

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
DISPOSAL OF 30% OF
THE ISSUED SHARE CAPITAL OF
THE TARGET COMPANY**

On 22 December 2023, the Company, the Purchaser, the Guarantor, and Hubei Golden Three Gorges entered into the Sale and Purchase Agreement, pursuant to which the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase, the Sale Shares, representing 30% of the issued share capital of the Target Company, at the Consideration of HK\$47,465,971. Upon Completion, the Company shall continue to be the legal and beneficial owner of 70% of the entire issued share capital of the Target Company. The Target Company will remain a subsidiary of the Company and its financial result will remain be consolidated into the financial statements of the Group.

In connection with the Sale and Purchase Agreement, on the Completion date, the Purchaser will execute the Share Charge in favour of the Company to secure the payment obligations of the Purchaser for the Third Payment.

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

BACKGROUND

On 22 December 2023, the Company, the Purchaser, the Guarantor, and Hubei Golden Three Gorges entered into the Sale and Purchase Agreement, pursuant to which the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase, the Sale Shares, representing 30% of the issued share capital of the Target Company, at the Consideration of HK\$47,465,971.

SALE AND PURCHASE AGREEMENT

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

Date: 22 December 2023

Parties:

- (1) The Company, as Vendor;
- (2) Master Bliss Holdings Limited, as Purchaser;
- (3) Mr. Zhu Chunlin, as Guarantor of the Purchaser; and
- (4) Hubei Golden Three Gorges.

Subject matter of the sale and purchase: The Sale Shares, representing 30% of the issued share capital of the Target Company.

Consideration and basis of consideration: The Consideration, being HK\$47,465,971 shall be settled in cash in the following manner:

- (1) a sum of HK\$15,000,000, being the first payment (the “**First Payment**”), shall be paid by the Purchaser or the Guarantor to the Company (or its nominee) within 10 business days after signing of the Sale and Purchase Agreement;
- (2) a sum of HK\$10,000,000, being the second payment (the “**Second Payment**”), shall be paid by the Purchaser or the Guarantor to the Company (or its nominee) on the date on which the legal ownership of the Sale Shares is transferred to the Purchaser; and

- (3) a sum of HK\$22,465,971 (the “**Third Payment**”) shall be paid by the Purchaser or the Guarantor to the Company (or its nominee) within 10 business days from the date on which the Outstanding Amount is settled.

The Consideration for the Sale Shares was determined based on arm’s length negotiations between the Company and the Purchaser, taking into account, inter alia, (a) the valuation report issued by Hubei Yunji Asset Appraisal Firm (General Partnership)* (湖北雲集資產評估事務所(普通合夥)), the appraised equity value of Hubei Golden Three Gorges (in which the Company indirectly holds 82.86% equity interest) as at 30 June 2023 was RMB264,529,700 using the cost method; (b) the consolidated net asset value of the Target Company of approximately RMB219,838,543 as at 30 June 2023; (c) the undistributed profits of the Target Company and its subsidiaries of approximately RMB74,276,232 as at (and including) 30 June 2023; and (d) the compensation in respect of the Resumption of Land received by Hubei Golden Three Gorges of approximately RMB177,520,000. The compensation is the income generated by the government’s land resumption compensation. The compensation includes all the land, buildings and immovable facilities in the old factory of Hubei Golden Three Gorges, as well as the costs and losses of the relocation of the factory (and these land, buildings and immovable facilities are all included in the assessed value of Hubei Golden Three Gorges). Regarding matters related to this article, the Purchaser agrees to unconditionally cooperate with the Company in signing all required documents after closing, including but not limited to a dividend waiver statement.

**Shareholding structure of
the Target Group:**

		Percentage held by the Target Company
No.	Subsidiaries	
1	Park Linker Limited (柏滙有限公司)	100%
2	Easy Creator Limited (宜佳有限公司)	100%
3	Hubei Golden Three Gorges	82.86%
4	Hubei Golden Three Gorges Cultural Industry Co., Ltd.* (湖北金三峽文 化產業發展有限公司)	82.86%
5	Henan Puta Printing Co., Ltd.* (河南普大印務有限公司)	82.86%

Conditions precedent:

The sale and purchase of the Sale Shares shall be subject to and conditional on the fulfilment of (or waiver in written form by the Company and the Purchaser) all of the following conditions:

- (1) the representations and warranties made by the Parties under the Sale and Purchase Agreement are accurate and true in all respects and without any misunderstanding or omission from the date of the Sale and Purchase Agreement to the Completion date;
- (2) the Parties are not in material breach of the terms and conditions set out in the Sale and Purchase Agreement and they are not in breach of any applicable laws, and have obtained the approvals and clearances (where applicable) from their shareholders (where applicable), relevant regulatory authorities and governmental authorities (including but not limited to the Stock Exchange) in respect of all matters under the Sale and Purchase Agreement; and
- (3) the Purchaser has made the First Payment and the Second Payment.

