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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2015

FINANCIAL HIGHLIGHTS

- Revenue for the six months ended 30 June 2015 increased by approximately 6.4% or RMB12.3 million to approximately RMB205.1 million as compared with the same period in 2014.
- Gross profit for the six months ended 30 June 2015 decreased by approximately 14.6% or RMB8.3 million to approximately RMB48.3 million as compared with the same period in 2014.
- Gross profit margin for the six months ended 30 June 2015 decreased by approximately 5.7% from approximately 29.3% to approximately 23.6% as compared with the same period in 2014.
- Profit attributable to owners of the Company for the six months ended 30 June 2015 was approximately RMB3.7 million as compared to the loss attributable to owners of the Company of approximately RMB5.4 million for the six months ended 30 June 2014.
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2015 (for the six months ended 30 June 2014: Nil).

The board (the "Board") of directors (the "Directors") 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 2015 together with the comparative figures for the corresponding period in 2014. 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 2015

		Six months ended 30 June	
		2015	2014
	NOTES	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*4*	**205,148**	192,874
Cost of sales		**(156,805)**	(136,279)
Gross profit		**48,343**	56,595
Other income		**2,781**	1,766
Other gains and losses		**2,025**	408
Selling and distribution expenses		**(9,536)**	(10,148)
Administrative and other operating expenses		**(28,169)**	(18,436)
Listing expenses		**—**	(19,582)
Finance costs		**(6,976)**	(6,466)
Profit before tax		**8,468**	4,137
Income tax expense	*5*	**(3,542)**	(6,659)
Profit/(loss) for the period	*6*	**4,926**	(2,522)
Other comprehensive (expense)/income for the period, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(665)**	95
Total comprehensive income/(expense) for the period		**4,261**	(2,427)

		Six months ended 30 June	
		2015	2014
	NOTES	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Profit/(loss) for the period attributable to:			
Owners of the Company		**3,724**	(5,390)
Non-controlling interests		**1,202**	2,868
		4,926	(2,522)
Total comprehensive income/(expense) for the period attributable to:			
Owners of the Company		**3,059**	(5,295)
Non-controlling interests		**1,202**	2,868
		4,261	(2,427)
Earnings/(loss) per share			
— Basic and diluted (RMB)	*8*	**0.01**	(0.02)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	NOTES	**30 June 2015** **RMB'000** **(Unaudited)**	31 December 2014 *RMB'000* (Audited)
Non-current assets			
Property, plant and equipment		**182,040**	170,396
Prepaid lease payments		**21,468**	21,759
Deferred tax assets		**1,345**	1,987
		204,853	194,142
Current assets			
Inventories		**89,724**	87,192
Trade and other receivables	*9*	**232,313**	212,219
Prepaid lease payments		**580**	580
Current tax assets		**1,018**	43
Pledged bank deposits		**81,269**	59,026
Bank balances and cash		**61,773**	104,416
		466,677	463,476
Assets classified as held for sale		**—**	3,909
		466,677	467,385
Total assets		**671,530**	661,527
Current liabilities			
Trade and other payables	*10*	**232,561**	214,062
Borrowings		**170,000**	183,000
		402,561	397,062
Net current assets		**64,116**	70,323
Total assets less current liabilities		**268,969**	264,465

	NOTES	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Non-current liabilities			
Deferred tax liabilities		**3,354**	3,111
Net assets		**265,615**	261,354
Capital and reserves			
Share capital		**2,382**	2,382
Reserves		**226,903**	223,844
Equity attributable to owners of the Company		**229,285**	226,226
Non-controlling interests		**36,330**	35,128
Total equity		**265,615**	261,354

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

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 and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 27 June 2014 (the "Listing Date"). The Company's parent and ultimate holding company is Spearhead Leader Limited ("Spearhead Leader"), which is incorporated in the British Virgin Islands (the "BVI"). The Company's ultimate controlling party is Mr. Yang Yoong An ("Mr. Yang"), who is also the Chairman and an executive Director of the Company. 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 People's Republic of China (the "PRC" or "China").

