

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



Jia Yao Holdings Limited

嘉耀控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 01626)

DISCLOSEABLE TRANSACTION SUBSCRIPTION OF INCREASED REGISTERED CAPITAL AT THE CONSIDERATION OF RMB14,000,000 IN THE TARGET COMPANY

THE INVESTMENT COOPERATION AGREEMENT

The Board is pleased to announce that on 29 December 2021, Shenzhen Jiayao (an indirect wholly-owned subsidiary of the Company) entered into the Investment Cooperation Agreement with Mr. Zhan Xingyu (“**Mr. Zhan**”), Mr. Kong Lei (“**Mr. Kong**”), and the Target Company, pursuant to which Shenzhen Jiayao agreed to subscribe for the increased registered capital of the Target Company of RMB14,000,000 at the consideration of RMB14,000,000. Upon Completion, (i) Shenzhen Jiayao, Mr. Zhan, and Mr. Kong will hold 70%, 20%, and 10% of the equity interests in the Target Company, respectively; (ii) the Target Company will become an indirect non-wholly owned subsidiary of the Company; and (iii) its financial results will be consolidated into the financial statements of the Group.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios under the Listing Rules in relation to the Transaction is more than 5% but less than 25%, the Transaction constitutes a discloseable transaction and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

THE INVESTMENT COOPERATION AGREEMENT

Date:

29 December 2021

Parties:

- (a) Shenzhen Jiayao;
- (b) Mr. Zhan;
- (c) Mr. Kong; and
- (d) Target Company.

Capital Contribution:

As at the date of this announcement and immediately prior to the Completion, Mr. Zhan and Mr. Kong hold the entire registered capital in the Target Company of RMB3,000,000.

The Parties agreed to increase the registered capital of the Target Company by RMB17,000,000. Upon Completion, Shenzhen Jiayao, Mr. Zhan, and Mr. Kong shall subscribe for the registered capital of RMB14,000,000, RMB4,000,000, and RMB2,000,000 in the Target Company, respectively. Shenzhen Jiayao, Mr. Zhan, and Mr. Kong shall pay the capital increase amount of RMB14,000,000, RMB4,000,000, and RMB2,000,000, respectively, in cash by 31 March 2022.

The capital increase amount will be contributed by the Company through its internal resources, and was determined after arm's length negotiation between the Parties to the Investment Cooperation Agreement by taking into account the business opportunities and the prospect of such industry.

The following table illustrates the equity structure of the Target Company (i) as at the date of this announcement and (ii) immediately following the Completion.

Equity Holders	As at the date of this announcement		Immediately following the date of the Completion	
	Registered Capital (RMB)	%	Registered Capital (RMB)	%
Mr. Zhan	2,325,000	77.5	4,000,000	20
Mr. Kong	675,000	22.5	2,000,000	10
Shenzhen Jiayao	—	—	14,000,000	70
Total:	<u>3,000,000</u>	<u>100</u>	<u>20,000,000</u>	<u>100</u>

Board Composition and Management of the Target Company:

The board of directors of the Target Company shall comprise five members, three of whom will be designated by Shenzhen Jiayao, and the remaining two directors will be designated by Mr. Zhan and Mr. Kong jointly. The chairman of the board shall be one of the directors designated by Shenzhen Jiayao. The general manager of the Target Company shall be Mr. Zhan, and the supervisor shall be nominated by Shenzhen Jiayao, subject to approval of the equity interest holders of the Target Company.

The following matters, among others, shall be approved by more than one half (1/2) of the voting rights represented by the equity interest holders of the Target Company:

- (1) approval of business direction and investment plans;
- (2) appointment and change of, and approval of remuneration of directors and supervisors;
- (3) approval of the report of the board;
- (4) approval of the report of the supervisor;
- (5) approval of annual financial budgets and the final accounts; and
- (6) approval of profit distribution and loss make-up plans.

The following matters, among others, shall be approved by more than two thirds (2/3) of the voting rights represented by the equity interest holders of the Target Company:

- (1) increase or reduction of registered capital;
- (2) issue of debentures;
- (3) obtaining loans and providing loans to any third parties;
- (4) giving of guarantee for any third parties;
- (5) merger, demerger, dissolution, liquidation, or changing the organization; and
- (6) amendment of articles of association.

The Parties agree to change the governing structure of the Target Company and make corresponding amendment in the articles of association or adopt a new articles of association to reflect the agreed terms in relation to the governing structure of the Target Company set out in the Investment Cooperation Agreement.

