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## **Yee Hop Holdings Limited**

**義合控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1662)**

### **MAJOR TRANSACTION – DISPOSAL OF 70% EQUITY INTEREST IN A NON-WHOLLY OWNED SUBSIDIARY OF THE COMPANY**

#### **THE DISPOSAL**

On 16 December 2021 (after trading hours), the Vendor, an indirect wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Purchaser pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase the Sale Equity Interest (representing 70% of the entire equity interest of the Target Company) at a total consideration of RMB86 million.

Immediately after Completion, the Target Group will cease to be subsidiaries of the Company and the financial results of the Target Group will no longer be consolidated in the Group's forthcoming consolidated financial statements.

#### **LISTING RULES IMPLICATIONS**

As one or more of the relevant applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Disposal are more than 25% but less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to reporting, circular and shareholders' approval requirements under the Listing Rules.

## **SHAREHOLDERS' WRITTEN APPROVAL**

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the Shareholders has a material interest in the Disposal and as such, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Disposal. As at the date of this announcement, Mr. Jim (through JJ1318) and Mr. Chui are the founders of the Company and therefore are a closely allied group of Shareholders who own 191,250,000 Shares and 136,750,000 Shares representing 38.25% and 27.35% of the entire issued share capital of the Company respectively. They together beneficially hold 328,000,000 Shares, representing 65.60% of the entire issued share capital of the Company. Written approval of the Disposal has been obtained from JJ1318 and Mr. Chui. Pursuant to Rule 14.44 of the Listing Rules, such written approval can be accepted in lieu of holding a general meeting of the Company, and accordingly, no general meeting of the Company will be convened for the purpose of approving the Disposal.

## **DESPATCH OF CIRCULAR**

A circular containing, among other things, details of the Disposal and other information as required under the Listing Rules, is expected to be despatched to the Shareholders within 15 business days after the date of this announcement.

**Shareholders and potential investors of the Company should be aware that the Disposal is subject to a number of conditions being satisfied, and consequently the Disposal may or may not proceed. Accordingly, Shareholders and potential investors are advised to exercise caution when they deal or contemplate dealing in the Shares or other securities (if any) of the Company.**

## **THE DISPOSAL**

On 16 December 2021 (after trading hours), the Vendor, an indirect wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Purchaser pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase the Sale Equity Interest (representing 70% of the entire equity interest of the Target Company) at a total consideration of RMB86 million.

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## The Sale and Purchase Agreement

The principal terms of the Sale and Purchase Agreement are as follow:

- Date : 16 December 2021 (after trading hours)
- Parties : (1) The Vendor;  
(2) The Purchaser;  
(3) The Target Company; and  
(4) Mr. Xu
- Assets to be disposed of : Pursuant to the Sale and Purchase Agreement, the Vendor agreed to sell and the Purchaser agreed to purchase the Sale Equity Interest (representing 70% of the entire equity interest of the Target Company).
- Consideration : The Consideration is RMB86 million and shall be paid by the Purchaser to the Vendor in the following manner:
- (a) within five business days from the date of the Sale and Purchase Agreement, the Purchaser shall deposit the full amount of the Consideration into the Escrow Account for stake-holding purpose; and
  - (b) within 15 business days after the completion of the business registration of the change of shareholding of the Target Group in relation to the transfer of the Sale Equity Interest by the Vendor to the Purchaser, the Purchaser shall complete the foreign exchange registration with the foreign exchange administration of the PRC, the taxation registration at the taxation authority and obtain the relevant taxation record certificate. Within five business days after completion of the above registration procedures, the Vendor and the Purchaser shall arrange to release the full amount of the Consideration to the Purchaser.

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser with reference to, among others, (i) the consideration historically paid by the Group to acquire the Target Company in the total sum of RMB85 million; (ii) the financial information of the Target Group; (iii) the risk of future prospect and funding requirements for the business expansion of the Target Group; and (iv) the expected benefits of the Disposal to the Company as detailed in the section headed "Reasons for and Benefits of the Disposal" in this announcement.