The Company acts as an investment holding company while its principal subsidiaries are principally engaged in the design, printing and sales of paper cigarette packages and social product paper packages in the China.

In preparing for the initial listing of the shares of the Company on the Main Board of the Stock Exchange, the companies now comprising 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 fully explained in the section headed "History, Reorganisation and Group Structure" and in the paragraph headed "Corporate Reorganisation" in Appendix V to the prospectus of the Company dated 17 June 2014 (the "Prospectus"). Accordingly, for the purpose of the preparation of the condensed consolidated financial statements of the Group, the Company has been considered as the holding company of the companies now comprising the Group throughout the periods presented. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity and it has been under the control of Mr. Yang prior to and after the Reorganisation.

The condensed consolidated financial statements have been prepared as if the Company had been the holding company of the Group throughout the periods presented in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the periods presented, which include the results, changes in equity and cash flows of the companies now comprising the Group, have been prepared as if the current group structure had been in existence throughout the periods presented, or since their respective dates of incorporation, whichever is a shorter period. The condensed consolidated statement of financial position as at the respective reporting dates has been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at those dates.

Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which the respective entity operates. The functional currency of the Company is Hong Kong dollars ("HK$"). The condensed consolidated financial statements are presented in RMB, rounded to the nearest thousand, which is different from the functional currency of the Company as the Group's dominated operations are substantially based in the PRC and the Directors consider that the choice of presentation currency would better reflect the Group's business transactions.

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 (the "Listing Rules"). The condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs").

3. PRINCIPAL ACCOUNTING POLICIES

The accounting policies and the methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2015 are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2014.

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs and Hong Kong Accounting Standards ("HKASs") issued by the HKICPA:

Amendments to HKAS 19	Defined Benefit Plans: Employee Contribution
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle

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

An analysis of revenue is as follows:

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Sales of paper cigarette packages	**189,374**	183,287
Sales of social product paper packages	**15,774**	9,587
	205,148	192,874

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, being the chief operation decision maker, 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 six months ended 30 June 2015:

	Paper cigarette packages	**Social product paper packages**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
	(Unaudited)	**(Unaudited)**	**(Unaudited)**
Segment revenue	**189,374**	**15,774**	**205,148**
Segment profit	**47,910**	**433**	**48,343**
Other income			**2,781**
Other gains and losses			**2,025**
Selling and distribution expenses			**(9,536)**
Administrative and other operating expenses			**(28,169)**
Finance costs			**(6,976)**
Profit before tax			**8,468**

For the six months ended 30 June 2014:

	Paper cigarette packages *RMB'000* (Unaudited)	Social product paper packages *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
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			4,137

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 substantially all of 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	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PRC Enterprise Income Tax ("EIT")		
Current tax	**2,658**	4,864
Deferred tax	**884**	1,795
	3,542	6,659

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 in the condensed consolidated financial statements as the Group had no assessable profit arising in or derived from Hong Kong for 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, namely Hubei Golden Three Gorges Printing Industry Co., Ltd. ("Hubei Golden Three Gorges"), which is qualified as a 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 2014 and 2015, deferred taxation has been provided on undistributed earnings attributable to non-PRC tax resident equity holders of the subsidiaries in the PRC.

6. PROFIT/(LOSS) FOR THE PERIOD

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit/(loss) for the period has been arrived at after charging/(crediting):		
Staff costs:		
Directors' emoluments	**364**	34
Other staff costs		
Salaries and other benefits	**20,452**	21,090
Contributions to retirement benefits scheme, excluding those of Directors	**4,550**	3,365
	25,366	24,489
Depreciation of property, plant and equipment	**10,056**	10,105
Gain on disposal of assets classified as held for sale	**3,280**	—
Loss on disposal of property, plant and equipment	**1,255**	192
Amortisation of prepaid lease payments	**291**	291
Operating lease rentals in respect of rented premises	**790**	457
Reversal of impairment loss on trade receivables	**—**	(6)
Cost of inventories recognised as an expense	**156,805**	136,279

7. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2015 (2014: nil).

