JIA YAO HOLDINGS LIMITED
嘉耀控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1626)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2014

FINANCIAL HIGHLIGHTS

- Revenue for the six months ended 30 June 2014 decreased by approximately 14.0% or RMB31.5 million to approximately RMB192.9 million as compared with the same period in 2013.

- Gross profit for the six months ended 30 June 2014 decreased by approximately 20.2% or RMB14.3 million to approximately RMB56.6 million as compared with the same period in 2013.

- Gross profit margin for the six months ended 30 June 2014 decreased by approximately 2.3% from approximately 31.6% to approximately 29.3% as compared with the same period in 2013.

- Loss attributable to owners of the Company for the six months ended 30 June 2014 was approximately RMB5.3 million as compared to the profit attributable to owners of the Company of approximately RMB12.8 million for the six months ended 30 June 2013.

- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2014.

The board of directors (individually, a "Director", or collectively, the "Board") of Jia Yao Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2014 together with the comparative figures for the corresponding period ended 30 June 2013. The results for the current interim period have been reviewed by our audit committee and our auditor, HLB Hodgson Impey Cheng Limited, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

Unless otherwise stated, the financial information of the Company in this announcement was stated in Renminbi ("RMB").

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

		Six months ended 30 June	
		2014	2013
		(Unaudited)	(Unaudited)
	NOTES	***RMB'000***	*RMB'000*
Continuing operations			
Revenue	*4*	**192,874**	224,343
Cost of sales		**(136,279)**	(153,422)
Gross profit		**56,595**	70,921
Other income		**1,766**	2,090
Other gains and losses		**408**	(43)
Selling and distribution expenses		**(10,148)**	(12,591)
Administrative and other operating expenses		**(18,436)**	(18,349)
Listing expenses		**(19,582)**	(5,035)
Finance costs		**(6,466)**	(12,967)
Profit before tax		**4,137**	24,026
Income tax expense	*5*	**(6,659)**	(3,630)
(Loss)/profit for the period from continuing operations	*6*	**(2,522)**	20,396
Discontinued operation			
Loss for the period from discontinued operation		**–**	(3,816)
(Loss)/profit for the period		**(2,522)**	16,580
Other comprehensive income for the period, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of balance		**95**	–
Total comprehensive (expense)/income for the period		**(2,427)**	16,580

	NOTES	Six months ended 30 June **2014** **(Unaudited)** ***RMB'000***	 2013 (Unaudited) *RMB'000*
(Loss)/profit for the period attributable to:			
Owners of the Company		**(5,390)**	12,758
Non-controlling interests		**2,868**	3,822
		(2,522)	16,580
Total comprehensive (expense)/income for the period attributable to:			
Owners of the Company		**(5,295)**	12,758
Non-controlling interests		**2,868**	3,822
		(2,427)	16,580
(Loss)/earnings per share			
— Basic and diluted *(RMB)*	*8*	**(0.02)**	0.06

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2014

	NOTES	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Non-current assets			
Property, plant and equipment		**172,662**	178,325
Prepaid lease payments		**22,048**	22,339
Deferred tax assets		**1,264**	2,453
		195,974	203,117
Current assets			
Inventories		**79,909**	70,539
Trade and other receivables	9	**224,138**	183,927
Prepaid lease payments		**580**	580
Amounts due from former equity holders of a subsidiary		**–**	17,258
Amount due from a non-controlling equity holder of a subsidiary		**–**	164
Pledged bank deposits		**33,710**	59,293
Bank balances and cash		**32,109**	29,963
		370,446	361,724
Assets classified as held for sale		**3,909**	3,909
		374,355	365,633
Total assets		**570,329**	568,750
Current liabilities			
Trade and other payables	10	**149,924**	220,583
Borrowings		**167,000**	94,550
Amounts due to former equity holders of a subsidiary		**–**	93,026
Amounts due to Controlling Shareholder and Mr. Feng		**–**	31,987
Current tax liabilities		**5,116**	3,733
		322,040	443,879
Net current assets/(liabilities)		**52,315**	(78,246)
Total assets less current liabilities		**248,289**	124,871

	NOTES	**30 June 2014 (Unaudited)** *RMB'000*	31 December 2013 (Audited) *RMB'000*
Non-current liabilities			
Borrowings		**–**	60,000
Deferred tax liabilities		**2,472**	1,866
		2,472	61,866
Net assets		**245,817**	63,005
Capital and reserves			
Paid-in capital/share capital		**2,382**	62
Reserves		**211,012**	33,388
Equity attributable to owners of the Company		**213,394**	33,450
Non-controlling interests		**32,423**	29,555
Total equity		**245,817**	63,005

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

1. GENERAL

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 5 August 2013. The registered office of the Company is located at Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1–1108, Cayman Islands, and the address of the principal place of business is No. 6 Qingdao Road, Dongshan Economic Developing District, Yichang, Hubei Province, the PRC. The Company is an investment holding company. The principal activities of its subsidiaries are the design, printing and sales of paper cigarette packages and social product paper packages in the PRC.