TERMINATION

Shenzhen Jiayao has the right to terminate the Investment Cooperation Agreement and request the Target Company to reduce the registered capital or request Mr. Zhan and Mr. Kong to purchase the equity interests held by Shenzhen Jiayao to recover the capital increase amount or related interests if (i) one of the following circumstances occurs; and (ii) Shenzhen Jiayao informs Mr. Zhan, Mr. Kong, and the Target Company, but the Target Company fails to make substantial improvements within fifteen (15) days after receiving the notice:

- (1) Mr. Zhan, Mr. Kong or the Target Company violates any clause of the Investment Cooperation Agreement;
- (2) any representation, warranty, or undertaking given by Mr. Zhan, Mr. Kong, or the Target Company in the Investment Cooperation Agreement is substantially untrue, which has or could have a material adverse effect on Shenzhen Jiayao or the Target Company;
- (3) the purpose of the Investment Cooperation Agreement cannot be achieved.

If during the period from the date of entering into the Investment Cooperation Agreement to completion of business registration procedures for changing the registered capital of the Target Company, the adoption of, or any change in, any applicable laws or regulations, so that the content of the Investment Cooperation Agreement is inconsistent with the new laws and regulations, the Parties can terminate the Investment Cooperation Agreement in writing if the Parties cannot reach an agreement on the revision of the Investment Cooperation Agreement in accordance with the new laws and regulations.

REASONS FOR AND BENEFITS OF ENTERING INTO THE INVESTMENT COOPERATION AGREEMENT

The Company can use years of experience and market network in the tobacco industry, and leverage the existing foundation of the Target Company to expand its e-cigarette business faster, so as to strengthen the diversified development of the Company's tobacco related business.

Having considered the aforementioned benefits, and the terms of the Investment Cooperation Agreement having been determined after arm's length negotiations among the relevant parties and are on normal commercial terms, the Directors believe that the terms of the transactions are fair and reasonable and in the interests of the Shareholders as a whole.

INFORMATION ON THE PARTIES

Shenzhen Jiayao is a company established in the PRC with limited liability and is indirectly wholly-owned by the Company as at the date of this announcement. Shenzhen Jiayao does not have any business operations.

Mr. Zhan is a Chinese citizen and is currently the chief executive officer of the Target Company. Mr. Kong is a Chinese citizen and is currently the deputy general manager and technical director of the Target Company.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, as at the date of this announcement, Mr. Zhan and Mr. Kong are Independent Third Parties.

INFORMATION ON THE TARGET COMPANY

The Target Company is currently owned as to 77.5% by Mr. Zhan and 22.5% by Mr. Kong. The Target Company is engaged in technology research and development, production and sales of e-cigarettes, e-cigarettes vaping devices and other electronic products; domestic trade, export of goods and technologies.

According to the financial statements of the Target Company prepared in accordance with PRC generally accepted accounting principles for the financial years ended 31 December 2019 and 31 December 2020, the financial information of the Target Company is set out as follows:

	For the year ended	
	31 December	
	2019	2020
	<i>RMB</i>	<i>RMB</i>
	(unaudited)	(audited)
Net profit before taxation	301,846	807,286
Net profit after taxation	301,846	843,816

The total asset value and net asset value of the Target Company as at 30 September 2021 were approximately RMB32,697,139 and RMB1,256,362, respectively.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios under the Listing Rules in relation to the Transaction is more than 5% but less than 25%, the Transaction constitutes a discloseable transaction and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

“Board”	the board of Directors
“Company”	Jia Yao Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Completion”	Shenzhen Jiayao, Mr. Zhan, and Mr. Kong respectively subscribed for the registered capital of RMB14,000,000, RMB4,000,000, and RMB2,000,000 of the Target Company
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Independent Third Party(ies)”	individual(s) or entity(ies) which is/are not connected with the Company or the Company’s connected person(s) within the meaning ascribed under the Listing Rules
“Investment Cooperation Agreement”	the investment cooperation agreement dated 29 December 2021 entered into among Shenzhen Jiayao (an indirect wholly-owned subsidiary of the Company), Mr. Zhan, Mr. Kong, and the Target Company, relating to the Proposed Capital Increase
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and the Taiwan region
“Shareholder(s)”	holder(s) of shares of the Company
“Shenzhen Jiayao”	Shenzhen Jiayao Biological Technology Co., Ltd.* (深圳市嘉耀生物科技有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Company”	Shenzhen Haohan Yangtian Technology Co., Ltd.* (深圳浩瀚陽天科技有限公司), a company established in the PRC with limited liability
“Transaction”	the capital increase by Shenzhen Jiayao pursuant to the Investment Cooperation Agreement
“%”	per cent

By order of the Board
Jia Yao Holdings Limited
Yang Yoong An
Chairman and Executive Director

Hong Kong, 29 December 2021

As at the date of this announcement, the Board comprises Mr. Yang Yoong An as executive Director (Chairman), Mr. Feng Bin and Mr. Yang Fan as non-executive Directors and Mr. Gong Jinjun, Mr. Zeng Shiquan and Mr. Wang Ping as independent non-executive Directors.

* *For identification purpose only*