On 3 July 2015, the Board has resolved to declare a special dividend of RMB0.13 per share (2014: nil), which was payable on 27 July 2015 to shareholders who were on the register at 22 July 2015. This special dividend, amounting to approximately RMB39,000,000 (2014: nil), has not been recognised as liability in these condensed consolidated financial statements. It will be recognised in the equity attributable to owners of the Company for the year ending 31 December 2015.

8. EARNINGS/(LOSS) PER SHARE

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

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings/(loss):		
Earnings/(loss) for the purpose of basic and diluted earnings/(loss) per share (profit/(loss) for the period attributable to owners of the Company)	**3,724**	(5,390)
	Number of shares	Number of shares
	(Unaudited)	(Unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings/(loss) per share	**300,000,000**	227,072,000

The weighted average number of ordinary shares for the purpose of calculating basic loss per share for the six months ended 30 June 2014 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.

The numerator and denominator used are the same as those detailed above for the computation of both basic and diluted earnings/(loss) per share for both periods as there were no potential ordinary shares outstanding during each of the six months ended 30 June 2015 and 2014 respectively.

9. TRADE AND OTHER RECEIVABLES

	As at 30 June 2015 *RMB'000* **(Unaudited)**	As at 31 December 2014 *RMB'000* (Audited)
Trade receivables	**137,256**	146,437
Less: allowance for doubtful debts	**(55)**	(55)
	137,201	146,382
Note receivables	**32,040**	19,758
Other receivables	**14,133**	14,589
Payments in advance	**18,236**	11,059
Advance to employees	**10,837**	4,086
Deposit paid for machinery and equipment	**3,234**	9,247
Prepayments and deposits paid	**16,632**	7,098
Total trade and other receivables	**232,313**	212,219

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 by age, presented based on the date of delivery of goods, which approximates the respective revenue recognition dates, and net of allowance for doubtful debts:

	As at 30 June 2015 *RMB'000* **(Unaudited)**	As at 31 December 2014 *RMB'000* (Audited)
0 to 90 days	**105,097**	119,647
91 to 180 days	**28,285**	17,757
181 to 360 days	**2,080**	2,397
Over 360 days	**1,739**	6,581
	137,201	146,382

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

	As at 30 June 2015	As at 31 December 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0 to 90 days	**31,040**	1,840
91 to 180 days	**1,000**	17,918
	32,040	19,758

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 2015	As at 31 December 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables	**81,578**	71,023
Note payables	**137,815**	124,227
Other payables and accruals	**13,168**	18,812
Total trade and other payables	**232,561**	214,062

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

	As at 30 June 2015	As at 31 December 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0 to 90 days	**62,822**	68,144
91 to 180 days	**14,274**	1,614
181 to 360 days	**3,361**	162
Over 360 days	**1,121**	1,103
	81,578	71,023

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

	As at 30 June 2015 *RMB'000* **(Unaudited)**	As at 31 December 2014 *RMB'000* (Audited)
0 to 90 days	**99,470**	61,860
91 to 180 days	**38,345**	62,367
	137,815	124,227

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.

Note payables represented bank acceptance notes issued by the Group with maturity of six months, and were secured by a charge over certain pledged assets of the Group.

11. COMMITMENTS

(a) Operating leases — the Group as lessee

The Group had commitments for future minimum lease payments under non-cancelable operating leases which fall due as follows:

	As at 30 June 2015 *RMB'000* **(Unaudited)**	As at 31 December 2014 *RMB'000* (Audited)
Within one year	**1,549**	876
In the second to fifth years inclusive	**3,923**	86
Over five years	**4,740**	—
	10,212	962

Operating lease payments related to warehouse facilities and staff quarter with lease terms of between 1–10 years (31 December 2014: 1 year) and the Group does not have an option to purchase the lease assets at the expiry of the lease term.

