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Jia Group Holdings Limited

佳民集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8519)

**DISCLOSEABLE TRANSACTIONS
LICENSE AGREEMENT AND TENANCY AGREEMENT FOR
RESTAURANT PREMISES**

THE LICENSE AGREEMENT

On 4 October 2019, Profit Holder, an indirect wholly-owned subsidiary of the Company, entered into the License Agreement as licensee with PMQ Management as licensor in respect of the license to use the PMQ Premises for a term of 36 months commencing on 1 December 2020 and expiring on 30 November 2023 (both days inclusive) for the operation of the Group's French restaurant under the trade name of "Louise".

On 4 October 2019, Gain Long, an indirect wholly-owned subsidiary of the Company, entered into the Tenancy Agreement as tenant with Better Plaza as landlord in respect of the lease of the Ship Street Premises for a term of three years commencing on 8 October 2019 and expiring on 7 October 2022 (both days inclusive) for the operation of the Group's Spanish restaurant under the trade name of "Ham & Sherry".

GEM LISTING RULES IMPLICATION

Pursuant to HKFRS 16, the entering into of the License Agreement and Tenancy Agreement will require the Group to recognise the fixed portion of the license fee or rent for the PMQ Premises and the Ship Street Premises as the right-of-use assets with a cost of approximately HK\$10.6 million and HK\$3.8 million respectively at initial recognition and a corresponding lease liability which represented the present value of the future lease or license fee payments. Thus, the entering into the License Agreement and the Tenancy Agreement and the transactions contemplated thereunder will be regarded as deemed acquisitions of asset by the Group.

As one or more of the applicable percentage ratios calculated under Chapter 19 of the GEM Listing Rules in respect of the License Agreement and the Tenancy Agreement exceeds 5% but all are less than 25%, each of the transactions contemplated under the License Agreement and the Tenancy Agreement constitutes a discloseable transaction for the Company and is therefore subject to reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

THE LICENSE AGREEMENT

On 4 October 2019, Profit Holder entered into the License Agreement as licensee with PMQ Management as licensor in respect of the license to use the PMQ Premises for a term of 36 months commencing on 1 December 2020 and expiring on 30 November 2023 (both days inclusive) for the operation of the Group's French restaurant under the trade name of "Louise".

Set out below is a summary of the principal terms of the License Agreement:

- Date:** 4 October 2019
- Parties:**
- (1) Profit Holder, an indirect wholly-owned subsidiary of the Company (as licensee); and
 - (2) PMQ Management (as licensor).

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

Premises: Unit Nos. G/F & 1/F Restaurant, JPC Building, PMQ, 35 Aberdeen Street, Hong Kong

Use: The PMQ Premises are currently used for the operation of the Group's French restaurant named "Louise".

Term: 36 months commencing on 1 December 2020 and expiring on 30 November 2023 (both days inclusive).

Consideration under the License Agreement: **License fee:** The license fee (exclusive of government rates and management fee) shall comprise:

- a basic fee of HK\$372,200 for each calendar month; or
- the turnover fee of 12% of the gross revenue generated from the restaurant "Louise" at the PMQ Premises for each calendar month,

whichever is greater.

Under the License Agreement, Profit Holder shall enjoy a one and a half month's license fee free period at the beginning of the term.

Management fee: HK\$56,490 for each calendar month.

Additional arrangements related to the Qube:

Under the License Agreement, Profit Holder has secured an arrangement under which Profit Holder has the right to provide catering services including any cooking activities in connection with banquet functions at the Qube, a multi-purpose function space at PMQ, at an agreed license fee (comprising a fixed fee of HK\$25,000 plus 8% of the gross sales attributed to the provision of catering services from the Qube for every single use of the function space).

PMQ Management will also procure and ensure that customers or guests who intend to organise event at the Qube that are introduced or referred by PMQ Management (the “**Referred Customers**”) shall order all the food and beverages consume at the Qube exclusively from Profit Holder except that if the expected license fee payable to PMQ Management is equal to or exceed HK\$800,000 per event, PMQ Management is only obliged to recommend Profit Holder to the Referred Customers.

Profit Holder will also have the right to occupy Unit HG14, Hollywood (Block B), 35 Aberdeen Street, Central, Hong Kong for the purpose of storage of furniture and kitchen utensils in relation to the catering services for the Qube.

Basis of determining the consideration:

The consideration under the License Agreement was determined after arms’ length negotiation between Profit Holder and PMQ Management after taking into the prevailing market licensing fee and license terms of similar premises in the proximity of the PMQ Premises.

The consideration is expected to be funded through the internal resources of the Group.

THE TENANCY AGREEMENT

On 4 October 2019, Gain Long entered into the Tenancy Agreement as tenant with Better Plaza as landlord in respect of the lease of the Ship Street Premises for a term of three years commencing on 8 October 2019 and expiring on 7 October 2022 (both days inclusive) for the operation of the Group’s Spanish restaurant under the trade name of “Ham & Sherry”.

Set out below is a summary of the principal terms of the Tenancy Agreement:

Date: 4 October 2019

Parties:

- (1) Gain Long, an indirect wholly-owned subsidiary of the Company (as tenant); and
- (2) Better Plaza (as landlord).

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

Premises: Shop 3 with its yard (previously known as Shop 3) and Shop 4 on Ground Floor of Po Yip Building, Nos. 1-7 Ship Street, Hong Kong

Use: The Ship Street Premises are currently used for the operation of the Group's Spanish restaurant named "Ham & Sherry".

Term: Three years commencing on 8 October 2019 and expiring on 7 October 2022 (both days inclusive).

Consideration under the Tenancy Agreement: **Rent:** The rent (exclusive of government rates and management fee) shall comprise:

- a basic rent of HK\$123,000 for each calendar month; or
- the turnover rent of (i) 10% of the monthly gross receipts of Gain Long if the monthly gross receipts are at or below HK\$2.25 million; or (ii) 12% of the monthly gross receipts of Gain Long if the monthly gross receipts are over HK\$2.25 million, for each calendar month,

whichever is higher.

Under the Tenancy Agreement, Gain Long shall enjoy a one month's rent free period at the beginning of the term.

Management fee: HK\$1,900 per calendar month, subject to review.

Basis of determining the consideration: The consideration under the Tenancy Agreement was determined after arms' length negotiation between Gain Long and Better Plaza after taking into the prevailing market rent and lease terms of similar premises in the proximity of the Ship Street Premises.

The consideration is expected to be funded through the internal resources of the Group.

REASONS FOR AND BENEFITS OF ENTERING INTO THE LICENSE AGREEMENT AND THE TENANCY AGREEMENT

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

The PMQ Premises have been licensed to Profit Holder since May 2014 to operate the Group's restaurant "Aberdeen Street Social". The existing license agreement for the PMQ Premises will expire on 30 November 2020. As disclosed in the Company's interim report for the six months ended 30 June 2019, the Group closed Aberdeen Street Social in April 2019 and introduced a new French restaurant "Louise" at the same location in a partnership with Michelin-starred French Chef Julien Royer of Odette Restaurant to take over the prime location in PMQ. The Directors believe that the introduction of "Louise" has enriched the fine dining experience of the Group's patrons, and strengthened the Group's brand name as a well-established restaurant group in Hong Kong. The License Agreement allows "Louise" to operate in the same location at PMQ after the expiry of the existing license agreement on 30 November 2020, which will facilitate the long-term success of the restaurant.

The Ship Street Premises have been rented to Gain Long since December 2013 to operate the Group's restaurant "Ham & Sherry". The existing tenancy agreement for the Ship Street Premises will expire on 7 October 2019. Notwithstanding the drop in revenue from "Ham & Sherry" in 2018 as a result of the roadworks at Ship Street, the Directors believe that the Ship Street Premises continue to represent a prime location for food and beverages business in the Wanchai district, and the pedestrian traffic will improve as the roadworks at Ship Street come to an end. Hence the Group plans to continue to run the restaurant "Ham & Sherry" at the Ship Street Premises. The Company will closely monitor the operational results of the restaurant and formulate appropriate strategies (such as changing the restaurant concept) to boost the popularity of the restaurant.

Based on the above, the Directors are of the view that the entry of the License Agreement and the Tenancy Agreement and the terms and conditions thereof are fair and reasonable and in the interests of the Company and its shareholders as a whole.

INFORMATION OF THE PARTIES

The Group, Profit Holder and Gain Long

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, French, Italian and Southern Californian dishes under different brands and themes.

Profit Holder is an indirect wholly-owned subsidiary of the Company which is the operational entity for the Group's French restaurant named "Louise".

Gain Long is an indirect wholly-owned subsidiary of the Company which is the operational entity for the Group's Spanish restaurant named "Ham & Sherry".

PMQ Management and Better Plaza

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries:

- (i) PMQ Management is a private company limited by guarantee and incorporated in Hong Kong, which is a non-profit-making social enterprise principally engaged in general management and agency on behalf of PMQ;
- (ii) Better Plaza is a company incorporated in Hong Kong and principally engaged in investment holding and property investment;
- (iii) each of PMQ Management and Better Plaza and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the GEM Listing Rules); and

(iv) PMQ Management and Better Plaza are not related to each other.

IMPLICATIONS OF THE GEM LISTING RULES

Pursuant to HKFRS 16, the entering into of the License Agreement and Tenancy Agreement will require the Group to recognise the fixed portion of the license fee or rent for the PMQ Premises and the Ship Street Premises as the right-of-use assets with a cost of approximately HK\$10.6 million and HK\$3.8 million respectively at initial recognition and a corresponding lease liability which represented the present value of the future lease or license fee payments. Thus, the entering into of the License Agreement and the Tenancy Agreement and the transactions contemplated thereunder will be regarded as deemed acquisitions of asset by the Group.

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DEFINITIONS

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

“Better Plaza”	Better Plaza Limited, a company incorporated in Hong Kong with limited liability;
“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;
“Gain Long”	Gain Long Corporation Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company;
“GEM”	GEM of the Stock Exchange of Hong Kong Limited;
“GEM Listing Rules”	The Rules Governing the Listing of Securities on GEM, as amended, supplemented or otherwise modified from time to time;
“Group”	collectively, the Company and its subsidiaries from time to time;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“HKFRS 16”	Hong Kong Financial Reporting Standard 16 “Leases” which include standards and interpretations promulgated by the Hong Kong Institute of Certified Public Accountants;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;

“License Agreement”	the license agreement dated 4 October 2019 and entered into between Profit Holder as licensee and PMQ Management as licensor in respect of the PMQ Premises;
“PMQ”	a historic site in Hong Kong located between Aberdeen Street, Staunton Street, Hollywood Road, and Shing Wong Street containing a grade III listed building, the old Hollywood Road Police Married Quarters, now used as a mixed-use venue for arts and design;
“PMQ Management”	PMQ Management Company Limited, a private company limited by guarantee and incorporated in Hong Kong;
“PMQ Premises”	Unit Nos. G/F & 1/F restaurant, JPC Building, PMQ, 35 Aberdeen Street, Hong Kong;
“Profit Holder”	Profit Holder Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company;
“Ship Street Premises”	Shop 3 with its yard (previously known as Shop 3) and Shop 4 on Ground Floor of Po Yip Building, Nos. 1-7 Ship Street, Hong Kong; and
“Tenancy Agreement”	the tenancy agreement dated 4 October 2019 and entered into between Gain Long as tenant and Better Plaza as landlord in respect of the Ship Street Premises;
“%”	per cent.

By order of the Board
Jia Group Holdings Limited
Wong Pui Yain
Chairperson and Executive Director

Hong Kong, 4 October 2019

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 GEM website at www.hkgem.com on the “Latest Company Announcements” page for seven days from the day of its posting and on the website of the Company at www.jiagroup.co.