In preparing for the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the companies now comprising the Company and its subsidiaries (hereinafter collectively referred to as the "Group") underwent the corporate reorganisation (the "Reorganisation") to rationalise the group structure. As a result of the Reorganisation, the Company became the holding company of the Group on 30 April 2014. Details of the Reorganisation are more fully explained in the section headed "History, Corporate Reorganisation and Group Structure" of the prospectus of the Company dated 17 June 2014. The Group resulting from the Reorganisation is regarded as a continuing entity. The condensed consolidated statement of financial position as of 31 December 2013, and the related condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the Group for the six months ended 30 June 2013 and 2014 have been prepared on the basis as if the current group structure has been in existence as of that date or throughout the period.

The shares of the Company were listed on the Stock Exchange on 27 June 2014. The Group was under the control of a director of the Company, Mr. Yang Yoong An ("Mr. Yang") (the "Controlling Shareholder").

The condensed consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company and its subsidiaries.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34") "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Except as described below, the accounting policies and the methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group's financial information for the year ended 31 December 2013 included in the Accountants' Report in Appendix I of the prospectus of the Company dated 17 June 2014.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and new Interpretations ("HK(IFRIC)-INT") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC)-INT21	Levies

The application of the above new or revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

Revenue

Revenue from continuing operations represents revenue arising on sales of paper cigarette packages and social product paper packages for the period.

An analysis of revenue from continuing operations is as follows:

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Sales of paper cigarette packages	**183,287**	214,933
Sales of social product paper packages	**9,587**	9,410
	192,874	224,343

Segment information

The Group manages its businesses by divisions. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group's reportable and operating segments are as follows:

Paper cigarette packages — design, printing and sale of paper cigarette packages

Social product paper packages — design, printing and sale of social product paper packages (e.g. packages for alcohol, medicines and food)

For the period ended 30 June 2014:	**Paper cigarette packages (Unaudited)** *RMB'000*	**Social product paper packages (Unaudited)** *RMB'000*	**Total (Unaudited)** *RMB'000*
Continuing operations			
Segment revenue	**183,287**	**9,587**	**192,874**
Segment profit/(loss)	**57,485**	**(890)**	**56,595**
Other income			**1,766**
Other gains and losses			**408**
Selling and distribution expenses			**(10,148)**
Administrative and other operating expenses			**(18,436)**
Listing expenses			**(19,582)**
Finance costs			**(6,466)**
Profit before tax from continuing operations			**4,137**

For the period ended 30 June 2013:	Paper cigarette packages (Unaudited) *RMB'000*	Social product paper packages (Unaudited) *RMB'000*	Total (Unaudited) *RMB'000*
Continuing operations			
Segment revenue	214,933	9,410	224,343
Segment profit	70,017	904	70,921
Other income			2,090
Other gains and losses			(43)
Selling and distribution expenses			(12,591)
Administrative and other operating expenses			(18,349)
Listing expenses			(5,035)
Finance costs			(12,967)
Profit before tax from continuing operations			24,026

Segment assets and liabilities

Segment assets and liabilities are not disclosed in condensed consolidated financial statements as they are not regularly provided to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Geographical information

As all the Group's revenue is derived from customers located in the PRC and all the Group's identifiable non-current assets are principally located in the PRC, no geographical segment information is presented.

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
PRC Enterprise Income Tax ("EIT")		
Current tax	**4,864**	5,708
Deferred tax	**1,795**	(2,078)
	6,659	3,630

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the period. No provision for Hong Kong Profits Tax has been made as the Group had no assessable profit subject to Hong Kong Profits Tax for the both periods.

On 16 March 2007, the National People's Congress promulgated the Law of the PRC on Enterprise Income Tax (the ''New EIT Law'') by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulation of the New EIT Law. Under the New EIT Law and Implementation Regulation, the statutory EIT rates of the Group's subsidiaries in the PRC have been reduced to 25% from 1 January 2008 onwards. Except for a major operating subsidiary in the PRC, Hubei Golden Three Gorges, which is qualified as the High and New Technology Enterprise since 16 September 2009, Hubei Golden Three Gorges is entitled to a preferential income tax rate of 15% for the periods from 16 September 2009 to 15 September 2012 and then extended from 20 November 2012 to 19 November 2015.

