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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
ACQUISITION OF 80% OF THE ISSUED SHARES OF
THE TARGET COMPANY INVOLVING THE ISSUE OF
CONSIDERATION SHARES UNDER THE GENERAL MANDATE

THE ACQUISITION

The Board wishes to announce that on 12 August 2026 (after trading hours of the Stock Exchange), the Company (as purchaser), the Vendor and the Guarantor entered into the Sale and Purchase Agreement, pursuant to which the Company has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Shares, representing 80% of the total number of issued shares of the Target Company, for the maximum Consideration of HK\$430,500,000, which will be satisfied by the allotment and issue of the Consideration Shares by the Company to the Vendor at the Issue Price of HK\$21.00 each, credited as fully paid, under the General Mandate.

Upon Completion, the Target Company will become a subsidiary of the Company, and the financial results of the Target Group will be consolidated into those of the Group. The Target Group is principally engaged in AI-powered Internet game development and publishing, and the development, consultancy and provision of services relating to AI application technologies to enterprises.

A maximum number of 20,500,000 Consideration Shares will be allotted and issued, representing (i) approximately 3.42% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 3.30% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming that there is no other change in the issued share capital of the Company between the date of this announcement and the Completion). The number of the Consideration Shares to be issued to the Vendor is subject to the Profit Guarantee arrangement.

The Company will apply to the listing committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares. The Consideration Shares will be allotted and issued pursuant to the General Mandate and are not subject to the approval of the Shareholders.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition exceeds 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

Shareholders and potential investors of the Company should note that the Completion is subject to the fulfilment (or, where applicable, waiver) of the Conditions Precedent under the Sale and Purchase Agreement, and the Completion may or may not proceed. In addition, the number of Consideration Shares to be released to the Vendor is subject to the Profit Guarantee. Shareholders and potential investors of the Company are therefore advised to exercise caution when dealing in the Shares.

THE SALE AND PURCHASE AGREEMENT

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

Date

12 August 2026 (after trading hours of the Stock Exchange)

Parties

- (a) the Company (as purchaser);
- (b) the Vendor; and
- (c) the Guarantor.

Subject matter

The Sale Shares, being 80 shares of US\$1.00 each in the Target Company, represent 80% of the total number of issued shares of the Target Company. The Sale Shares will be sold free from all encumbrances and together with all rights attaching to them as at Completion or subsequently becoming attached to them.

Consideration

The maximum Consideration is HK\$430,500,000, which will be satisfied by the Company by way of the allotment and issue of a maximum of 20,500,000 Consideration Shares in the name of the Vendor at the Issue Price of HK\$21.00 each, credited as fully paid, subject to downward adjustment in accordance with the Profit Guarantee. The Consideration Shares shall be deposited with and held by the Escrow Agent pending release in accordance with the Profit Guarantee.

The Consideration was determined after arm's length negotiations among the parties to the Sale and Purchase Agreement, having taken into account (i) the business development and future prospect of the Target Group; (ii) the appraised value of 80% equity interest of the Target Group of approximately HK\$432,000,000 as at 30 June 2026 as set out in the Valuation; (iii) the Profit Guarantee; and (iv) the reasons for and benefits of the Acquisition set out in this announcement.

Conditions Precedent

Completion is conditional upon the following Conditions Precedent being fulfilled or, where applicable, waived:

- (i) the Company and its advisers having completed legal, business, financial and regulatory due diligence in respect of the Target Group, and the Company being reasonably satisfied with the results thereof;
- (ii) the warranties given by the Vendor and the Guarantor under the Sale and Purchase Agreement having remained true, accurate and not misleading in all material respects;
- (iii) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Consideration Shares;
- (iv) the obtaining of all necessary governmental, regulatory and third-party consents and approvals in connection with the Acquisition;
- (v) the Company having published all necessary announcement(s) and obtained all necessary approvals under the Listing Rules in respect of the Acquisition; and
- (vi) the Shareholders' Agreement having been entered into by the Target Company with its shareholders.

The Company may waive any of the Conditions Precedent (save for (iii), (iv) and (v), which cannot be waived). If the Conditions Precedent have not been fulfilled (or, where applicable, waived) on or before the Long Stop Date, the Sale and Purchase Agreement (save for the surviving provisions on confidentiality, announcements, general provisions, notices and governing law and jurisdiction) shall have no effect and no party shall have any liability or obligation under it, save in respect of any antecedent breach.