- Conditions precedent : Pursuant to the terms of the Sale and Purchase Agreement, Completion shall be subject to and conditional upon the Target Company having obtained the necessary authorisation in relation to the Disposal (and Mr. Xu agreed to cooperate in obtaining such authorisation), the necessary approval or waiver (if any) having been obtained from the relevant government authorities and any third party, and the Group having complied with all reporting, announcement, circular and shareholders' approval requirements under the Listing Rules.
- Discharge of the Target Group Liabilities : Within 15 business days after Completion, the Target Company together with its associates shall fully repay the principal and interest of the Target Group Liabilities and arrange release of the guarantee provided by the Company in associated with the Target Group Liabilities. Dabaihui (the holding company of the Purchaser) agreed to guarantee the obligations of the Target Group and its associates in relation to repayment of Target Group Liabilities for a term of two years.
- Completion : The Vendor and Mr. Xu shall cooperate with the Target Company to complete the business registration of the change of shareholding in the Target Company in relation to the Disposal which shall take place within 15 business days after the conditions precedent have been fulfilled.
- Representations and warranties : Each of the Target Company and Mr. Xu (at the request of the Purchaser) has jointly and severally given customary representations and warranties to the Purchaser in respect of the corporate status of the Target Company and matters relating to the Disposal.

The Purchaser has also given customary representations and warranties in respect of the corporate status of the Purchaser.

## INFORMATION ON THE TARGET GROUP

As at the date of this announcement, the Target Company is a company established in the PRC with limited liability and is owned as to 70% by the Vendor and 30% by Mr. Xu. The Target Group is principally engaged in research and development and breeding, sales and trading of aquatic products and related services in the PRC.

As at the date of this announcement, the Target Company has following material subsidiaries:

Name of subsidiaries	Place of incorporation/ establishment	Place of operation	Percentage of equity interest/voting power attributable to the Target Company	Principal activities
Zhenjiang Kehua Fishery Development Co., Ltd.* 鎮江科華漁業發展有限公司	PRC	PRC	100%	Breeding and trading of aquatic products
Hainan BGI Marine Sci & Tech Co., Ltd.* 海南華大海洋科技有限公司	PRC	PRC	65%	Research, breeding and trading of aquatic products
BGI Aquatic Product (HK) Company Limited	Hong Kong	Hong Kong	100%	Trading of aquatic products
BGI Academy of Marine Sciences* 深圳市華大海洋研究院	PRC	PRC	100%	Research and development on breeding and cultivation of aquatic species
Shenzhen Huahong Marine biological Medicine Co., Ltd* 深圳華泓海洋生物醫藥有限公司	PRC	PRC	70%	Research and development on Marine drugs
Zhenjiang Huayou Ecological Agriculture Sci & Tech Co., Ltd.* 鎮江華優生態農業科技有限公司	PRC	PRC	100%	Breeding and trading of aquatic products
BGI Zhenjiang Detection Co., Ltd.* 鎮江華大檢測有限公司	PRC	PRC	100%	Provision of laboratory test services and sales of aquatic products
Jiangsu Yihua Food Co., Ltd.* 江蘇益華食品有限公司	PRC	PRC	100%	Processing and trading of aquatic products
Hainan Haichang Prawn Breeding Co., Ltd.* 海南海昌對蝦繁育有限公司	PRC	PRC	51%	Breeding and trading of aquatic products

Set out below is a summary of the financial information of the Target Group for the financial years ended 31 March 2020 and 2021 and for the six months ended 30 September 2021 and prepared in accordance with the accounting principles generally accepted in Hong Kong:

	<b>For the financial year ended</b>		<b>For the six</b>
	<b>31 March</b>		<b>months ended</b>
	<b>2020</b>	<b>2021</b>	<b>30 September</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(approx.)</i>	<i>(approx.)</i>	<i>(approx.)</i>
	(audited)	(audited)	(unaudited)
Revenue	197,301	192,588	83,973
Loss before taxation*	(6,449)	(38,171)	(59,293)
Loss after taxation*	(7,052)	(38,138)	(56,935)

\* *Included impairment losses on goodwill and respective non-current assets attributable to the Target Group.*

The unaudited net asset value of the Target Group as at 30 September 2021 was approximately HK\$121.1 million.

## **REASONS FOR AND BENEFITS OF THE DISPOSAL**

The Group is principally engaged in (i) the provision of foundation (including the construction of mini-piles, rock-socketed steel H-piles and driven steel H piles) and other civil works (including site formation works, and road and pavement works) and tunnelling works (including pipe jacking, hand dig tunnel and cut-and-over tunnel works) in Hong Kong and overseas, (ii) research and development and breeding, sales and trading of aquatic products in the PRC and (iii) sub-leasing of premises in the PRC.

