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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)

**ANNOUNCEMENT
PURSUANT TO RULE 3.7 OF THE TAKEOVERS CODE,
RULE 13.09 OF THE LISTING RULES AND
INSIDE INFORMATION PROVISIONS UNDER
PART XIVA OF THE SECURITIES AND FUTURES ORDINANCE
AND
RESUMPTION OF TRADING**

Reference is made to the trading halt announcement of Yi Hua Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 13 May 2020. This announcement is made by the Company pursuant to Rule 3.7 of the Hong Kong Code on Takeovers and Mergers (the “**Takeovers Code**”), Rule 13.09(2) of the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities And Futures Ordinance (Chapter 571 of the laws of Hong Kong).

THE MOU

On 12 May 2020 (after trading hours of the Stock Exchange), the Company and Mr. Koo Yuen Kim (“**Mr. Koo**”) entered into the non-legally binding memorandum of understanding (the “**MOU**”) in relation to the possible subscription (the “**Possible Subscription**”) of such number of new ordinary shares (the “**Share(s)**”) of the Company as to be determined between the Company and Mr. Koo, which is expected to be not less than 60% of the entire issued share capital of the Company immediately after completion of the Possible Subscription (the “**Subscription Shares**”).

The material terms of the MOU are summarised below.

Date : 12 May 2020

Parties : (i) the Company; and
(ii) Mr. Koo

To the best of the knowledge, information and belief of the directors (the “**Directors**”) of the Company and having made all reasonable enquiries, each of Mr. Koo and his associates (as defined in the Listing Rules) is an third party independent of and not connected with the Company and its connected persons (as defined in the Listing Rules).

Mr. Koo, aged 61, is a renowned Malaysian Chinese entrepreneur. Mr. Koo serves as chairman of the board of directors of Perfect (China) Co., Ltd (完美(中國)有限公司) (“**Perfect China**”), a corporation which is principally engaged in research, development, manufacturing, and sale of personal care products, cosmetics, health food, and household cleaning necessities through direct sales in the Mainland China. Mr. Koo’s role in Perfect China is to oversee the operation and management of the company.

Mr. Koo was honored in 2002 with the title “Dato” and again in 2010 with the state-honored title of “Tan Sri” by the Supreme Head of Malaysia. Mr. Koo has received recognition from a wide range of organisations. He is currently the vice director-general of the second council of China Narcotics Control Foundation, overseas consultant of All-China Federation of Returned Overseas Chinese, standing vice president of China Federation of Overseas Chinese Entrepreneurs, and council member of council of China Charity Alliance. Mr. Koo was also the 10th and 11th Guangdong Chinese People’s Political Consultative Conference Committee Special Appointed Member.

As at the date of this announcement, Mr. Koo is an executive director, the chairman of the board of directors and a substantial shareholder of Greentech Technology International Limited (the issued shares of which are listed on the Main Board of the Stock Exchange, Stock Code: 195).

Major terms of the MOU

Pursuant to the MOU, it is proposed that the Company will allot and issue and Mr. Koo (or his nominee(s)) (the “**Possible Subscriber**”) will subscribe for the Subscription Shares. The consideration for the Subscription Shares will be subject to further negotiation between the Company and Mr. Koo and shall be payable by the Possible Subscriber in cash.

For the avoidance of doubt, the number of the Subscription Shares and the issue price of the Subscription Shares shall be subject to further negotiation between the Company and Mr. Koo.

Formal Agreement

The Company and the Possible Subscriber shall negotiate in good faith towards one another in ensuring that the formal agreement (the “**Formal Agreement**”) in relation to the Possible Subscription be entered into as soon as possible and in any event, on or before the date falling three (3) months from the date of the MOU or such later date as the Company and Mr. Koo may agree.

Conditions precedent

Completion of the Possible Subscription is conditional upon:

- (1) the Possible Subscriber being satisfied with the results of the due diligence review to be conducted on the Group;
- (2) there being no winding up order made against the Company as at the date of completion of the Possible Subscription;
- (3) such conditions which are usual for transactions similar to the subscription of the Subscription Shares as contemplated by the MOU; and
- (4) any other conditions agreed by the Company and the Possible Subscriber to be included in the Formal Agreement.

Due Diligence

The Possible Subscriber shall and shall procure that his/its advisers and agents shall, forthwith upon the signing of the MOU, conduct such review of the assets, liabilities, operations and affairs of the Group as he/it may consider appropriate and the Company shall provide and procure the Group and their respective agents to provide such assistance as the Possible Subscriber and his/its advisers and agents may require in connection with such review.