(b) Capital commitment

	As at 30 June 2015 *RMB'000* **(Unaudited)**	As at 31 December 2014 *RMB'000* (Audited)
Contracted but not provided for:		
— Purchase of property, plant and equipment	**216**	5,536

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

During the six months ended 30 June 2015, the Chinese central government continued to clamp down on corruption and bribery. The Administrative Measures on Cigarette Brand Specifications has exerted deeper impact on the market since its enactment on 5 March 2014. While the policy dampened cigarette demand in the high-end and high-price segments, overall growth of cigarette consumption was slowed down with the exception of traditional cigarette with a relatively stable customer base. Slim cigarette became a trend-setter and was considered a new growth driver of the cigarette industry in 2015 for its consistently robust growth momentum.

Earlier in 2015, the National People's Congress put forward legislative proposals such as defining non-smoking locations and enforcement bodies as well as banning tobacco advertising promotion and sponsorship, which further concretised the measures introduced by the State Council in late 2014. Some top-tier cities became the primary targets. Under the Smoking Control Provisions of Beijing Municipality, indoor smoking has been completely banned at public facilities including restaurants, bars, hotels and office buildings from 1 June 2015. The comprehensive measures of the central government to advance tobacco governance and rule of law have had great significance for the whole tobacco industry. Law-based administration, business operation and regulation and greater efforts against counterfeit tobacco are in the interest of the country and its consumers and will enable the industry to grow sustainably.

Business Review

The Group is principally engaged in the design, production and distribution of paper cigarette packages in China and, to a lesser extent, paper packages for other social products. Hubei Golden Three Gorges, the Group's primary operating subsidiary, has been established in China for over 20 years. The Group provides paper cigarette packaging services for 15 out of the 30 key cigarette brands designated by the State Tobacco Monopoly Administration (STMA), including, among others, Pride (嬌子), Haomao (好貓), Double Happiness (雙喜) and Red Double Happiness (紅雙喜). In addition, the Group has further diversified its business to the paper packaging of medicines, wines, food and other consumer goods by leveraging its extensive experience and specialized knowledge in the cigarette packaging industry.

Sales and Distribution

The Group places great emphasis on product design and technology development, striving to enhance its technological competitiveness by leveraging its design and development capabilities. To date, the Group's clients included 10 major provincial tobacco industrial companies and 5 non-provincial tobacco companies under China Tobacco Industry Development Center (中國煙草實業發展中心), which are located in Hubei, Sichuan, Yunnan, Shaanxi, Henan and other provinces. For those existing clients, the Group will strive, by taking advantage of its current status as an approved supplier, to include other cigarette brands or sub-brands manufactured by those clients currently not designed and/or printed by the Group into the Group's product portfolio.

To facilitate potential business growth, the Group added a new intaglio printing line at Yichang Factory in the first half of 2015 to increase the annual capacity. The Group currently has a total of 35 sales and marketing staff members, mainly engaged in sales and sales management as well as sales office work.

Product Development and Design

The Group will continue to invest in machinery and equipment to upgrade its production plants and ensure the productivity is up to international standards. The management strives to pursue cutting-edge technology in order to reduce production costs while maintaining or even improving product quality.

Technology Development and Quality Control

The Group attaches high importance on product design and technology development, striving to enhance its technological competitiveness by leveraging its design and development capabilities, and continuing to commit resources to the upgrading of product research and development capabilities. During the period under review, the Group carried out regulated operation in strict compliance with the ISO9000 quality system standards. Equipped with state-of-the-art and comprehensive inspection equipment and devices, the Group has formulated a complete institutional system that covers every single process for its products in terms of the flow, standards, record and appraisal for the quality management of imported materials, processes as well as inspection of finished products and product delivery, which in turn assures the continuous enhancement of product quality.

Cost Control

Due to the impact of the current rising prices of paper packaging raw materials in the industry and the Group, in order to keep the fluctuations in the prices of packaging raw materials under effective control, further improved the bidding process by selecting the top-ranking suppliers with strength in the industry during the period under review for carrying out strategic cooperation with the Group to hedge against price fluctuations together.

Financial Review

Turnover

For the six months ended 30 June 2015, the turnover of the Group was approximately RMB205.1 million, representing an increase of approximately 6.4% over the same period in 2014, among which sales of paper cigarette packages and social product paper packages increased by approximately 3.3% and 64.5%, respectively. The increase in sales was primarily attributable to the Group's expansion of the production capacity for handmade products and the sales of handmade products increased accordingly during the period. Currently, the sales are in expected progress and the target of the Group is to expand its market shares in Henan and Northeastern region in China.

