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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
RESUMPTION OF LAND USE RIGHTS**

The Board hereby announces that Hubei Golden Three Gorges, a subsidiary of the Company, entered into the Land Resumption Agreement with Yichang Land Reserve Centre* (宜昌市土地儲備中心) and Yichang High-tech Zone Finance Bureau* (宜昌高新區財政局) dated 30 August 2023, pursuant to which, Yichang Land Reserve Centre* will resume the land use rights of five parcels of land of Hubei Golden Three Gorges located in No. 26 Qingdao Road, Yichang City, with a total resumed land area of approximately 57,050.44 square meters. The Compensation payable to Hubei Golden Three Gorges for the resumption of the Land Involved is approximately RMB177.52 million. To the best of the knowledge, information and belief of the Directors, having made all reasonable inquiries, each of Yichang Land Reserve Centre* and Yichang High-tech Zone Finance Bureau* is a government agency and a third party independent of the Company and its connected persons (as defined in the Listing Rules).

As the highest applicable percentage ratio (as defined in Rule 14.04(9) of the Listing Rules) in relation to the resumption of the Land Involved exceeds 5% but is less than 25%, the Transaction constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the notice and announcement requirements of the Listing Rules.

BACKGROUND

The Board hereby announces that Hubei Golden Three Gorges, a subsidiary of the Company, entered into the Land Resumption Agreement with Yichang Land Reserve Centre* (宜昌市土地儲備中心) and Yichang High-tech Zone Finance Bureau* (宜昌高新區財政局) dated 30 August 2023, pursuant to which, Yichang Land Reserve Centre* will resume the land use rights of five parcels of land of Hubei Golden Three Gorges located in Yichang City.

LAND RESUMPTION AGREEMENT

The major terms of the Land Resumption Agreement are as follows:

Date: 30 August 2023

Parties: (1) Yichang Land Reserve Centre*;
(2) Yichang High-tech Zone Finance Bureau*; and
(3) Hubei Golden Three Gorges.

Land Involved: According to the Land Resumption Agreement, Yichang Land Reserve Centre* shall resume the land use rights of five parcels of land of Hubei Golden Three Gorges located in No. 26 Qingdao Road, Yichang City, as well as the buildings and fixtures erected on the above-mentioned five parcels of land. The total area of the Land Involved to be resumed is approximately 57,050.44 square meters.

Compensation and payment terms:

According to the Land Resumption Agreement, the Compensation payable by Yichang High-tech Zone Finance Bureau* to Hubei Golden Three Gorges for the resumption of the Land Involved is approximately RMB177.52 million, including but not limited to compensation or relocation expenses for machinery, equipment, materials, and supplies, as well as compensation for losses incurred due to production suspension. The Compensation was negotiated by the parties on an arms' length basis with reference to the valuation of the Land Involved conducted by Hubei Huashen Real Estate And Assets Appraisal Co.,Ltd (湖北華審資產評估土地房地產估價有限公司). As at 9 August 2022 (being the valuation date), the appraised value of the land use right and the buildings and facilities erected on the Land Involved using cost approach amounted to approximately RMB177.5288 million.

The Compensation shall be payable by Yichang High-tech Zone Finance Bureau* to Hubei Golden Three Gorges in three installments by cash in the following manner:

- (1) RMB97.52 million within 30 days after entering into the Land Resumption Agreement;
- (2) RMB40 million within 30 days after Hubei Golden Three Gorges completes the registration of the transfer of land use rights, cancellation of the property right of buildings/structures on the ground, and the resolution of relevant legal and economic disputes; and
- (3) RMB40 million within 30 days after Hubei Golden Three Gorges completes the handover of vacated buildings/structures on the ground and concludes the investigation of soil contamination.

Other terms:

Hubei Golden Three Gorges shall deliver the Land Involved to Yichang Land Reserve Centre* in accordance with the Land Resumption Agreement by 31 December 2024.

If Hubei Golden Three Gorges fails to fulfill any of its obligations within the agreed time period as per the Land Resumption Agreement, it shall be liable to compensate for the losses incurred by Yichang Land Reserve Centre* and/or Yichang High-tech Zone Finance Bureau*, as well as pay liquidated damages.

If the overdue period is within 30 days, Hubei Golden Three Gorges shall compensate Yichang Land Reserve Centre* for the losses and pay liquidated damages, which shall be calculated at a rate of 0.1% per day based on the Compensation received by Hubei Golden Three Gorges during that time (the “**Liquidated Damages A**”).

If the overdue period exceeds 30 days, Yichang Land Reserve Centre* shall have the right to terminate the Land Resumption Agreement. In such case, Hubei Golden Three Gorges shall be required to refund the Compensation received to Yichang High-tech Zone Finance Bureau* within 3 days from the date of termination. Additionally, Hubei Golden Three Gorges shall be liable to pay liquidated damages, calculated at a rate of 20% of the Compensation. Moreover, Hubei Golden Three Gorges shall indemnify any losses incurred by Yichang Land Reserve Centre*. If Yichang Land Reserve Centre* decides not to terminate the Land Resumption Agreement, it may demand that Hubei Golden Three Gorges pay additional liquidated damages of RMB 10,000 per day from the date of delay on top of the Liquidated Damages A.