If any of the conditions relating to the Purchaser and the Guarantor are not fulfilled or waived by the Company on or before the Long Stop Date, the Company shall not be obliged to proceed to Completion and may terminate the Sale and Purchase Agreement. If any of the conditions relating to the Company and Hubei Golden Three Gorges are not fulfilled or waived by the Purchaser on or before the Long Stop Date, the Purchaser shall not be obliged to proceed to Completion and may terminate the Sale and Purchase Agreement.

Completion:

Completion shall take place on the Completion date.

Other terms

On 4 December 2023, the Guarantor and Hubei Golden Three Gorges entered into a letter of intent (the “**LoI**”). Pursuant to the LoI, the Guarantor has paid RMB5,000,000 to Hubei Golden Three Gorges as earnest money deposit (the “**Earnest Money Deposit**”). Pursuant to the Sale and Purchase Agreement, Hubei Golden Three Gorges shall refund the Earnest Money Deposit to the Guarantor within 10 business days after the Purchaser has made the First Payment.

Within 2 months after the Completion, the Company shall arrange for the appointment of a qualified person designated by the Purchaser in writing as a director of Hubei Golden Three Gorges, and the Company and its affiliates shall arrange for the repayment of the Outstanding Amount.

As security for the payment obligations of the Purchaser for the Third Payment, the Share Charge over the Sale Shares will be granted by the Purchaser in favour of the Company on the Completion date.

If the Purchaser or the Guarantor fails to make the Third Payment on time, the Company may enforce the Share Charge to transfer the Charged Shares to any person at such price as the Company considers fair.

REASONS AND BENEFITS OF ENTERING INTO THE SALE AND PURCHASE AGREEMENT

Introducing new investor can bring multiple benefits to the Company. Firstly, the Guarantor possesses an extensive business network and contacts, enabling the Company to explore new business cooperation opportunities, introduce new customers and partners, thereby expanding market share and increasing sales revenue. Secondly, the Guarantor shares common development goals and strategic visions with the Company. His investment in the Company demonstrates confidence in its potential and a willingness to collaborate in achieving business growth, increased market share, and value creation. Additionally, the Guarantor may bring innovative ideas, driving upgrades and improvements in areas such as product design and supply chain management. With his wide business perspective and market expansion capabilities, he can assist the Company in entering new markets, exploring new customers and partners, and realizing broader business growth opportunities. Moreover, the Guarantor possesses professional knowledge and experience in enterprise management and operations, providing effective management and strategic guidance. He may introduce advanced management systems, process optimization, and business model innovations to enhance operational efficiency, reduce costs, and increase profits. Furthermore, the Guarantor can introduce senior executives and professionals to the Company, enhancing human resource allocation and development, promoting organizational growth, and employee development. Lastly, the involvement of the Guarantor can increase the Company's financial strength and stability, providing long-term development planning and strategic support for sustainable growth and business expansion. Introducing new investor can drive the Company to maintain a competitive advantage in the cigarette packaging industry, achieve business growth and value creation, while opening up more cooperation opportunities, expanding market share, enhancing brand influence, and promoting the development and progress of the entire industry.

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

FINANCIAL EFFECT OF THE DISPOSAL

Subject to final audit by the Company's auditor, for the year ending December 31, 2023, no material gain or loss is expected to be recognised on the disposal. The above estimated financial impact is shown for illustrative purposes only and the final financial effects of the Disposal will be subject to audit and the fair value of the Target Group as at Completion and may vary from the current estimation.

The Directors intend to apply the proceeds from the Disposal as general working capital.