Upon the New Tax Law and Implementation Regulations, PRC withholding income tax is applicable to dividends payable to investors that are ''non-PRC tax resident enterprises'', which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends have their sources within the PRC. Under such circumstances, dividends distributed from the PRC subsidiaries to non-PRC tax resident group entities shall be subject to the withholding income tax at 10% or lower tax rate, as applicable. Under the relevant tax treaty, withholding tax rate on distribution to Hong Kong resident companies is 5%. During the six months ended 30 June 2013 and 2014, deferred taxation has been provided on undistributed earnings attributable to non-PRC tax resident equity holders of the subsidiaries in the PRC.

6. (LOSS)/PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
(Loss)/profit for the period from continuing operations has been arrived at after charging/(crediting):		
Staff costs:		
Directors' emoluments	**34**	–
Other staff costs		
Salaries and other benefits	**21,090**	20,163
Contributions to retirement benefits scheme, excluding those of directors	**3,365**	2,276
	24,489	22,439
Depreciation of property, plant and equipment	**10,105**	9,652
Impairment losses on property, plant and equipment	**–**	169
Loss on disposal of property, plant and equipment	**192**	332
Amortisation of prepaid lease payments	**291**	387
Operating lease rentals in respect of rented premises	**457**	–
Reversal of impairment loss on trade receivables	**(6)**	–
Cost of inventories recognised as an expense	**136,279**	153,422

7. DIVIDENDS

No dividend has been paid or declared by the Company since its date of incorporation. Prior to the Reorganisation, Hubei Golden Three Gorges Printing Industrial Co., Ltd ("Hubei Golden Three Gorges") had declared dividends to its then equity owners as follows:

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Medicon Pharmaceutical Industries Limited ("Medicon")	**–**	29,835
Maoming Xin Jia Chang Investment Company Limited ("Maoming Company")	**–**	19,957
Shenzhen Yi Heng Yuan Investment Company Limited ("Shenzhen Company")	**–**	17,491
Non-controlling interests	**–**	13,914
	–	81,197

No dividends were paid, declared or proposed by the Company during the six months ended 30 June 2014. The directors do not recommend the payment of an interim dividend.

8. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
(Loss)/earnings:		
(Loss)/profit for the period attributable to the owners of the Company for the purpose of basic (loss)/earnings per share	**(5,390)**	12,758

The weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share for the six months ended 30 June 2014 and 2013 has been retrospectively adjusted to reflect 1 share issued upon the incorporation of the Company on 5 August 2013, 9,999 shares issued pursuant to the Reorganisation on 30 April 2014 and 224,990,000 shares issued upon the capitalisation issue on 6 June 2014.

	Number of shares Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	**227,072**	225,000

The dilutive (loss)/earnings per share is equal to the basic earnings per share as there were no potential dilutive shares in issue during both periods.

9. TRADE AND OTHER RECEIVABLES

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
	RMB'000	*RMB'000*
Trade receivables	**126,745**	148,334
Less: allowance for doubtful debts	**(179)**	(185)
	126,566	148,149
Note receivables	**14,450**	1,250
Other receivables	**13,694**	13,823
Payments in advance	**4,519**	9,972
Advance to employees	**6,819**	7,070
Deposit paid for machinery and equipment	**2,382**	1,162
Prepaid listing expenses	**–**	897
Listing proceed receivable	**52,530**	–
Prepayments and deposits paid	**3,178**	1,604
Total trade and other receivables	**224,138**	183,927

The above trade and other receivables are denominated in the functional currencies of the relevant group entities.

The average credit period on sales of goods is ranging from 30 to 120 days from the date of the invoice.

The following is an analysis of trade receivables (net of allowance for doubtful debts) by age, presented based on the date of delivery of goods, which approximates the respective revenue recognition dates:

	As at 30 June 2014 (Unaudited) ***RMB'000***	As at 31 December 2013 (Audited) *RMB'000*
0 to 90 days	**123,450**	125,095
91 to 180 days	**1,099**	18,507
181 to 360 days	**307**	3,407
Over 360 days	**1,710**	1,140
	126,566	148,149

The following is an analysis of note receivables by age, presented based on the date of issuance of notes:

	As at 30 June 2014 (Unaudited) ***RMB'000***	As at 31 December 2013 (Audited) *RMB'000*
0 to 90 days	**–**	1,100
91 to 180 days	**14,450**	150
	14,450	1,250

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by each customer. Limits attributed to customers are reviewed once a year.