Right of first refusal

In consideration of the expenses to be incurred by the Possible Subscriber in the negotiation of the MOU and in conducting his/its due diligence review, the Company irrevocably and unconditionally undertook to Mr. Koo that save for the allotment and issue of Shares or securities convertible into or exchange for such Shares (the “**Securities**”) by way of rights issue or open offer to the existing shareholders, the Company shall not allot and issue any Securities (the “**Securities Issue**”) during the three-month period commencing from the date of the MOU to any person(s) or entity(ies) other than the Possible Subscriber unless:

- (1) the Company has notified Mr. Koo of the proposed Securities Issue in writing (the “**Company’s Notice**”), which shall state (i) the details of the Securities proposed to be allotted and issued under the Securities Issue, (ii) the amount of the consideration for the Securities proposed to be allotted and issued under the proposed Securities Issue; and (iii) all other material terms and conditions of the proposed Securities Issue in order to enable Mr. Koo to come to an informed assessment of the proposed Securities Issue;
- (2) (i) Mr. Koo has not given written notice of his desire to take up the Securities under the proposed Securities Issue (whether by Mr. Koo or by his nominee(s)) or has given written notice denying the opportunity to take up the Securities under the Securities Issue within fifteen (15) business days (the “**Response Period**”) from the date of receipt of the Company’s Notice; or (ii) if Mr. Koo has given the Subscriber’s Notice (as defined below) to the Company within the Response Period, no definitive agreement has been entered into between the Company and the Possible Subscriber within one (1) month from the date of the Subscriber’s Notice; and
- (3) the terms of the Securities Issue to any person(s) or entity(ies) other than the Possible Subscriber contain all the terms as set out in the Company’s Notice.

If Mr. Koo has given written notice (the “**Subscriber’s Notice**”) of his desire to take up the Securities under the proposed Securities Issue (whether by Mr. Koo or by his nominee(s)) to the Company within the Response Period, the Company and Mr. Koo shall negotiate in good faith with a view to arriving at a definitive agreement between the Company and the Possible Subscriber within one (1) month from the date of the Subscriber’s Notice for the Securities Issue which shall contain all the material terms of the Securities Issue as set out in the Company’s Notice.

Legal effect

Pursuant to the terms of the MOU, only the clauses in relation to due diligence review, right of first refusal, confidentiality, notices, costs, legal effect, counterpart and governing law and jurisdiction provisions in the MOU are legally binding on the parties thereto.

Implication of the Possible Subscription under the Takeovers Code

If the Possible Subscription materialises, the Possible Subscriber and parties acting in concert with him/it will in aggregate be interested in more than 30% of the issued share capital of the Company immediately after completion of the Possible Subscription and will lead to a change in control of the Company. Accordingly, pursuant to Rule 26.1 of the Takeovers Code, the Possible Subscriber will be required to make and will make a mandatory general offer for all the issued Shares not already owned or agreed to be acquired by the Possible Subscriber and parties acting in concert with him/it.

As at the date of this announcement, no formal agreements have been entered into in respect of the Possible Subscription, and the discussion is still in progress and the Possible Subscription may or may not proceed.

DEALING DISCLOSURE

In compliance with Rule 3.8 of the Takeovers Code, as at the date of this announcement, the Company has in issue a total of 1,003,157,195 Shares. Save as aforementioned, the Company has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) as at the date of this announcement.

The respective associates (as defined in the Takeovers Code) (including, among others, persons holding 5% or more of a class of relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company) of the Company and Mr. Koo are reminded to disclose their dealings in the relevant securities of the Company under Rule 22 of the Takeovers Code.

There is no assurance that any transactions referred to in this announcement will materialise or eventually be consummated and the negotiations may or may not lead to the making of a general offer for the Shares of the Company. The possible general offer is subject to the entering into of the Formal Agreement and completion of the Possible Subscription.

In accordance with Rule 3.8 of the Takeovers Code, the full text of Note 11 to Rule 22 of the Takeovers Code is reproduced below:

“Responsibilities of stockbrokers, banks and other intermediaries

Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates of an offeror or the offeree company and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than \$1 million.

This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”

UPDATES

In compliance with Rule 3.7 of the Takeovers Code, monthly announcement(s) setting out the progress of the Possible Subscription will be made until announcement of firm intention to make an offer under Rule 3.5 of the Takeovers Code or of a decision not to proceed with an offer is made. Further announcement(s) will be made by the Company as and when appropriate or required in accordance with the Listing Rules and the Takeovers Code (as the case may be).

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange had been halted with effect from 9:00 a.m. on 13 May 2020 (Wednesday) pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading of the Shares on the Stock Exchange with effect from 9:00 a.m. on 14 May 2020 (Thursday).

Warning: There is no assurance that any transactions referred to in this announcement will materialise or eventually be consummated, or that if consummated, at what price. Shareholders and potential investors of the Company should be aware that completion of the Possible Subscription is subject to the entering into of the Formal Agreement and the satisfaction (or waiver as applicable) of such conditions precedent as may be specified therein. The discussion in relation to the Possible Subscription may or may not proceed, and the terms of the Possible Subscription are subject to negotiation between the Company and the Potential Subscriber. As such, the discussions may or may not lead to the Possible Subscription taking place. Shareholders and potential investors of the Company are advised to exercise extreme caution when dealing in the Shares. Persons who are in doubt as to the action they should take should consult their stockbroker, licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

By order of the Board
Yi Hua Holdings Limited
Chen Jianren
Chairman and Executive Director

Hong Kong, 13 May 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.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.