactions contemplated thereunder, had abstained from voting on the resolutions of the Board approving the Fourth One-Month Yihua Building 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 aggregate amount of the transactions contemplated under the Fourth One-Month Yihua Building Tenancy Agreement is less than 5% and the total consideration payable is less than HK\$3,000,000, the Fourth One-Month Yihua Building Tenancy Agreement itself is fully exempt from the announcement, circular and shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

However, pursuant to Rule 14A.81 of the Listing Rules, the transactions contemplated under the Fourth One-Month Yihua Building Tenancy Agreement is required to be aggregated with the transactions under the One-Month Yihua Building Tenancy Agreement, the Second One-Month Yihua Building Tenancy Agreement and the Third One-Month Yihua Building Tenancy Agreement. As the highest applicable percentage ratio in respect of the transactions contemplated under the Fourth One-Month Yihua Building Tenancy Agreement, the One-Month Yihua Building Tenancy Agreement, the Second One-Month Yihua Building Tenancy Agreement and the Third One-Month Yihua Building Tenancy Agreement (after aggregation) is more than 0.1% but less than 5%, the transactions contemplated under the Fourth One-Month Yihua Building Tenancy Agreement, the One-Month Yihua Building Tenancy Agreement, the Second One-Month Yihua Building Tenancy Agreement and the Third 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.

DEFINITIONS

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

“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, which has been terminated by the Third One-Month Yihua Building Tenancy Agreement
“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

“Fourth One-Month Yihua Building Tenancy Agreement”	the tenancy agreement dated 31 March 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 April 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
“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
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons
“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
“Third One-Month Yihua Building Tenancy Agreement”	the tenancy agreement dated 28 February 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 March 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
“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, 31 March 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.