The trade receivables that are neither past due nor impaired are mainly due from those customers which have long-term relationship with the Group and the repayment history of these customers were good.

10. TRADE AND OTHER PAYABLES

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
	RMB'000	*RMB'000*
Trade payables	**61,471**	74,159
Note payables	**66,600**	109,130
Dividends payable	**–**	13,914
Other payables and accruals	**21,853**	23,380
Total trade and other payables	**149,924**	220,583

The following is an analysis of trade payables by age, presented based on the date of invoice:

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
	RMB'000	*RMB'000*
0 to 90 days	**57,571**	67,628
91 to 180 days	**3,086**	4,776
181 to 360 days	**123**	569
Over 360 days	**691**	1,186
	61,471	74,159

The following is an analysis of note payables by age, presented based on the date of issuance of notes:

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
	RMB'000	*RMB'000*
0 to 90 days	**30,600**	57,000
91 to 180 days	**36,000**	52,130
	66,600	109,130

The average credit period on purchases of goods is ranging from 30 to 90 days from the date of the invoice. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

As at 31 December 2013 and 30 June 2014, note payables represented bank acceptance notes issued by the Group with maturity within six months, and were secured by a charge over certain Group's pledged assets.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

During the first half of 2014, the PRC's economy development grew steadily. With the stable rise in economy and smoking population of approximately 300 million in China, the market demand on cigarettes increased accordingly. Data released by the State Tobacco Monopoly Administration (中國國家煙草專賣局) (the "STMA") revealed that, China has produced 2.59 million cases of cigarettes in the first half of 2014, increased by 0.2% comparing with the corresponding period of 2013. Among these, there are 28 key cigarette brands (重點卷煙品牌) accounting for approximately 21.6 million cases, which increased by 1.55% as compared with the year before. Moreover, the STMA urged all the cigarette sales departments in the industry to strive to reach the annual target of "Ensure 8 (Hundred Billion), Strive 10 (Hundred Billion), Over 1 Trillion" in tax revenue. It further boosted constant growth in sales. The cigarette market in China still has room for development in the future. Meanwhile, high-end cigarette stepped up at a faster pace. It reflected that people pursue for high-quality cigarettes with higher price and better packaging which, in turn, promoted development of cigarette packaging industry.

At the same time, the PRC government's constant support of the consolidation of cigarette packaging industry as well as its encouragement and strengthening efforts to develop high-class cigarette were beneficial to large-scale cigarette packaging manufacturers. As an approved packaging manufacturer of 15 key cigarette brands appointed by the STMA, the Group will grasp the opportunities to strive to develop high-quality and top-tier cigarette package so as to further enhance our market status and market share.

Business Review

The Group is principally engaged in design, production and sale of paper cigarette packaging and, to a lesser extent, social product paper packages in China. The major operating subsidiary of the Company, Hubei Golden Three Gorges, has been established in China for over 20 years. The Group provides paper cigarette packaging services for 15 cigarette brands among the 30 key cigarette brands appointed by the STMA, including Pride (嬌子), Haomao (好貓), Double Happiness (雙喜), Red Double Happiness (紅雙喜), etc. In addition, the Group extended its business to the paper packaging of medicine, wine, food and other consumer products by utilizing its enriched experience and professional knowledge in the cigarette packaging industry.

The Company was listed on 27 June 2014 (the "Listing Date") under which a total of 75,000,000 shares were issued at an offer price of HK$1.26 per share.

Sales and Distribution

The Group highly emphasizes on product design and technology advancement. With its design and development capabilities, the Group strives to enhance its technological competitiveness. Resources will be continued to be input in order to upgrade product development capability. In view of stricter examination standards in China, the Group plans to apply for the accreditation from China National Accreditation Board for Laboratories for its existing examination laboratory. The Group expects the accreditation can increase customers' confidence in our product quality and hence boost our competitiveness. During the period for the six months ended 30 June 2014, the Group has already appointed a consultancy company to carry out on-site examination for our existing facilities for the preparation of accreditation application.

Furthermore, the Group has signed agreements with several institutions in China to nurture appropriate technical experts in order to enhance our development capability which can in turn improve the Group's operation, especially in the aspects of product development, production efficiency and quality control ability. The Group believes that it can bring more business opportunities from existing and potential customers.