Completion

Completion shall take place within three (3) business days after the fulfilment (or valid waiver) of all the Conditions Precedent, or at such other place or time as the Vendor and the Company may agree.

Upon Completion, the Target Company will be held as to 80% by the Company, 16% by the Vendor and 4% by Ms. Chen Jing. The Target Company will become a subsidiary of the Company, and the financial results of the Target Group will be consolidated into those of the Group.

CONSIDERATION AND ISSUE PRICE

The Consideration Shares represent (i) approximately 3.42% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 3.30% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming there is no other change in the issued share capital of the Company between the date of this announcement and Completion).

The Issue Price of HK\$21.00 per Consideration Share represents:

- (i) a discount of approximately 17.90% to the closing price of HK\$25.58 per Share as quoted on the Stock Exchange on the date of the Sale and Purchase Agreement;
- (ii) a discount of approximately 18.60% to the average closing price of HK\$25.80 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately prior to the date of the Sale and Purchase Agreement; and
- (iii) a discount of approximately 14.89% to the average closing price of HK\$24.674 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days immediately prior to the date of the Sale and Purchase Agreement.

The Issue Price was determined after arm's length negotiations between the parties to the Sale and Purchase Agreement, with reference to, among others, the prevailing market price of the Shares and the current market conditions. The Directors consider that the Issue Price is fair and reasonable.

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

The Consideration Shares, when allotted and issued, will rank *pari passu* in all respects among themselves and with the other Shares in issue as at the date of allotment and issue of the Consideration Shares, including the right to all dividends, distributions and other payments made or to be made, the record date for which falls on or after the date of such allotment and issue.

PROFIT GUARANTEE

The Vendor and the Guarantor have warranted and guaranteed to the Company that the consolidated net profit after taxation of the Target Group for the year ending 31 December 2026, as shown in the Profit Guarantee Accounts, shall not be less than HK\$50,000,000.

In the event that the actual net profit after taxation of the Target Group for the year ending 31 December 2026 as shown in the Profit Guarantee Accounts is lower than the Profit Guarantee (being HK\$50,000,000), the Vendor shall only be entitled to receive such number of Consideration Shares representing the achieved proportion of the Profit Guarantee (i.e. in proportion to the ratio of the actual net profit after taxation of the Target Group for the year ending 31 December 2026 as shown in the Profit Guarantee Accounts divided by the amount of Profit Guarantee). The Company shall procure the Escrow Agent to deliver to the Vendor the share certificate(s) representing the adjusted number of the Consideration Shares to which the Vendor is entitled within forty-five (45) days after the provision of the audited consolidated financial statements of the Target Group for the financial year ending 31 December 2026 to the Company. If the Target Group recorded a net loss after taxation for the year ending 31 December 2026, the Vendor shall not be entitled to receive any Consideration Share.

Any of the Consideration Shares to which the Vendor is not entitled shall either be cancelled by the Company, held as treasury shares of the Company or placed to Independent Third Parties through a placing agent.

VALUATION

The Company has engaged the Valuer to perform a valuation of 80% equity interest of the Target Group as at 30 June 2026 (the “**Valuation Date**”). Based on the Valuation, the appraised value of 80% equity interest of the Target Group as at the Valuation Date was approximately HK\$432,000,000.

Valuation Assumptions

In arriving at their opinion of value, the Valuer has considered the following principal factors:

- the economic outlook for the region operated by the Target Group and specific competitive environments affecting the industry;
- the business risks of the Target Group;
- the Comparable Companies (as defined below) are engaging in business operations similar to the Target Group;
- the experience of the management team of the Target Group and support from its shareholders; and
- the legal and regulatory issues of the industry in general.

The key general assumptions adopted in the Valuation include:

- there will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Target Group;
- there are no hidden or unexpected conditions associated with the assets valued that might adversely affect the reported values, and no responsibility for changes in market conditions after the Valuation Date;
- the Target Group operate continuously as a going concern;
- there is no material change to the national macro-economic, industrial and regulation development policies;
- there is no material change to the relevant tax base and tax rates after the Valuation Date;
- the management of the Target Group is responsible and stable, and is capable of its undertakings after the Valuation Date;
- the Target Group fully complies with all relevant laws and regulations; and
- there is no force majeure which has material adverse effects on the Target Group.