The following table sets forth the breakdown of the Group's sales for the six months ended 30 June 2015:

	For the six months ended 30 June		
	2015	2014	Change (%)
	RMB'000	*RMB'000*	*(approximate)*
	(Unaudited)	(Unaudited)	
Paper cigarette packages	**189,374**	183,287	+3.3%
Social product paper packages	**15,774**	9,587	+64.5%

Gross profit

The Group's gross profit decreased by approximately 14.6% from approximately RMB56.6 million for the six months ended 30 June 2014 to approximately RMB48.3 million for the six months ended 30 June 2015. The Group's gross profit margin decreased by approximately 5.7% from approximately 29.3% to approximately 23.6% as compared with the same period in 2014. The decrease in gross profit and gross profit margin was due to (i) the lower production efficiency on the new production line of handmade products (including both paper cigarette packages and social product paper packages); and (ii) the increase in overall production costs during the first half of 2015.

Other income

For the six months ended 30 June 2015, 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 2015, the Group's other income increased by approximately 57.5% to approximately RMB2.8 million. It was mainly due to the receipt of government grant for the Company's successful listing on the Main board of the Stock Exchange in year 2014 of RMB1 million during the period.

Other Gains and Losses

For the six months ended 30 June 2015, other gains and losses mainly comprise net losses arising from disposal of property, plant and equipment and gain on disposal of land. For the six months ended 30 June 2015, other gains and losses increased to approximately RMB2.0 million mainly due to the net effect of gain on disposal of land of approximately RMB3.3 million (for the six months ended 30 June 2014: Nil) and increase in net losses arising from disposal of plant and equipment by RMB1.1 million to RMB1.3 million during the period.

Selling and Distribution Expenses

For the six months ended 30 June 2015, 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) 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 by approximately 6.0% from approximately RMB10.1 million for the six months ended 30 June 2014 to approximately RMB9.5 million for the six months ended 30 June 2015. The decrease was mainly due to the reduction of expenses incurred in customer hospitality activities during our normal course of business during the period.

Administrative and Other Operating Expenses

For the six months ended 30 June 2015, administrative and other operating expenses consist of (i) staff costs 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; (vii) regulatory expenses; and (viii) other expenses incurred in relation to our administrative operations. The expenses increased by approximately 52.8% from approximately RMB18.4 million for the six months ended 30 June 2014 to approximately RMB28.2 million for the six months ended 30 June 2015. The increase was mainly attributable to the increase in research and development expenses and the Company's regulatory compliance expenses during the period.

Listing Expenses

During the six months ended 30 June 2014, the Group incurred expenses in relation to the listing of the shares of the Company on the Main Board of the Stock Exchange of approximately RMB19.6 million, which were primarily professional fees in connection with the listing. There were no such expenses incurred during the six months ended 30 June 2015.

Finance Costs

For the six months ended 30 June 2015, finance costs primarily consist of interest payments on interest-bearing obligations, finance costs arising on early redemption of note receivables when the Group sells 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 increased by approximately 7.9% from approximately RMB6.5 million for the six months ended 30 June 2014 to approximately RMB7.0 million for the six months ended 30 June 2015. Such increase in finance costs was mainly due to the increase of finance costs arising from early redemption of note receivables during the period.

Income Tax Expense

The Group's income tax expense decreased by approximately 46.8% from approximately RMB6.7 million for the six months ended 30 June 2014 to approximately RMB3.5 million for the six months ended 30 June 2015. The decrease was mainly due to the decrease of PRC EIT of the PRC subsidiaries of the Company.

Profit Attributable to Owners of the Company

As a result of the foregoing, the Group recorded a profit attributable to owners of the Company for the six months ended 30 June 2015 of approximately RMB3.7 million as compared to the loss attributable to owners of the Company of approximately RMB5.4 million for the six months ended 30 June 2014.

Trade and Other Receivables

Trade and other receivables increased by approximately 9.5% from approximately RMB212.2 million as at 31 December 2014 to approximately RMB232.3 million as at 30 June 2015. The increase was mainly attributed to the net effect of: (i) decrease of trade receivables from approximately RMB146.4 million as at 31 December 2014 to approximately RMB137.2 million as at 30 June 2015; (ii) increase of note receivables from approximately RMB19.8 million as at 31 December 2014 to approximately RMB32.0 million as at 30 June 2015; and (iii) increase of payments in advance from approximately RMB11.1 million as at 31 December 2014 to approximately RMB18.2 million as at 30 June 2015.

Trade and Other Payables

Trade and other payables increased by approximately 8.6% from approximately RMB214.1 million as at 31 December 2014 to approximately RMB232.6 million as at 30 June 2015. The increase was mainly due to: (i) increase of trade payables from approximately RMB71.0 million as at 31 December 2014 to approximately RMB81.6 million as at 30 June 2015; and (ii) increase of note payables from approximately RMB124.2 million as at 31 December 2014 to approximately RMB137.8 million as at 30 June 2015.

Liquidity and Financial Resources

The Group recorded net current assets of approximately RMB64.1 million as at 30 June 2015, compared with net current assets of approximately RMB70.3 million as at 31 December 2014. The Group maintained a stable and healthy liquidity position during the six months ended 30 June 2015. The Group's operations were principally financed by internal resources and bank borrowings during the period.

As at 30 June 2015, the Group's cash and cash equivalents, which were held mainly in Renminbi and Hong Kong dollars, were approximately RMB61.8 million, compared with RMB104.4 million as at 31 December 2014. The decrease in balance was mainly due to (i) use of proceeds from the public offer and placing according to the plan during the period; and (ii) increase in repayment of borrowings during the period.

Borrowings and Gearing Ratio

The Group's interest-bearing borrowings was approximately RMB170.0 million as at 30 June 2015 (as at 31 December 2014: approximately RMB183.0 million). The decrease of interest-bearing borrowings is mainly due to increase in repayment of borrowings during the period. The gearing ratio (defined as total debt divided by total equity) decreased from approximately 70.0% as at 31 December 2014 to approximately 64.0% as at 30 June 2015. The decrease in gearing ratio was mainly due to the decrease of interest-bearing borrowings as at 30 June 2015. The Group's interest-bearing borrowings were mainly denominated in Renminbi as at 30 June 2015 and 31 December 2014.

It is the policy of the Group to adopt a consistently prudent financial management strategy, sufficient liquidity is maintained with appropriate levels of borrowings to meet the funding requirements of the Group's investments and operations.

Capital Expenditure

During the six months ended 30 June 2015, the Group's total capital expenditure amounted to approximately RMB23.2 million, which was mainly used in the construction of phase II of the Yichang production base and purchase of plant and machineries.

Treasury Policies

The Group adopted a prudent strategy towards the treasury and funding policies, and attached high importance to the risk control and transactions directly related to the Group's principal business. Funds, primarily denominated in Renminbi and Hong Kong dollars, are normally placed with banks in short or medium term deposits for working capital of the Group.

Charge of 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 2015	As at 31 December 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Prepaid lease payments	**22,048**	22,339
Property, plant and equipment	**124,127**	132,390
Trade receivables	**88,401**	122,948
Pledged bank deposits	**81,269**	59,026
	315,845	336,703

Significant Investments, Material Acquisitions and Disposals of Subsidiaries and Associated Companies

Save as disclosed herein, there are no significant investments, material acquisition and disposal of subsidiaries and associated companies by the Group for the six months ended 30 June 2015.

Contingent Liabilities

As at 30 June 2015, the Group did not have any significant contingent liabilities (as at 31 December 2014: Nil).

Foreign Exchange Risks

The Group's transactions were mainly conducted in Renminbi, the functional currency of the Group, and the major receivables and payables are denominated in Renminbi. The Group's exposure to foreign currency risk related primarily to certain bank balances and cash, other receivables and other payables maintained in Hong Kong Dollars. The Group did not use derivative financial instruments to hedge against the volatility associated with foreign currency transactions and other financial assets and liabilities arising in the ordinary course of business during the six months ended 30 June 2015.