Currently, the Group's clients included 10 major provincial tobacco industrial companies (省級中煙工業公司) and 5 non-provincial tobacco companies under China Tobacco Industry Development Center (中國煙草實業發展中心), which located in Hubei, Sichuan, Yunnan, Shaanxi, Henan and other provinces. To those existing clients, the Group will strive to make use of our current status of approved provider and include other cigarette brands or sub-brands manufactured by those clients currently not designed and/or printed by the Group into our product portfolio. In addition to strengthening relationships with existing clients and expanding our business scale, the Group also plans to invest in the markets that our Group is absent now, e.g. Anhui and Jiangxi Province, in order to further expand our customer base. To adhere to this business strategy, the Group intends to set up sales offices in cities where major clients located and also appears to have significant business growth. More sales and marketing staff will be recruited so as to strengthen existing sales and marketing team. Setting up sales offices at places near major clients will enable the Group to maintain good relationships with its clients and to improve the Group's after-sale services which, in turn, will enhance customer satisfaction.

For the six months ended 30 June 2014, the Group's production bases were mainly located in Yichang factory and Dangyang factory. Apart from production activities, Yichang factory also carried out design and development of paper packages. There were 13 factories and ancillary buildings with an aggregate gross floor area of approximately 32 thousand s.q.m.. In addition to the production line in Yichang factory, in order to share the workload and cope with the potential business growth, there are two productions lines in Dangyang factory to enhance the production capability. There were 11 factories and ancillary buildings with an aggregate gross floor area of approximately 12 thousand s.q.m.. It is expected to raise the production capacities and utilisation rates of Yichang factory and Dangyang factory. Moreover, part of the net proceed from the Share Offer will be used in the development of phase II of the Yichang production base for social product paper packages. The construction is still in its primary stage. It is expected to engage in production shortly and will enhance the production efficiency of the Group accordingly.

The below tables set forth the production efficiency and utilization rates of the production bases for the six months ended 30 June 2014 and their comparison with the corresponding period in 2013. Actual production volume and utilisation rate decreased mainly due to the decrease in customers orders in May and June 2014.

Yichang factory:

	For the six months ended 30 June	
	2014	2013
Annual designed production capacity (ten thousand prints)	**10,003**	10,003
Actual production volume (ten thousand prints)	**5,335**	6,223
Utilisation rate	**53.3%**	62.2%

Dangyang factory:

	For the six months ended 30 June	
	2014	2013
Annual designed production capacity (ten thousand prints)	**3,764**	3,764
Actual production volume (ten thousand prints)	**2,071**	2,550
Utilisation rate	**55.0%**	67.8%

Products Development and Design

The Group will continue to invest in machines and equipments to enhance production quality and ensure the productivity is up to the international standards. The management strives to reach the cutting edge of technology in order to reduce production costs when the product quality can be maintained or improved. In addition to improving the machinery in the production lines, by purchasing intaglio printing machine (凹版印刷機), platen hot foil stamping die-cutting machine (平壓平燙金模切機), automatic platen waste cleaning die-cutting machine (自動平壓平清廢模切機) and quality checking machine etc., the Group will also upgrade quality control equipment. In the second half of 2014, one double-unit hot foil stamping die-cutting machine (雙機組燙金模切機) and one die-cutting machine with waste clearing function will be purchased at an estimated price of approximately RMB5.5 million. Compared with the existing machines, the new machines will have more advanced printing technologies, which can enhance the production efficiency.

Moreover, the Group was granted the 10-year patent of "A thermal printing structure becomes apparent two-dimensional code" ("一種熱變顯現二維碼的印刷結構") on 26 March 2014, being our 21st patent. The Group will continue to develop packaging technology to improve product quality with professional technologies.

Financial Review

Turnover

For the six months ended 30 June 2014, the turnover was approximately RMB192.9 million, representing a decrease of 14.0% as compared with the same period in 2013.

The following table sets forth the breakdown of the Group's sales for the six months ended 30 June 2014:

	For the six months ended 30 June		
	2014	2013	
	RMB'000	*RMB'000*	*Change %*
Paper cigarette packages	**183,287**	214,933	–14.7%
Social product paper packages	**9,587**	9,410	+1.9%

For the six months ended 30 June 2014, sales of paper cigarette packages decreased by 14.7% to approximately RMB183.3 million in comparing with the corresponding period in 2013. It was mainly due to the decrease in sales in May and June 2014 as a result of a decrease in customers' orders. Decrease in customers' orders in May and June 2014 principally due to some major customers such as China Tobacco Hubei Industrial Co., Ltd. (湖北中煙工業有限責任公司) ("Hubei China Tobacco") and Heilongjiang Tobacco Industrial Co., Ltd. (黑龍江煙草工業有限責任公司) ("Heilongjiang Tobacco Industrial") deferred the completion of tendering process which postponed their procurement in the first half year. After completion of the tendering process in May 2014, the customers' orders from Hubei China Tobacco and Heilongjiang Tobacco Industrial were increasing and it is expected that there will be a continuing improvement on the Group's performance in the second half of 2014.

