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JIA

Jia Group Holdings Limited

佳民集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8519)

DISCLOSEABLE TRANSACTION DISPOSAL OF ASSETS

On 12 October 2018, the Vendor and the Purchaser entered into the Assets Transfer Agreement, pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to purchase the Assets for a consideration of HK\$850,000.

Upon Completion, the business of the restaurant of the Group under the trading name of “RHODA” ceased.

As one or more of the applicable percentage ratios under Chapter 19 of the GEM Listing Rules in respect of the Disposal exceeds 5% but are below 25%, the Disposal constitutes a discloseable transaction for the Company and is therefore subject to reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

INTRODUCTION

On 12 October 2018, the Vendor and the Purchaser entered into the Assets Transfer Agreement, pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to purchase the Assets for a consideration of HK\$850,000.

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ASSETS TRANSFER AGREEMENT

The principal terms of the Assets Transfer Agreement are set out as follows:

Date: 12 October 2018.

Parties: (1) the Vendor, an indirect wholly-owned subsidiary of the Company and was engaged in the operations of RHODA; and
(2) the Purchaser.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the GEM Listing Rules).

Assets to be disposed of: The assets to be disposed of comprise all the machinery, equipment, tools, decorations, furniture, furnishings used in or relating to RHODA and other miscellaneous items (excluding stocks, provisions and drinks).

The Vendor as legal and beneficial owner of the Assets shall sell, transfer, assign and deliver to the Purchaser or its designated entity and the Purchaser shall purchase, acquire and accept with effect from the date of the Assets Transfer Agreement all the Vendor's rights, title and interest of the Assets on an "as is" basis.

Tenancy: The Purchaser entered into the Tenancy Agreement with the landlord of the Premises for the lease of said Premises on the date of Assets Transfer Agreement.

Pursuant to a surrender agreement, the Vendor will surrender and deliver up the Premises to the landlord on 14 October 2018. A sum of HK\$201,290.32 will be payable by the Vendor and deducted from the deposit held by the landlord as handling charge and liquidated damages for early termination of the existing tenancy agreement.

Consideration: HK\$850,000.

Payment terms: (a) a sum of HK\$425,000 (the "**Initial Payment**") shall be paid by the Purchaser to the Vendor upon signing of the Assets Transfer Agreement and the Tenancy Agreement;

- (b) a sum of HK\$297,500, being 35% of the consideration, shall be paid by the Purchaser to the Vendor on or before the date when the Vendor and the Purchaser attend the interview to be conducted by the Food and Environmental Hygiene Department (“FEHD”) for transferring RHODA’s general restaurant licence to the Purchaser or its designated entity; and
- (c) a sum of HK\$127,500, being the balance of the consideration shall be paid by the Purchaser to the Vendor on or before the date when both RHODA’s general restaurant licence and RHODA’s liquor licence shall be successfully transferred to the Purchaser or its designated entity.

Basis of determining the consideration:

The consideration under the Assets Transfer Agreement was determined after arm’s length negotiation and between the Vendor and the Purchaser mainly with reference to the book value of the machinery, equipment, tools, and furniture comprising the Assets as at 30 June 2018, but without regards to the book value of decorations.

Completion:

The sale and purchase of the Assets has been completed on the date of the Assets Transfer Agreement when the Purchaser delivered to the Vendor a cheque for the Initial Payment in satisfaction of the Purchaser’s obligation to pay under paragraph (a) of the payment terms above.

Upon Completion, the business of the restaurant of the Group under the trading name of “RHODA” ceased.

FURTHER INFORMATION ABOUT THE ASSETS

The book value of the Assets as at 30 June 2018 was HK\$4,312,419 based on the unaudited management accounts of the Vendor.

The net losses (both before and after taxation and extraordinary items) attributable to the Assets (taken to be the net losses attributable to RHODA for illustration purpose) were HK\$1,804,914¹ and HK\$857,373 for the year ended 31 December 2016 and 2017, respectively.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is principally engaged in operating restaurants and providing membership services for the Group’s restaurants in Hong Kong.

1 RHODA commenced operations in June 2016

As set out in the Company's interim report 2018 dated 14 August 2018, due to the departure of its head chef, the operations of RHODA had been suspended since September 2018. The Company has been looking for a new head chef and exploring various options including but not limited to overhauling the RHODA's concept. However, the Company has not been able to find a suitable new head chef and the operations of RHODA remained suspended.

Meanwhile, the Company was approached by the Purchaser for acquiring the Assets. Although the Company is expected to record a loss from the Disposal, having considered (i) the continued underperformance of RHODA after the implementation of various improvement strategies; and (ii) the existing tenancy agreement of the Premises will soon expire in March 2019 and should the Vendor close down RHODA at that time, it will incur extra costs such as reinstatement costs, the Directors believe that the closing down of RHODA and the disposal of its Assets pursuant to the Assets Transfer Agreement will help mitigate the loss from RHODA. The Directors also consider that the Disposal will enable the Group to realise idle assets and to use the proceeds for developing its business.

Based on the above, the Directors are of the view that the terms and conditions of the Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE PARTIES

The Group and the Vendor

The Group is a well-established restaurant group in Hong Kong with award-winning restaurants serving a variety of cuisines including Chinese, Spanish, Thai, British, Italy and Southern Californian dishes under different brands and themes.

The Vendor is an indirect wholly-owned subsidiary of the Company and was engaged in the operations of RHODA.

Top Concept Limited

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, (i) the Purchaser is a company established in Hong Kong with limited liability and is engaged in restaurant operations; and (ii) the Purchaser and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the GEM Listing Rules).

FINANCIAL EFFECT OF THE DISPOSAL

For illustrative purpose, based on (i) the book value of the Assets as at 30 June 2018 of HK\$4,312,419 as shown in the unaudited management accounts of the Vendor; and (ii) the consideration of HK\$850,000, it is estimated that the Group will record a loss of HK\$3,462,419 from the Disposal.

Shareholders should note that the actual amount of the loss on the Disposal to be recognised in the consolidated financial statements of the Company depends on the value of the Assets as at the date of Completion and therefore may be different from the amount as mentioned above.

USE OF PROCEEDS FROM THE DISPOSAL

The net proceeds from the Disposal will be used as the Group's general working capital.

IMPLICATIONS OF THE GEM LISTING RULES

As one or more of the applicable percentage ratios under Chapter 19 of the GEM Listing Rules in respect of the Disposal exceeds 5% but are below 25%, the Disposal constitutes a discloseable transaction for the Company and is therefore subject to reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

DEFINITIONS

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

“Assets”	collectively, all the machinery, equipment, tools, decorations, furniture, furnishings used in or relating to RHODA and other miscellaneous items (excluding stocks, provisions and drinks), being the subject matter of the Disposal;
“Assets Transfer Agreement”	the assets transfer agreement dated 12 October 2018 and entered into between the Purchaser and the Vendor in respect of the Disposal;
“Board”	the board of Directors;
“Company”	Jia Group Holdings Limited (佳民集團有限公司), an exempted company incorporated in the Cayman Islands, the shares of which are listed on GEM (Stock Code: 8519);
“Director(s)”	the director(s) of the Company;
“Disposal”	the disposal of the Assets by the Vendor pursuant to the Assets Transfer Agreement;
“Group”	collectively, the Company and its subsidiaries from time to time;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People's Republic of China;
“GEM”	GEM of the Stock Exchange;
“GEM Listing Rules”	The Rules Governing the Listing of Securities on GEM, as amended, supplemented or otherwise modified from time to time;
“Premises”	the operation location of RHODA located at Shop 1A on Ground Floor, Upton, 180 Connaught Road West, Hong Kong;

“Purchaser”	Top Concept Limited (優創有限公司), a company incorporated in Hong Kong with limited liability;
“RHODA”	RHODA, a modern western restaurant operated under the Vendor which is situated at the Premises;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed thereto under the GEM Listing Rules;
“Tenancy Agreement”	the tenancy agreement entered into between the Purchaser and the landlord of the Premises on the date of Assets Transfer Agreement with respect to the Premises;
“Vendor”	Pure Love Restaurant Limited, being a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of the Company which was engaged in the operations of RHODA; and
“%”	per cent.

By the Order of the Board of
Jia Group Holdings Limited
Wong Pui Yain

Chairperson, Chief Executive Officer, and Executive Director

Hong Kong, 12 October 2018

As at the date of this announcement, the Board comprises Ms. Wong Pui Yain and Ms. Wan Suet Yee Cherry as executive Directors; Mr. Leung Yuk Lun Ulric, Mr. Devin Nijanthan Chanmugam and Mr. Wee Keng Hiong Tony as independent non-executive Directors.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the GEM website (www.hkgem.com) for seven days from the date of its posting and on the Company’s website (www.jiagroup.co).