Valuation Approach

The income approach, cost approach and market approach were considered by the Valuer. The market approach (by way of the guideline public company) has been adopted for the Valuation.

The cost approach was not appropriate as it assumed that the assets and liabilities of the Target Group are separable and can be sold separately. This methodology is more appropriate for the industries that their assets are highly liquid, such as property development and financial institutions. Thus, the cost approach was not adopted in the Valuation.

The income approach was not appropriate as numerous assumptions are involved in formulating the financial projections of the Target Group, which might not be able to reflect the uncertainties in its future performance, and as the income approach requires detailed operational information and financial projections, it may be subject to management bias regarding future performance, and objective supporting data is not available. Thus, the income approach was not adopted in the Valuation.

The market approach was adopted as the fair value derived therefrom reflects the market expectations over the corresponding industry (the price multiples of the comparable companies being derived from market consensus), and as there are sufficient public companies similar in nature and business to the Target Group, their market values are considered good indicators of the industry.

Selection of the Comparable Companies and Market Multiples

The comparable companies (the “**Comparable Companies**”) were selected using FactSet and their latest audited annual reports, with reference to the following criteria: (i) the primary business is the development and operation of mobile games, with over 50% of revenue derived from such activities; (ii) they are listed on major stock exchanges; (iii) they derive a portion of revenue from international markets, facilitated by distribution on global digital storefronts such as Apple’s App Store and Google Play; (iv) their latest-twelve-month earnings as at the Valuation Date are positive; (v) their financial information is publicly available; and (vi) their forward FY2026 estimated earnings are available. On this basis, 17 Comparable Companies were selected, being an exhaustive list based on the Valuer’s research and selection criteria on a best-effort basis.

Details of the selected Comparable Companies are listed as follows:

No.	Company Name	Ticker	Stock Exchange	Business Description	Business Segment
1	Giant Network Group Co. Ltd.	002558-CN	Shenzhen Stock Exchange	Giant Network Group Co. Ltd. engages in the Internet culture and entertainment business. It develops and operates Internet games and community tools. The company is headquartered in Shanghai, China.	— Mobile game: 85.4% — Other: 14.6%
2	KRAFTON, Inc.	259960-KR	Korea Exchange	KRAFTON, Inc. is a global game company, which engages in developing and publishing games. Its business division includes PC, Mobile, and Console. The company is headquartered in Seoul, South Korea.	— Mobile game: 52.4% — Other: 47.6%
3	37 Interactive Entertainment Network Technology Group Co. Ltd.	002555-CN	Shenzhen Stock Exchange	37 Interactive Entertainment Network Technology Group Co., Ltd. engages in the research and development, distribution, and operation of cultural and creative business such as mobile and web games. The company is headquartered in Wuhu, China.	— Mobile game: 97.3% — Other: 2.7%
4	Kingnet Network Co., Ltd.	002517-CN	Shenzhen Stock Exchange	Kingnet Network Co., Ltd. engages in the development and operation of computer platform. It offers development and operation of online games, and distribution of mobile applications. The company is headquartered in Shanghai, China.	— Mobile game: 75.9% — Other: 24.1%
5	NC Corp.	036570-KR	Korea Exchange	NC Corp. engages in the provision of development and publishing of online and mobile games. The main games include Lineage M, Lineage 2M, Lineage W, and Blade & Soul 2, and online games include Lineage, Lineage 2, Aion, Blade & Soul, Guild Wars 2, and Throne & Liberty. The company is headquartered in Seoul, South Korea.	— Mobile game: 57.9% — Other: 42.1%

No.	Company Name	Ticker	Stock Exchange	Business Description	Business Segment
6	XD, Inc.	2400-HK	Hong Kong Stock Exchange	XD, Inc. is an investment holding company, which engages in the development, operation, publishing, and distribution of mobile and web games and provision of information services. The company is headquartered in Shanghai, China.	— Mobile game: 98.1% — Other: 1.9%
7	Beijing Ultrapower Software Co., Ltd.	300002-CN	Shenzhen Stock Exchange	Beijing Ultrapower Software Co., Ltd. engages in the provision of information technology operation, maintenance, and management solutions. It operates through the following segments: Information Communications Technology (ICT) Operation Management, Mobile Games, Internet of Things Communications, and Artificial Intelligence and Big Data. The Mobile Games segment produces mobile game products. The company is headquartered in Beijing, China.	— Mobile game: 67.1% — Other: 32.9%
8	Netmarble Corp.	251270-KR	Korea Exchange	Netmarble Corp. develops and publishes online games. Its games include Magumagu, Modoo Marble, Lineage 2 Revolution, Seven Knights, Club M Star, Special Force 2, Age of Revolution, Netmarble Holdem, LowBaduki, 7 Poker, New Power and Baduk. The company is headquartered in Seoul, South Korea.	— Mobile game: 93.3% — Other: 6.7%
9	Modern Times Group MTG AB	MTG.B-SE	Nasdaq Stockholm	Modern Times Group MTG AB operates as a gaming group company. It offers gaming franchises in the mobile gaming genre. Its businesses include game studios that develop and publish games. The company is headquartered in Stockholm, Sweden.	— Mobile game: 100% — Other: 0%

No.	Company Name	Ticker	Stock Exchange	Business Description	Business Segment
10	MIXI, Inc.	2121-JP	Tokyo Stock Exchange	MIXI, Inc. engages in the provision of social networking and job recruitment services. It operates through the following segments: Digital Entertainment, Sports, Lifestyle, and Investment. The Digital Entertainment segment provides games for smart devices, such as Monster Strike, Kotodaman, STAR SMASH, and Monster Strike Stadium. The company is headquartered in Tokyo, Japan.	— Mobile game: 50.2% — Other: 49.8%
11	GungHo Online Entertainment, Inc.	3765-JP	Tokyo Stock Exchange	GungHo Online Entertainment, Inc. engages in the planning, development, operation and distribution of smartphone applications and online computer games and also engages in the planning, development and sale of console games. The company is headquartered in Tokyo, Japan.	— Mobile game: 100% — Other: 0%
12	IGG, Inc.	799-HK	Hong Kong Stock Exchange	IGG, Inc. is an investment holding company, which engages in the development and operation of online games in the international market. It offers mobile, browser, and client-based online games. The company was is headquartered in Singapore.	— Mobile game: 80.7% — Other: 19.3%

No.	Company Name	Ticker	Stock Exchange	Business Description	Business Segment
13	COLOPL, Inc.	3668-JP	Tokyo Stock Exchange	COLOPL, Inc. engages in the provision of smartphone applications. It operates through the following divisions: Domestic Mobile Game Service, Overseas Mobile Game Service, Virtual Reality (VR) Service, and Other Services. The Domestic Mobile Game Service division develops mobile game applications for domestic use. The Overseas Mobile Game Service division delivers mobile game applications to English speaking countries and East Asia. The company is headquartered in Tokyo, Japan.	— Mobile game: 89.7% — Other: 10.3%
14	Akatsuki, Inc.	3932-JP	Tokyo Stock Exchange	Akatsuki, Inc. engages in the development of mobile games. It operates through Game Business and Comic Business segments. The Game Business segment involves the planning, development, and operation of mobile games. The company is headquartered in Tokyo, Japan.	— Mobile game: 85.6% — Other: 14.4%
15	Com2uS Corp.	078340-KR	Korea Exchange	Com2uS Corp. engages in the development and publishing of mobile games. It operates through Game sector and Media/Content sector divisions. Its games include Summoners War: Sky Arena, MLB 9 Innings 18, Majestia, Soccer Spirits, Gold Star, Ace Fishing, Soul Seeker, and Wonder Tactics. The company is headquartered in Seoul, South Korea.	— Mobile game: 82.4% — Other: 17.6%

No.	Company Name	Ticker	Stock Exchange	Business Description	Business Segment
16	Ten Square Games SA	TEN-PL	Warsaw Stock Exchange	Ten Square Games SA engages in the design, production, and distribution of browser and mobile games. The company offers its products on mobile platforms such as iOS and Android as well as through internet portals. The company is headquartered in Wroclaw, Poland.	— Mobile game: 96.4% — Other: 3.6%
17	Drecom Co., Ltd.	3793-JP	Tokyo Stock Exchange	Drecom Co., Ltd. engages in the provision and planning of entertainment content for mobile phones and personal computers, as well as business marketing solutions. It operates through the following segments: Game Business and Media Services. The Game Business segment involves in planning, development and operation of games played on smartphones. The company is headquartered in Tokyo, Japan.	— Mobile game: 95.7% — Other: 4.3%

Source: FactSet and latest annual reports of the Comparable Companies as of Valuation Date.

The Valuer adopted the forward price-to-earnings ratio (the “**Forward P/E Ratio**”), being the current market price to the estimated 12-month earnings in FY2026 attributable to owners of the Target Group. The price-to-sales/revenue ratio was not selected as it ignores the cost structure and hence the profitability of a company. The price-to-book ratio was not selected as book value captures only the tangible assets of a company, and a company’s intangible assets and company-specific competencies and advantages are not captured in the price-to-book ratio.

The Comparable Companies, their market capitalisation and FY2026 estimated earnings as at the Valuation Date, and their unadjusted and size-adjusted Forward P/E multiples, are set out below:

No.	Company (Ticker)	Market cap. (Note 1)	FY2026 est. earnings (Note 1)	Unadjusted Forward P/E	Size-adjusted Forward P/E (Note 3)
1	Giant Network Group Co. Ltd. (002558-CN)	52,379.5	4,318.3	12.13x	9.60x
2	KRAFTON, Inc (259960-KR)	10,888,528.5	1,106,589.8	9.84x	8.11x
3	37 Interactive Entertainment (002555-CN)	41,964.0	3,184.1	13.18x	10.25x
4	Kingnet Network Co., Ltd. (002517-CN)	34,745.8	2,694.6	12.89x	10.08x
5	NC Corp. (036570-KR)	5,547,585.6	426,200.4	13.02x	10.67x
6	XD, Inc. (2400-HK)	21,774.2	2,208.1	9.86x	8.45x
7	Beijing Ultrapower Software (300002-CN)	15,174.1	982.3	15.45x	12.25x
8	Netmarble Corp. (251270-KR)	3,060,256.2	397,789.1	7.69x	6.81x
9	Modern Times Group MTG AB (MTG.B-SE)	15,092.5	689.6	21.89x	15.98x
10	MIXI, Inc. (2121-JP)	185,513.0	18,095.0	10.25x	8.74x
11	GungHo Online Entertainment (3765-JP)	116,423.5	4,543.0	25.63x	25.63x
12	IGG, Inc. (799-HK)	3,820.6	666.1	5.74x	5.74x

No.	Company (Ticker)	Market cap. (Note 1)	FY2026 est. earnings (Note 1)	Unadjusted Forward P/E	Size-adjusted Forward P/E (Note 3)
13	COLOPL, Inc. (3668-JP)	47,837.2	174.8	273.68x	273.68x (outlier) (Note 2)
14	Akatsuki, Inc. (3932-JP)	41,889.6	6,592.3	6.35x	6.35x
15	Com2uS Corp. (078340-KR)	314,978.7	28,720.0	10.97x	10.97x
16	Ten Square Games SA (TEN-PL)	584.5	61.8	9.45x	9.45x
17	Drecom Co., Ltd. (3793-JP)	11,513.5	504.6	22.82x	22.82x

Note 1: Market capitalisation is stated in the respective local currencies (in millions) and computed based on the equity value of the Comparable Companies as at the Valuation Date; FY2026 estimated earnings are stated in the respective local currencies (in millions), and based on analyst consensus estimates available as at the Valuation Date (source: FactSet and the latest annual reports of the Comparable Companies).

Note 2: COLOPL, Inc. (3668-JP) was treated as a statistical outlier and excluded from the calculation of the median Forward P/E multiple, as its Forward P/E multiple of 273.68x significantly exceeds the range of the other Comparable Companies (approximately 5x to 26x) and is not representative.

Note 3: Size Adjustments on Valuation Multiple

Historical returns on marketable securities indicate that small companies are riskier than larger companies. The multiple used in the guideline public company method is an inverse of a capitalization rate. A higher capitalization rate represents higher risk and consequently a lower multiple. Using multiples of guideline public companies might lead to the overstatement of a subject company's value. Adjustments might be made for such size differences. In the valuation, the valuation multiples are adjusted with reference to "Adjusting Guideline Multiples for Size" by Mattson, Shannon and Drysdale published in September/October 2001 Valuation Strategies, which is a methodology accepted and applied in valuation profession.

The following formula is adopted in deriving the size adjustment:

$$\text{Adjusted Multiple} = \frac{1}{\frac{1}{\text{Multiple}} + \alpha \varepsilon \theta}$$

Where:

- θ is the size differential of which the underlying size premium data is taken with reference to Center for Research in Security Prices (“**CRSP**”) Deciles Size Premia as of 31 December 2025, by Kroll — Cost of Capital Navigator;
- α is an adjustment made to θ when using a multiple other than one based on net income or net operating profit after tax, being the ratio of the measure to net income or net operating profit after tax; and
- ε is an adjustment made to θ when there is debt in capital structure and a pricing multiple based on the market value of invested capital is being used, being the ratio of market value to the market capitalization of invested capital.

The median (which is not affected by extreme values and is considered a more reasonable mid-point measure for a skewed distribution) of the size-adjusted Forward P/E multiples (excluding the outlier) is 9.84x.

Adjustments

A lack of marketability discount (“**LoMD**”) of 15.7% was applied to adjust the marketable-interest fair value (derived from listed comparable companies) to a non-marketable-interest fair value, as the Target Group is a privately held company. The LoMD was determined with reference to the median marketability discount of approximately 15.7% for the 783 transactions in the “Stout Restricted Stock Study Companion Guide (2025 edition)” by Stout Risius Ross, LLC.

A control premium (“**CP**”) of 30.2% was applied to adjust the minority-interest value to a controlling-interest value, as the Company intends to acquire a controlling stake in the Target Group. The CP was determined with reference to the median equity control premium of approximately 30.2% in the “Control Premium Study: 4th Quarter 2025” by FactSet Mergerstat, LLC.

After applying the LoMD and CP (adjusted multiple = adopted multiple $\times$ (1 – LoMD) $\times$ (1 + CP)), the adjusted median Forward P/E multiple is 10.80x.

Valuation Parameters and Result

The 100% equity value of the Target Group was derived as follows: FY2026 forward earnings of the Target Group of HK\$50,000,000 (being the Profit Guarantee) multiplied by the adjusted median Forward P/E multiple of 10.80x, resulting in an estimated 100% equity value of the Target Group of approximately

HK\$539,946,770, and an appraised value of 80% equity interest of the Target Group of approximately HK\$431,957,416 (rounded to approximately HK\$432,000,000).

The Board's Assessment

Having reviewed the Valuation and considered (i) the qualifications and experience of the Valuer; and (ii) the methodologies, assumptions, parameters and relevant basis adopted in the Valuation, the Board considers the Valuation to be a fair and reasonable basis for determining the Consideration.

Together with the other factors considered by the Directors as mentioned in this announcement, including the Profit Guarantee and the reasons for and benefits of the Acquisition, the Directors are of the view that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

GENERAL MANDATE

The Consideration Shares will be allotted and issued under the General Mandate. Under the General Mandate granted to the Directors at the annual general meeting of the Company held on 18 June 2026, the Directors were authorised to allot, issue and otherwise deal with up to 120,000,000 Shares, representing 20% of the total number of issued Shares as at the date of passing the relevant resolution. As at the date of this announcement, no Share has been allotted and issued under the General Mandate, and 120,000,000 Shares remain available for issue thereunder. Accordingly, the General Mandate is sufficient for the allotment and issue of the 20,500,000 Consideration Shares, and the allotment and issue of the Consideration Shares is not subject to any further approval of the Shareholders.

INFORMATION OF THE PARTIES

The Company and the Group

The Company was incorporated in the Cayman Islands with limited liability, and its Shares are listed on the Main Board of the Stock Exchange. The Group is principally engaged in the design, production and sale of electronic cigarettes and related products and provision of electronic cigarettes ancillary services.

The Vendor and the Guarantor

The Vendor is a company incorporated in the British Virgin Islands with limited liability, whose principal activity is investment holding. The Guarantor, Mr. Lu Zhengchao (盧爭超), is the sole shareholder and ultimate beneficial owner of the Vendor.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, as at the date of this announcement, each of the Vendor and the Guarantor is an Independent Third Party.

The Target Group

The Target Company is a company incorporated in the British Virgin Islands with limited liability. The principal activity of the Target Company is investment holding. As at the date of this announcement, the Target Company holds the subsidiaries which are principally engaged in AI-powered Internet game development and publishing, and the development, consultancy and provision of services relating to AI application technologies to enterprises.

As at the date of this announcement, the Target Company is held as to 96% by the Vendor, and 4% by Ms. Chen Jing. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, as at the date of this announcement, each of the Vendor, the Guarantor (as ultimate beneficial owner of the Vendor) and Ms. Chen Jing is an Independent Third Party.

Set out below is a summary of the unaudited consolidated financial information of the Target Group for the two years ended 31 March 2025 and 2026:

	For the year ended 31 March 2025 (unaudited) HK\$'000	For the year ended 31 March 2026 (unaudited) HK\$'000
Revenue	2,287	5,475
Net (loss)/profit before taxation	(1,420)	360
Net (loss)/profit after taxation	(1,420)	360

The unaudited consolidated net liabilities value of the Target Group as at 31 March 2026 was approximately HK\$1,050,000.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the design, production and sale of electronic cigarettes and related products, and provision of electronic cigarettes ancillary services. With the rapid development of AI technologies, the world is entering a new cycle of technological revolution. The management believes that the current AI technology innovation cycle is still at an early stage, with significant market potential particularly in the application layer of the AI industry value chain.

The Acquisition aligns with the Company's long-term strategy of diversifying its business portfolio beyond electronic cigarettes and strengthening its presence in the fast-growing AI-related industry. The Target Group's primary business focuses on AI-powered game development and publishing. It also provides AI application solutions for enterprises. The Acquisition represents a compelling strategic move that diversifies the Company's revenue base, and opens up the rapidly expanding AI-application sector, which can be better positioned to drive sustainable growth and create long-term value for Shareholders.

The Board also considers that the Acquisition will create significant strategic value for the Group, including through the following:

- (i) Capturing AI market opportunities and talent acquisition: enables the Group to strategically expand into the AI application industry while acquiring an experienced internet and AI talent team to support long-term growth.
- (ii) Enhancing AI capabilities and development efficiencies: following the Acquisition, the Target Group will continue to leverage its existing AI-automated production execution capabilities (art, coding, and testing), deepen the breadth and depth of AI applications across various stages of game development, and gradually extend AI capabilities from the production execution layer to design assistance and planning decision-making layers. It will also advance its phased roadmap, transitioning from near-term Human-AI design collaboration to a medium- to long-term proprietary end-to-end AI Agent platform for autonomous decision-making.

(iii) Driving cost efficiencies and commercial success: following the Acquisition, the Target Group will continue to substantially reduce AI-powered Internet game development cycles and production costs, while leveraging data-driven decision-making to systematically enhance product commercial success rates and build a sustainable competitive advantage.

The Consideration will be satisfied by the allotment and issue of the Consideration Shares upon Completion, which will have a dilution effect on the shareholding of the existing Shareholders by approximately 3.30%. Despite the dilution effect, by satisfying the Consideration entirely with the allotment and issue of the Consideration Shares, there will not be any cash outflow by the Group upon Completion, thereby alleviating the pressure on the Company's financial position. In addition, the dilution impact is outweighed by the advantages of the Acquisition set out above.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Sale and Purchase Agreement and the Acquisition (including the Consideration and the Profit Guarantee arrangement) are fair and reasonable, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole.

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The following table illustrates the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately upon Completion and the allotment and issue of the Consideration Shares, assuming (a) full release of all the Consideration Shares to the Vendor; and (b) no other change in the total number of issued Shares between the date of this announcement and Completion:

Shareholders	As at the date of this announcement		Immediately after the allotment and issue of the Consideration Shares on the above assumptions	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Spearhead Leader Limited (Note 1)	418,724,000	69.79	418,724,000	67.48
The Vendor (Note 2)	—	—	20,500,000	3.30
Other Shareholders	<u>181,276,000</u>	<u>30.21</u>	<u>181,276,000</u>	<u>29.22</u>
Total	<u>600,000,000</u>	<u>100.00</u>	<u>620,500,000</u>	<u>100.00</u>

Notes:

1. Mr. Yang, the chairman of the Board and executive Director, beneficially owns the entire issued share capital of Spearhead Leader Limited. Therefore, Mr. Yang is deemed, or taken to be, interested in 418,724,000 Shares held by Spearhead Leader Limited for the purpose of the SFO. Mr. Yang is the sole director of Spearhead Leader Limited.
2. The figures are provided for illustrative purposes only. The number of Consideration Shares to be issued to the Vendor is subject to the minimum public float requirement under the Listing Rules, and if the said requirement is not satisfied, the Consideration Shares will not be issued.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition exceeds 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

Shareholders and potential investors of the Company should note that the Completion is subject to the fulfilment (or, where applicable, waiver) of the Conditions Precedent under the Sale and Purchase Agreement, and the Completion may or may not proceed. In addition, the number of Consideration Shares to be released to the Vendor is subject to the Profit Guarantee. Shareholders and potential investors of the Company are therefore advised to exercise caution when dealing in the Shares.

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares by the Company from the Vendor pursuant to the Sale and Purchase Agreement
“AI”	artificial intelligence
“Board”	the board of Directors
“business day”	a day (other than a Saturday, Sunday or public holiday) on which banks are open for general banking business in Hong Kong
“Company”	Jia Yao Holdings Limited (嘉耀控股有限公司), a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1626)
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Sale and Purchase Agreement
“Completion Date”	the date on which the Completion takes place
“Conditions Precedent”	the conditions precedent to the Completion as set out in the Sale and Purchase Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

“Consideration”	HK\$430,500,000, being the maximum consideration payable by the Company to the Vendor for the Acquisition under the Sale and Purchase Agreement
“Consideration Share(s)”	a maximum number of 20,500,000 new Shares to be allotted and issued by the Company to the Vendor at the Issue Price to satisfy the Consideration, subject to the Profit Guarantee
“Director(s)”	the director(s) of the Company
“Escrow Agent”	an Independent Third Party designated by the Company as the escrow agent to hold the Consideration Shares pursuant to the Sale and Purchase Agreement
“General Mandate”	the general mandate granted to the Directors at the annual general meeting of the Company held on 18 June 2026
“Group”	the Company and its subsidiaries
“Guarantor”	Mr. Lu Zhengchao (盧爭超), the sole shareholder and ultimate beneficial owner of the Vendor
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	party(ies) who is/are not connected person(s) of the Company and who, together with its/their ultimate beneficial owner(s), is/are independent of the Company and its connected persons
“Issue Price”	HK\$21.00 per Consideration Share
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended, supplemented or otherwise modified from time to time)

“Long Stop Date”	11 September 2026, or such later date as may be agreed between the parties to the Sale and Purchase Agreement in writing
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan)
“Profit Guarantee”	HK\$50,000,000, being the consolidated net profit after taxation of the Target Group for the year ending 31 December 2026 guaranteed by the Vendor and the Guarantor to the Company
“Profit Guarantee Accounts”	the audited special purpose consolidated financial statements of the Target Group for the year ending 31 December 2026 prepared in accordance with the Hong Kong Financial Reporting Standards
“Sale and Purchase Agreement”	the sale and purchase agreement dated 12 August 2026 entered into among the Vendor, the Company and the Guarantor in respect of the Acquisition
“Sale Shares”	the 80 shares of US\$1.00 each in the Target Company, representing 80% of the total number of issued shares of the Target Company
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shareholders’ Agreement”	the shareholders’ agreement in respect of the Target Company to be entered into by the Target Company with its shareholders on the Completion Date, to regulate the shareholders’ rights and obligations in the Target Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Target Company”	Ninety Investment Holding Limited, a company incorporated in the British Virgin Islands with limited liability
“Target Group”	the Target Company and its subsidiaries
“Valuation”	the valuation of 80% equity interest of the Target Group conducted by the Valuer
“Valuer”	Masterpiece Valuation Advisory Limited, an independent professional valuer
“Vendor”	Ninety Kilometers Holding Limited, a company incorporated in the British Virgin Islands with limited liability
“%”	per cent.

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

Hong Kong, 12 August 2026

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