Gross Profit

The Group's gross profit decreased approximately 20.2% from approximately RMB70.9 million for the six months ended 30 June 2013 to approximately RMB56.6 million for the six months ended 30 June 2014. The decrease in gross profit was due to the decrease of sales. For the six months ended 30 June 2014, the Group's gross profit rate was 29.3%, which decreased from 31.6% as compared with the same period of 2013. It was mainly due to increase in cost of goods sold per unit which was caused by the decrease of production volume.

Other income

For the six months ended 30 June 2014, other income mainly consists of interest income on bank deposits, sundry income from the sale of scrap material and non-recurring government grants. For the six months ended 30 June 2014, the Group's other income decreased approximately 15.5% to approximately RMB1.8 million. It was mainly due to the decrease of an interest income from entrusted loans made to Maoming Xin Jia Chang Investment Company Limited from RMB0.4 million for the six months ended 30 June 2013 to Nil for the six months ended 30 June 2014.

Other Gains and Losses

For the six months ended 30 June 2014, other gains and losses mainly comprise net losses arising from disposal of property, plant and equipment and foreign exchange gain. For the six months ended 30 June 2014, increase of balance to approximately RMB0.4 million mainly due to the increase of foreign exchange gain during the first half of 2014.

Selling and distribution expenses

For the six months ended 30 June 2014, selling and distribution expenses comprise: (i) delivery expenses for the transportation of our products to customers; (ii) staff costs and benefits relating to our Group's sales and marketing personnel; (iii) entertainment expenses incurred in customer hospitality activities during our normal course of business; (iv) travelling expenses of our staff incurred for the sales and distribution activities; (v) administrative expenses; and (vi) other selling and distribution related expenses. The Group's selling and distribution expenses decreased 19.4% from approximately RMB12.6 million for the six months ended 30 June 2013 to approximately RMB10.1 million for the six months ended 30 June 2014. The decrease was mainly due to the decrease of entertainment expenses incurred in customer hospitality activities during our normal course of business and travelling expenses of our staff incurred for the sales and distribution activities during current period.

Administrative and other operating expenses

For the six months ended 30 June 2014, administrative and other operating expenses consist of (i) staff cost and benefits relating to our Group's administrative personnel; (ii) travelling expenses of administrative staff; (iii) depreciation expenses arising from daily operation; (iv) entertainment expense of administrative staff; (v) research and development expenses; (vi) office expenses; and (vii) other expenses incurred in relation to our administrative operations. The expenses slightly increased by 0.5% from approximately RMB18.3 million for the six months ended 30 June 2013 to approximately RMB18.4 million for the six months ended 30 June 2014.

Listing expenses

During the six months ended 30 June 2014, the Group incurred listing expenses of approximately RMB19.6 million, which were primarily professional fees in connection with the listing (six months ended 30 June 2013: approximately RMB5 million).

Finance Costs

For the six months ended 30 June 2014, finance costs primarily consist of interest payments on interest-bearing obligations, finance costs arising on early redemption of note receivables when the Group sell our note receivables to the banks and other financial institutions at a discount in exchange for immediate cash and bank fees and charges. The finance costs decreased by approximately RMB6.5 million or 50% from RMB13.0 million for the six months ended 30 June 2013 to approximately RMB6.5 million for the six months ended 30 June 2014. The reduction of finance costs was mainly due to decrease of finance costs arising on early redemption of note receivables during the period.

Income tax expense

The Group's income tax expense increased approximately 83.4% from RMB3.6 million for the six months ended 30 June 2013 to approximately RMB6.7 million for the six months ended 30 June 2014. The increase was mainly due to the increase of deferred tax expenses on undistributed earnings of the PRC subsidiaries of the Company, Hubei Golden Three Gorges and Dangyang Liantong Printing Industry Co., Ltd..

Profit/Loss Attributable to Owners of the Company

For the six months ended 30 June 2014, the Group's loss attributable to owners of the Company was approximately RMB5.3 million (profit attributable to owners of the Company for the six months ended 30 June 2013: approximately RMB12.8 million). Loss was recorded in the first half of 2014 due to decline in recognised sales volume which in turn led to the decrease in gross profit, and increase in the incurred listing expenses to approximately RMB19.6 million for current period (six months ended 30 June 2013: approximately RMB5 million).