LISTING RULES IMPLICATIONS

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

INFORMATION ON THE TARGET COMPANY

As at the date of this announcement, the Target Company is a limited liability company incorporated under the laws of the British Virgin Islands and is a wholly-owned subsidiary of the Company.

Based on the unaudited consolidated financial statements of the Target Company for the years ended 31 December 2021 and 2022 prepared in accordance with Hong Kong Financial Reporting Standards, the revenue, the net profit/(loss) (before and after tax) are as follows:

	Year ended 31 December 2022 RMB'000	Year ended 31 December 2021 RMB'000
Revenue	751,356	688,944
Net profit/(loss) before taxation	8,319	(23,616)
Net profit/(loss) after taxation	5,497	(24,425)

INFORMATION OF THE GROUP

The Company is a limited liability company incorporated under the laws of Cayman Islands and its Shares are listed on the Main Board of the Stock Exchange. The Group is primarily engaged in the design, production and sales of electronic cigarettes and paper cigarette packages.

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.

INFORMATION OF THE PURCHASER

The Purchaser is principally engaged in investment holding. As at the date of this announcement, the Purchaser is beneficially owned by the Guarantor, who has held senior executive leadership positions in a number of well-established companies in different industries and has many years of experience in and knowledge of group management.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the Purchaser and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

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
“Charged Shares”	means the 6,000 shares of the Target Company which will be charged in favour of the Company pursuant to the Share Charge
“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”	completion of the sale and purchase of the Sale Shares pursuant to the Sale and Purchase Agreement
“Consideration”	HK\$47,465,971, being the total consideration for the Disposal
“Directors”	the directors of the Company
“Disposal”	the disposal of 30% of the issued share capital of the Target Company by the Company pursuant to the terms and conditions of the Sale and Purchase Agreement
“Group”	the Company and its subsidiaries
“Guarantor”	Mr. Zhu Chunlin (朱春林), being the ultimate beneficial owner of the Purchaser

“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hubei Golden Three Gorges”	湖北金三峽印務有限公司 (Hubei Golden Three Gorges Printing Industry Co., Ltd*), a company established in the PRC with limited liability and is indirectly owned as to 82.86% by the Company and 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
“Independent Third Party(ies)”	third party(ies) independent of and not connected (as defined under the Listing Rules) with the Company and connected person(s) of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 days after the date of the Sale and Purchase Agreement, or such later date as agreed between the Parties
“Outstanding Amount”	As at 31 October 2023, Shenzhen Jiayao Biotechnology Company Limited owed Hubei Golden Three Gorges an amount of RMB69,030,156.16
“Parties”	the Company (as vendor), the Purchaser, the Guarantor and Hubei Golden Three Gorges, “Party” means any of them
“PRC”	the People’s Republic of China, for the purposes of this announcement, excluding Hong Kong, Macau and Taiwan
“Purchaser”	Master Bliss Holdings Limited, a company incorporated under the laws of the British Virgin Islands with limited liability, the principal activities of which is investment holding and is an Independent Third Party
“Resumption of Land”	On 30 August 2023, Hubei Golden Three Gorges entered into a 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), pursuant to which, Yichang Land Reserve Centre* resumed the land use rights of Hubei Golden Three Gorges, and compensated it with approximately RMB177.52 million

“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the share purchase agreement dated 22 December 2023, entered into among the Company, the Purchaser, the Guarantor, and Hubei Golden Three Gorges in relation to the sale and purchase of the Sale Shares
“Sale Shares”	6,000 shares of the Target Company, representing 30% of the entire issued share capital of the Target Company
“Share Charge”	the charge over the Sale Shares in favour of the Company granted by the Purchaser as security under the Sale and Purchase Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Giant Harmony Limited, a company incorporated in the British Virgin Islands with limited liability, which is an investment holding company and a wholly-owned subsidiary of the Company as at the date of this announcement
“Target Group”	collectively, the Target Company and its five (5) subsidiaries including Park Linker Limited (柏滙有限公司), Easy Creator Limited (宜佳有限公司), Hubei Golden Three Gorges, Hubei Golden Three Gorges Cultural Industry Co., Ltd.* (湖北金三峽文化產業發展有限公司), and Henan Puta Printing Co., Ltd.* (河南普大印務有限公司)
“%”	per cent

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

Hong Kong, 22 December 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 and Ms. Guo Wei as independent non-executive Directors.

* For identification purposes only