Human Resources and Remuneration

As at 30 June 2015, the Group's employed 1,138 employees (as compared with 1,000 employees as at 31 December 2014) with total staff cost of approximately RMB25.4 million incurred for the six months ended 30 June 2015 (as compared with approximately RMB24.5 million for the same period of 2014). The Group's remuneration packages are generally structured with reference to market terms and individual performance.

Interim Dividend

The Board proposed not to declare any interim dividend for the six months ended 30 June 2015 (for the six months ended 30 June 2014: Nil).

Significant Events after the Period

Special Dividend

In recognition of its shareholders' support and to reward its shareholders, the Board resolved to declare a special dividend of RMB0.13 per share (2014: nil) on 3 July 2015, which was payable on 27 July 2015 to shareholders who were on the register at 22 July 2015. For details, please refer to the announcement of the Company dated 3 July 2015.

Possible Subscription of Shares and Possible Whitewash Waiver

On 6 August 2015, the Company and an independent third party (the "Potential Investor") entered into a non-legally binding memorandum of understanding (the "MOU"), pursuant to which the Company intends to issue and the Potential Investor intends to subscribe for (or to procure its subsidiary to subscribe for) new shares of the Company (the "Possible Subscription"). The Possible Subscription is subject to further negotiations between the Company and the Potential Investor and the execution of the formal legally binding subscription agreement (the "Subscription Agreement") in relation to the Possible Subscription which may or may not be entered between the Company and the Potential

Investor (or its subsidiary). As at the date hereof, the parties are still in the course of negotiation and the Possible Subscription is still not yet materialised and may or may not proceed. For details, please refer to the announcement of the Company dated 7 August 2015.

Future Outlook

Looking ahead, the Group remains committed to further improving its technological competitiveness and acquiring new customers with its design and development capabilities. In a better regulated tobacco industry, the Group will continue to enhance business relationships with existing customers and engage potential customers, and capture opportunities for fair and transparent public tender and grow its market share by closely following industry trends and lifting its overall strengths.

Despite the tightening regulations on tobacco product advertising as a result of the advertising law amendment during the reporting period, the Group sees little disruption to the tobacco product industry mainly because tobacco products target certain demographics with whom advertising can only have very limited effect. Brand reputation, flavor and quality are the main comparative advantages and unique selling points of a brand. Meanwhile, as tobacco brands further consolidate and product upgrade quickens its pace, the Group will enhance its capabilities for design of new product, widely participate in new product development and explore new markets.

By strengthening capacity building for product development and design, the Group is looking forward to competing and winning through technological innovation and brand design and development. It is streamlining internal management on cost, production, quality and purchasing to lower operating expenditure, mitigate quality risks and increase resilience. Continued efforts of customer order bidding, new product and market development and hand-made business development will help expand the Group's market footprint and provide future support for its growth.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Competing Business and Conflicts of Interests

None of the Directors, management, controlling 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 had purchased, sold or redeemed any of the listed securities of the Company on the Stock Exchange or any other stock exchange, by private arrangement or by general offer throughout the six months ended 30 June 2015.

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 2015:

Use of net proceeds	**Planned amount as stated in the Prospectus**	**Actual amount utilised from the Listing Date up to 30 June 2015**	**Balance as at 30 June 2015**
	RMB'000	*RMB'000*	*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	3,800	—
	42,300	42,300	—

Corporate Governance

Our Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. The Company has complied with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2015.

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 for the six months ended 30 June 2015.

Audit Committee and Review of Interim Results

The Company has an audit committee (the "Audit Committee") with terms of reference aligned with the Corporate Governance 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, namely Mr. Wang Ping (as Chairman), Mr. Zeng Shiquan and one non-executive Director, Mr. Yang Fan.

The interim financial results of the Group for the six months ended 30 June 2015 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 auditors, 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 HKICPA.

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

Hong Kong, 27 August 2015

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.