Trade and other receivables

Trade and other receivables increased by 21.9% from approximately RMB183.9 million as at 31 December 2013 to approximately RMB224.1 million as at 30 June 2014. The increase was mainly attributed to the net effect of: (i) decrease of net trade receivables by approximately RMB21.5 million from approximately RMB148.1 million as at 31 December 2013 to approximately RMB126.6 million as at 30 June 2014; and (ii) listing proceed receivable of approximately RMB52.5 million as at 30 June 2014 (as at 31 December 2013: Nil).

Trade and other payables

Trade and other payables decreased by 32.0% from approximately RMB220.6 million as at 31 December 2013 to approximately RMB149.9 million as at 30 June 2014. The decrease was mainly due to: (i) decrease of trade payables by approximately RMB12.7 million from approximately RMB74.2 million as at 31 December 2013 to approximately RMB61.5 million as approximately at 30 June 2014; (ii) decrease of note payables by approximately RMB42.5 million from approximately RMB109.1 million as at 31 December 2013 to approximately RMB66.6 million as at 30 June 2014; and (iii) dividends payable to the non-controlling interest shareholder of Hubei Golden Three Gorges, Hubei Three Gorges Tobacco Co., Ltd. of approximately RMB13.9 million as at 31 December 2013 and the dividends has been settled before 30 June 2014 (as at 30 June 2014: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

The Group recorded net current assets of approximately RMB52.3 million as at 30 June 2014, compared with net current liabilities of approximately RMB78.2 million as at 31 December 2013. The Group maintained a greatly improved and healthy liquidity position during the six months ended 30 June 2014. The Group's operations were principally financed by internal resources and bank borrowings during the six months ended 30 June 2014.

For the six months ended 30 June 2014, the Group's net cash used in operating activities, net cash from investment activities and net cash from financing activities amounted to approximately RMB55.1 million, RMB37.2 million and RMB20.0 million respectively. For the six months ended 30 June 2013, the Group's net cash from operating activities, net cash used in investment activities and net cash used in financing activities amounted to approximately RMB158.3 million, RMB102.9 million and RMB83.8 million respectively.

Borrowings and Gearing Ratio

The Group's interest-bearing borrowings was approximately RMB167.0 million as at 30 June 2014 (31 December 2013: approximately RMB154.5 million). The asset gearing ratio decreased from approximately 443.7% as at 31 December 2013 to approximately 67.9% as at 30 June 2014. The decrease in gearing ratio was due to the increase in total equity of the Group (Gearing ratios as at 31 December 2013 and 30 June 2014 were calculated based on the total debt from continuing operations as at the respective date divided by total equity from continuing operations as at the respective date and multiplied by 100%).

Capital Expenditure

During the six months ended 30 June 2014, the Group's total capital expenditure amounted to approximately RMB4.3 million, which was mainly used in the construction of the phase II of the Yichang production base and purchase of plant and machineries.

Charge on Assets

The Group's assets with the following carrying amounts have been pledged to secure general banking facilities granted to the Group (including note payables and borrowings of the Group):

	As at 30 June 2014 (Unaudited) ***RMB'000***	As at 31 December 2013 (Audited) *RMB'000*
Prepaid lease payments	**18,329**	18,572
Property, plant and equipment	**127,367**	145,394
Trade receivables	**101,274**	117,310
Pledged bank deposits	**33,710**	59,293
	280,680	340,569

Material Acquisitions

The Company underwent Reorganisation due to the preparation of listing. Details are set out under the section of "History, Reorganisation and Group structure" in the prospectus of the Company dated 17 June 2014.

Contingent Liabilities

As at 30 June 2014, the Group did not have any significant contingent liabilities (31 December 2013: Nil).

Human Resources and Remuneration

As at 30 June 2014, the Group employed 949 employees (as compared with 930 employees as at 30 June 2013) with total staff cost of approximately RMB24.5 million incurred for the six months ended 30 June 2014 (as compared with approximately RMB22.4 million for the same period of 2013). The Group's remuneration packages are generally structure with reference to market terms and individual merits.

Interim Dividend

The Board proposed not to declare any interim dividend for the six months ended 30 June 2014.

Future Outlook

Looking forward, our growth momentum will mainly come from the steady improved performance of the overall industry and the PRC's economy. Moreover, as the domestic cigarette market focuses on high-end products and has been undergoing industry consolidation, the Group is set to benefit from such prevailing market trend.