If the Land Resumption Agreement includes specific provisions regarding breach of contract, such provisions shall be followed accordingly. The non-defaulting party may also seek compensation for losses, including litigation costs, preservation costs, attorney’s fees, appraisal fees, and other related expenses. If there are no clear provisions regarding breach of contract, in addition to the right to claim compensation for losses, the other party may also be required to pay liquidated damages amounting to 20% of the Compensation.

REASONS AND BENEFITS OF THE TRANSACTION

As the warehouse storage capacity of the existing production facilities of Hubei Golden Three Gorges has been fully utilized, Hubei Golden Three Gorges has been leasing external warehouse. Due to the recent addition of machinery for offset printing and gravure printing, part of second floor of the existing production facilities of Hubei Golden Three Gorges, which was originally used as warehouse, has been demolished for the placement of such machinery, resulting in further shortage of warehouse storage capacity. As the surrounding area of the production facilities of Hubei Golden Three Gorges has been developed into a residential area in recent years, the existing production facilities have limitation to further upgrade its production area for new machineries. Furthermore, the PRC government promotes the urban transformation plan of “Retreat the City and Enter the Park” (退城進園) by encouraging industrial enterprises in the central urban area to relocate to industrial parks. In light of the abovementioned government policy as well as the Group’s need of additional warehouse storage capacity, the Group intends to relocate the production facilities of Hubei Golden Three Gorges to Yichang Free Trade Zone (宜昌自貿區) under the government policy.

After the completion of the Transaction, the Company plans to utilize the compensation received for the construction work of the new plant. It is expected that the Transaction will bring better development results to the Group and better returns to the Shareholders when it is completed.

Based on the above reasons and benefits, the Board is of the view that the terms of the Transaction are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

IMPACT OF THE TRANSACTION ON THE COMPANY

Base on the latest unaudited financial statement as at 30 June 2023, the net book value of the Resumed Land is approximately RMB78.0 million (including the net book value of land and buildings of approximately RMB45.8 million, and the estimated relocation costs of machinery, equipment and materials of approximately RMB32.2 million), on account of the aggregate compensation of RMB177.52 million, the Company is expected to record an estimated net gain before tax from the Land Resumption of approximately RMB99.52 million. The actual amount of gain from the Land Resumption to be recorded by the Group is subject to audit and will take into account any costs and expenses incurred relating to the Land Resumption, and accordingly it may be different from the amount stated above.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined in Rule 14.04(9) of the Listing Rules) in relation to the resumption of the Land Involved exceeds 5% but is less than 25%, the Transaction constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements of the Listing Rules.

GENERAL INFORMATION

Yichang Land Reserve Centre* is a PRC Government body responsible for resumption of collective lands within the administrative area, resumption of buildings erected on state-owned lands, urban planning of government reserve lands and development of government reserve lands.

Yichang High-tech Zone Finance Bureau* is a PRC Government body responsible for the preparation and implementation of the financial budget, as well as the control and supervision of the use of financial funds within the administrative area.

To the best of the knowledge, information and belief of the Directors, having made all reasonable inquiries, each of Yichang Land Reserve Centre* and Yichang High-tech Zone Finance Bureau* is a government agency and a third party independent of the Company and its connected persons (as defined in the Listing Rules).

Hubei Golden Three Gorges is a company established in the PRC with limited liability and is indirectly owned as to approximately 82.86% by the Company and approximately 17.14% by Guangxi Jiaying Commercial Investment Management Co.* (廣西嘉盈商業投資管理有限公司) as at the date of this announcement. Hubei Golden Three Gorges is principally engaged in the design, printing and sales of paper cigarette packages and, to a lesser extent, social product paper packages, in the PRC.

DEFINITIONS

Unless the context otherwise requires, capitalized terms used in this announcement shall have the following meanings:

“Board”	the board of directors of the Company
“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

“Compensation”	the compensation to be paid by Yichang High-tech Zone Finance Bureau* to Hubei Golden Three Gorges in the amount of RMB177.52 million pursuant to the Land Resumption Agreement
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Land Involved”	the land use rights of five parcels of land of Hubei Golden Three Gorges located in No. 26 Qingdao Road, Yichang City, with a total resumed land area of approximately 57,050.44 square meters
“Land Resumption Agreement”	the land resumption agreement entered into by Yichang Land Reserve Centre*, Yichang High-tech Zone Finance Bureau* and Hubei Golden Three Gorges dated 30 August 2023 in relation to the Transaction
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, for the purposes of this announcement, excluding Hong Kong, Macau and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	resumption of the Land Involved by Yichang Land Reserve Centre* as stipulated under the Land Resumption Agreement
“%”	per cent

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

Hong Kong, 30 August 2023

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

** For identification purposes only*