As set out in the interim results announcement of the Company for the six months ended 30 September 2021, the Group recorded an unaudited loss after taxation of approximately HK\$21.8 million, and the Target Group's gross profit margin decreased as a result of the adverse impact on supply chain of the aquatic products during the novel coronavirus epidemic and the Target Group had scaled down its international trading business in aquatic products. In view of above, the Group had recognized impairment losses of goodwill and non-current assets of approximately HK\$8.3 million and HK\$9.8 million respectively for the six months ended 30 September 2021, together with the impairment losses, the Target Group contributed loss before taxation of approximately HK\$59.3 million to the Group. Having considering that the Target Group has been loss-making and the funding requirements for the business expansion in marine biopharmaceutical business in the next few years, the Group has been exploring exit opportunities to dispose of the Target Group and re-deploy the Group's resource on other business development opportunities with better outlook and prospects. The Disposal enables the Group to dispose of the Target Group so as to lessen the Group's financial burden on sustaining the continued operation of the Target Group which would improve the Group's overall liquidity and profitability following Completion.

Based on the above reasons and having considered all relevant factors, the Directors believe that the terms of the Sale and Purchase Agreement are fair and reasonable and entering into the Sale and Purchase Agreement is in the interests of the Company and its Shareholders as a whole.

## **FINANCIAL IMPACT OF THE DISPOSAL**

The net proceeds from the Disposal (after deducting transaction costs and professional expenses) are approximately RMB85.4 million (equivalent to approximately HK\$102.4 million). The Group intends to use such net proceeds as general working capital and/or financing for future business opportunities of the Group.

Upon Completion, the Company is expected to recognise a gain on Disposal of approximately HK\$51.4 million with reference to the Consideration and the unaudited consolidated net asset value of the Target Group attributable to the Company as at 30 September 2021. The actual amount of gain arising from the Disposal is subject to audit. The actual amount of the gain to be recognized by the Group can only be determined when the consolidated net asset value of the Target Group as at the completion date of the Disposal is ascertained, and therefore may be different from the aforesaid expected unaudited gain amount.

Having taking into consideration of the reasons for the Disposal as stated under the paragraph headed “Reasons for and benefits of the Disposal” above, the Company is of the view that the Disposal is in the interests of the Group as a whole as it will improve the cash flow position of the Group in the long run.

Immediately after Completion, the Target Group will cease to be subsidiaries of the Company and the financial results of the Target Group will no longer be consolidated in the Group’s forthcoming consolidated financial statements.

Shareholders should note that the financial impact set out above is for illustrative purpose only which will have to be ascertained at the time of preparation of the Company’s consolidated financial statements with reference to, among others, the actual costs and expenses associated with the Disposal and is subject to audit.

## **INFORMATION ON THE PARTIES**

The Vendor is a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of the Company. The principal business activity of the Vendor is investment holding.

Mr. Xu is the director and legal representative of the Target Company and the ultimate beneficial owner of 30% equity interest in the Target Company. Mr. Xu is also an executive Director and a Shareholder holding 27,000,000 Shares (representing 5.4% of the total issued Shares) as at the date of this announcement.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) the Purchaser is a company established in the PRC with limited liability and is principally engaged in research and development of extraction, purification and synthesis technology of marine biological active substances; manufacture of marine aquaculture and marine biological resource utilization equipment; marine aquaculture; breeding and sales of equipment for the use of marine living resource. The Purchaser is owned as to 30% by Wen Handong (溫翰東) and 70% by Dabaihui; (ii) Dabaihui is a company established in the PRC with limited liability and is principally engaged in property development, biotechnology development, advertising business, corporate brand marketing planning. Dabaihui is owned as to 90% by Wen Chunqing (溫純青) and 10% by Wen Yuru (溫玉茹); and (iii) the Purchaser, Dabaihui and their ultimate beneficial owners are Independent Third Parties.

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## **SHAREHOLDERS' WRITTEN APPROVAL**

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the Shareholders has a material interest in the Disposal and as such, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Disposal. As at the date of this announcement, Mr. Jim (through JJ1318) and Mr. Chui are the founders of the Company and therefore are a closely allied group of Shareholders who own 191,250,000 Shares and 136,750,000 Shares representing 38.25% and 27.35% of the entire issued share capital of the Company respectively. They together beneficially hold 328,000,000 Shares, representing 65.60% of the entire issued share capital of the Company. Written approval of the Disposal has been obtained from JJ1318 and Mr. Chui. Pursuant to Rule 14.44 of the Listing Rules, such written approval can be accepted in lieu of holding a general meeting of the Company, and accordingly, no general meeting of the Company will be convened for the purpose of approving the Disposal.

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## DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“Board”	the board of Directors;
“Company”	Yee Hop Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange;
“Completion”	completion of the Disposal;
“Consideration”	the total consideration of RMB86 million payable under the Disposal pursuant to the Sale and Purchase Agreement;
“Dabaihui”	Dabaihui Shiye Group Company Limited* (大百匯實業集團有限公司), a company established in the PRC with limited liability;
“Director(s)”	director(s) of the Company;
“Disposal”	the disposal of the Sale Equity Interest by the Vendor to the Purchaser pursuant to the terms and conditions of the Sale and Purchase Agreement;
“Escrow Account”	an escrow account to be opened and operated jointly by the Vendor and the Purchaser in a licensed bank in the PRC for stakeholding the Consideration pursuant to the terms of the Sale and Purchase Agreement;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Third Party(ies)”	any person(s) or companies and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, is/ are third party(ies) independent of the Company and connected persons (as defined under the Listing Rules) of the Company;
“JJ1318”	JJ1318 Holdings Limited, a company incorporated in the British Virgin Islands with limited liability which is wholly owned by Mr. Jim;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;

“Mr. Chui”	Mr. Chui Mo Ming, an executive Director and a substantial shareholder (has the meaning ascribed to it under the Listing Rules) of the Company;
“Mr. Jim”	Mr. Jim Yin Kwan Jackin, an executive Director and a controlling shareholder (has the meaning ascribed to it under the Listing Rules) of the Company;
“Mr. Xu”	Mr. Xu Junmin, the director and legal representative of the Target Company and the ultimate beneficial owner of 30% equity interest in the Target Company. Mr. Xu is an executive Director and a Shareholder holding 27,000,000 Shares as at the date of this announcement (representing 5.4% of the total issued Shares);
“PRC”	the People’s Republic of China, which shall, for the purpose of this announcement, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“Purchaser”	Shenzhen City Dabaihui Ocean Technology Company Limited* (深圳市大百匯海洋科技有限公司), a company established in the PRC with limited liability;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale and Purchase Agreement”	the sale and purchase agreement dated 16 December 2021 entered into between the Vendor, the Purchaser, the Target Company and Mr. Xu in relation to the Disposal;
“Sale Equity Interest”	the registered capital of RMB70 million of the Target Company, representing 70% of the entire equity interest of the Target Company;
“Share(s)”	share(s) in the Company;
“Shareholder(s)”	the shareholder(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules;
“Target Company”	Shenzhen BGI Marine Sci & Tech Co., Ltd.* (深圳華大海洋科技有限公司), a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company before the Disposal;

“Target Group”	the Target Company and its subsidiaries;
“Target Group Liabilities”	collectively, as at the date of the Sale and Purchase Agreement, (i) the liabilities (including loans and trade payables) owed by members of the Target Group to the Purchaser in the amount of approximately HK\$17 million, (ii) the bank loan in the amount of RMB22 million which is secured by corporate guarantee of the Company; and (iii) the loan owed by a member of the Target Group to an Independent Third Party in the principal amount of HK\$11.5 million with interest;
“Vendor”	YH Global Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company;
“%”	per cent.

*In this announcement, the English names of the PRC entities marked with “\*” are translations of their Chinese names, and are included herein for identification purposes only. In the event of any inconsistency, the Chinese names shall prevail.*

By Order of the Board  
**Yee Hop Holdings Limited**  
**Jim Yin Kwan Jackin**  
*Chairman and Executive Director*

Hong Kong, 16 December 2021

*As at the date of this announcement, the Executive Directors of the Company are Mr. Jim Yin Kwan Jackin, Mr. Chui Mo Ming, Mr. Yan Chi Tat, Mr. Leung Hung Kwong Derrick and Mr. Xu JunMin; Non-executive Director is Mr. Wang Jian; and the Independent Non-executive Directors are Mr. Lee Luk Shiu, Mr. Yu Hon Kwan and Mr. Wong Chi Keung Johnny.*

*If there is any inconsistency in this announcement between the Chinese and English versions, the English version shall prevail.*