In order to reinforce our relationship with existing customers and develop businesses with potential customers, the Group will step up efforts in sales and marketing. In addition to the strengthened marketing to existing customers, further development and expansion to rigid box business to enlarge market share, the Group will invest more in promotion of the new markets, so as to exploit other markets based on the established promotion campaign. Currently, we are in preparation for the development of new markets, including establishing customer relationship, collecting information and exploiting opportunities. The Group intends to enter new markets through open tenders, development of new products, setting up associates for processing business and other initiatives. As regards personnel deployment, we have already assigned specialised salespersons to follow up; whilst we have adopted control by projects in relations to business development. We will also set up representative offices once entering into business partnerships.

In addition, to reduce dependence on single business and achieve stable financial results, the Group attaches high importance to product diversification. The Group will develop new social paper packages products to expand product lines. Currently, the Group has developed certain new non-cigarette packages products, such as tea packages in Hunan and liquor packages in Shandong.

The successful listing has provided the Group with a better and wider platform for business growth as we will reinforce our capability of tender bidding and invest in new products, with a view to increase the sales volume in the second half of 2014.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Competing Business and Conflicts of Interests

None of the Directors, management shareholders or substantial shareholders of the Company or any of their respective associates (as defined under the Listing Rules) is engaged in any business which competes or is likely to compete with the business of the Group, and none of them has any other conflicts of interests with the Group.

Purchase, Sales or Redemption of The Company's Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities after the Listing Date and up to six months ended 30 June 2014.

USE OF PROCEEDS FROM THE PUBLIC OFFER AND PLACING

The following table sets forth a breakdown of the use of net proceeds applied by the Group from the Listing Date up to 30 June 2014:

Use of net proceeds	**Planned amount as stated in the Prospectus** *RMB'000*	**Actual amount utilised from the Listing Date up to 30 June 2014** *RMB'000*	**Balance as at 30 June 2014** *RMB'000*
Technical advance, renewal and upgrade of existing equipment	14,000	–	14,000
Procurement and installation of new equipment and machinery for expanding our product variety and enhancing our production capability	9,600	–	9,600
Development of phase II of our Yichang production base for social product paper packages	9,100	–	9,100
Enhancement of the design and development capabilities of the Group	3,500	–	3,500
Expansion of the sales and marketing network of our Group in order to enhance our Group's relationship with the existing customers and explore business opportunities with potential customers	2,300	–	2,300
General working capital purposes, including the repayment of shareholders' loan incurred by the Hong Kong subsidiaries as operating expenses	3,800	2,650	1,150
	42,300	2,650	39,650

The actual amount utilised up to the six months ended 30 June 2014 for the repayment of shareholders' loan which incurred by the Hong Kong subsidiaries as operating expenses was approximately RMB2,650,000.

The unused net proceeds have been placed as interest bearing deposits with licensed bank in Hong Kong. As at the date of this announcement, the Directors do not anticipate any change to the plan as to use of proceeds.

Corporate Governance

Our Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. We have complied with the Code of Corporate Governance Practices set out in Appendix 14 to the Listing Rules from the Listing Date up to the six months ended 30 June 2014.

Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding directors' securities transactions. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the code of conduct and the required standard set out in the Model Code regarding directors' securities transactions from the Listing Date up to the six months ended 30 June 2014.

Audit Committee and Review of Interim Results

The Company has an audit committee (the "Audit Committee") with terms of reference aligned with the provision of the Code as set out in Appendix 14 to the Listing Rules for the purpose of reviewing and providing supervision on the financial reporting process and internal controls of the Group. The Audit Committee consists of two independent non-executive Directors and one non-executive Director, namely Mr. Wang Ping (as Chairman), Mr. Zeng Shiquan and Mr. Yang Fan.

The interim financial results of the Group for the six months ended 30 June 2014 is unaudited but have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements as well as the Listing Rules and that adequate disclosures have been made. The Audit Committee has also reviewed this announcement.

The results for the current interim period have been reviewed by our auditor, HLB Hodgson Impey Cheng Limited in Hong Kong, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

By Order of the Board
Jia Yao Holdings Limited
YANG Yoong An
Chairman

Hong Kong, 29 August 2014

As at the date of this announcement, the Board comprises six Directors, namely: Mr. Yang Yoong An and Mr. Feng Bin as executive Directors; Mr. Yang Fan as non-executive Director; Mr. Gong Jinjun, Mr. Zeng Shiquan and Mr. Wang Ping as independent non-executive Directors.

If there is any inconsistency between the Chinese names of the entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail.