JIA YAO HOLDINGS LIMITED
嘉耀控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 01626)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

FINANCIAL HIGHLIGHTS

- Revenue for the year ended 31 December 2015 increased by approximately 4.7% or RMB22.2 million to approximately RMB495.1 million as compared with the same period in 2014.

- Gross profit for the year ended 31 December 2015 decreased by approximately 26.6% or RMB36.3 million to approximately RMB100.0 million as compared with the same period in 2014.

- Gross profit margin for the year ended 31 December 2015 decreased by approximately 8.6% from approximately 28.8% to approximately 20.2% as compared with the same period in 2014.

- Profit attributable to owners of the Company for the year ended 31 December 2015 decreased by approximately 65.8% or RMB4.8 million to approximately RMB2.5 million as compared with the same period in 2014.

- The Board does not recommend the payment of a final dividend for the year ended 31 December 2015 (for the year ended 31 December 2014: Nil).

The board (the "Board") of directors (the "Directors") of Jia Yao Holdings Limited (the "Company") is pleased to announce the consolidated results for the year ended 31 December 2015 of the Company and its subsidiaries (collectively, the "Group") together with the comparative figures for the year ended 31 December 2014, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2015

	Note	**2015** *RMB'000*	2014 *RMB'000*
Revenue	*3*	**495,089**	472,861
Cost of sales		**(395,115)**	(336,607)
Gross profit		**99,974**	136,254
Other income		**8,067**	6,938
Other gains and losses		**1,964**	(1,605)
Selling and distribution expenses		**(29,496)**	(30,939)
Administrative and other operating expenses		**(57,519)**	(54,172)
Listing expenses		**–**	(19,596)
Finance costs	*4*	**(13,981)**	(14,856)
Profit before tax		**9,009**	22,024
Income tax expense	*5*	**(4,944)**	(9,130)
Profit for the year	*6*	**4,065**	12,894
Other comprehensive (expense)/income for the year, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(575)**	216
Total comprehensive income for the year		**3,490**	13,110
Profit for the year attributable to:			
Owners of the Company		**2,507**	7,321
Non-controlling interests		**1,558**	5,573
		4,065	12,894
Total comprehensive income for the year attributable to:			
Owners of the Company		**1,932**	7,537
Non-controlling interests		**1,558**	5,573
		3,490	13,110
Earnings per share			
– Basic and diluted (RMB)	*8*	**0.01**	0.03

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Note	**2015**	2014
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment		**184,008**	170,396
Prepaid lease payments		**21,179**	21,759
Deferred tax assets		**2,071**	1,987
		207,258	194,142
Current assets			
Inventories		**110,134**	87,192
Trade and other receivables	*9*	**262,000**	212,219
Prepaid lease payments		**580**	580
Current tax assets		**329**	43
Pledged bank deposits		**97,000**	59,026
Bank balances and cash		**55,194**	104,416
		525,237	463,476
Assets classified as held for sale		**–**	3,909
		525,237	467,385
Total assets		**732,495**	661,527

	Note	**2015** RMB'000	2014 RMB'000
Current liabilities			
Trade and other payables	*10*	**359,255**	214,062
Borrowings		**143,500**	183,000
		502,755	397,062
Net current assets		**22,482**	70,323
Total assets less current liabilities		**229,740**	264,465
Non-current liabilities			
Deferred tax liabilities		**3,896**	3,111
		3,896	3,111
Net assets		**225,844**	261,354
Capital and reserves			
Share capital		**2,382**	2,382
Reserves		**186,776**	223,844
Equity attributable to owners of the Company		**189,158**	226,226
Non-controlling interests		**36,686**	35,128
Total equity		**225,844**	261,354

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 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 addresses of registered office of the Company is situated at Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands and principal place of business of the Company is situated at No. 6 Qingdao Road, Dongshan Economic Developing District, Yichang, Hubei Province, People's Republic of China (the "PRC").

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 PRC.

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. Accordingly, for the purpose of the preparation of the consolidated financial statements of the Group, the Company has been considered as the holding company of the companies now comprising the Group throughout the years 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 consolidated financial statements have been prepared as if the Company had been the holding company of the Group throughout the years 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 consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the years 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 years presented, or since their respective dates of incorporation, whichever is a shorter period. The 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 consolidated financial statements are presented in Renminbi ("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. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied for the first time in the current year the following new and revised HKFRSs issued by the HKICPA:

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

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in the Group's consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised standards and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[2]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[2]
Amendments to HKAS 1	Disclosure Initiative[2]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[2]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[2]
Amendments to HKFRS	Annual Improvements to HKFRS 2012-2014 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2016.
3 Effective for annual periods beginning on or after a date to be determined.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer;

Step 2: Identify the performance obligations in the contract;

Step 3: Determine the transaction price;

Step 4: Allocate the transaction price to the performance obligations in the contract;

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15. The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

The Group is in the process of making an assessment on what the impact of the other new or revised HKFRSs is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

3. REVENUE AND SEGMENT INFORMATION

Revenue

Revenue represents revenue arising on sales of paper cigarette packages and social product paper packages for both years.

An analysis of revenue is as follows:

	2015	2014
	RMB'000	*RMB'000*
Sales of paper cigarette packages	**459,460**	444,842
Sales of social product paper packages	**35,629**	28,019
	495,089	472,861

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 operating 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 year ended 31 December 2015:

	Paper cigarette packages	**Social product paper packages**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Segment revenue	**459,460**	**35,629**	**495,089**
Segment profit	**70,276**	**202**	**70,478**
Other income			**8,067**
Other gains and losses			**1,964**
Administrative and other operating expenses			**(57,519)**
Finance costs			**(13,981)**
Profit before tax			**9,009**

For the year ended 31 December 2014:

	Paper cigarette packages *RMB'000*	Social product paper packages *RMB'000*	Total *RMB'000*
Segment revenue	444,842	28,019	472,861
Segment profit	105,001	314	105,315
Other income			6,938
Other gains and losses			(1,605)
Administrative and other operating expenses			(54,172)
Listing expenses			(19,596)
Finance costs			(14,856)
Profit before tax			22,024

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for both years.

The accounting policies of the operating and reportable segments information are the same as the Group's accounting policies in prior years. Segment results represents the profit earned by each segment without allocation of other income, other gains and losses, administrative and other operating expenses, listing expenses, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Other segment information

	2015 ***RMB'000***	2014 RMB'000
Paper cigarette packages:		
Depreciation of property, plant and equipment	**18,875**	18,881
Impairment losses on property, plant and equipment	**–**	1,778
Reversal of provision for slow-moving inventories	**–**	(243)
Reversal of impairment loss on trade receivables	**–**	(144)
Amortisation of prepaid lease payments	**558**	561
Additions to non-current assets	**35,181**	10,485
Social product paper packages:		
Depreciation of property, plant and equipment	**1,295**	1,027
Amortisation of prepaid lease payments	**22**	19
(Reversal)/recognition of impairment loss on trade receivables	**(9)**	14
Additions to non-current assets	**124**	3,691

Segment assets and liabilities

Segment assets and liabilities are not disclosed 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 of the Group's revenue is derived from customers located in the PRC and all of the Group's identifiable non-current assets are principally located in the PRC, no geographical segment information is presented.

Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group are as follows:

	2015	2014
	RMB'000	*RMB'000*
Customer A	**78,966**	103,646
Customer B	**151,137**	100,448

These revenues are attributable to paper cigarette packages.

4. FINANCE COSTS

	2015	2014
	RMB'000	*RMB'000*
Interest on bank and other borrowings	**9,387**	12,377
Finance costs arising on early redemption of note receivables	**4,085**	1,792
Other bank charges	**509**	687
Total finance costs	**13,981**	14,856

5. INCOME TAX EXPENSE

	2015	2014
	RMB'000	*RMB'000*
Current tax:		
– PRC Enterprise Income Tax ("EIT")	**4,243**	6,784
– Underprovision in prior years	**–**	635
Deferred tax	**701**	1,711
	4,944	9,130

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the both years. No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group had no assessable profit arising in or derived from Hong Kong for both years.

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 PRC operating subsidiary namely Hubei Golden Three Gorges Printing Industry Co., Ltd.* (湖北金三峽印務有限公司) ("Hubei Golden Three Gorges"), which is qualified as the High and New Technology Enterprise since 16 September 2009, Hubei Golden Three Gorges was entitled to a preferential income tax rate of 15% for the periods from 16 September 2009 to 20 November 2015 and subsequently extended from 28 October 2015 to 28 October 2018.

The tax charge for the year can be reconciled to the profit before tax per consolidated statement of profit or loss and other comprehensive income as follows:

	2015	2014
	RMB'000	*RMB'000*
Profit before tax	**9,009**	22,024
Tax at PRC EIT rate of 25%	**2,252**	5,506
Tax effect of expenses not deductible for tax purpose	**5,099**	6,893
Tax effect of income not taxable for tax purpose	**(2,451)**	(2,560)
Tax effect of income tax on concessionary rate	**(1,271)**	(2,499)
Taxation in other jurisdiction	**530**	–
Tax effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	**785**	1,245
Underprovision in prior years	**–**	635
Others	**–**	(90)
Income tax expense for the year	**4,944**	9,130

6. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging/(crediting):

	2015	2014
	RMB'000	*RMB'000*
Staff costs:		
Directors' emoluments	**740**	491
Other staff costs:		
Salaries and other benefits	**50,811**	38,190
Contributions to retirement benefits schemes, excluding those of Directors	**10,814**	8,629
	62,365	47,310
Auditors' remuneration	**826**	792
Amortisation of prepaid lease payments	**580**	580
Depreciation of property, plant and equipment	**20,170**	19,908
Impairment losses on property, plant and equipment	**–**	1,778
Loss on disposal of property, plant and equipment	**1,325**	200
Operating lease rentals in respect of rented premises	**1,478**	459
Reversal of provision for slow-moving inventories	**–**	(243)
Reversal of impairment loss on trade receivables	**(9)**	(130)
Cost of inventories recognised as an expense	**395,115**	336,607

7. DIVIDENDS

	2015	2014
	RMB'000	*RMB'000*
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2015 Special dividend – RMB13 cents (2014: nil) per share	**39,000**	–

The Directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: nil).

8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	2015	2014
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**2,507**	7,321
	Number of shares	Number of shares
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**300,000,000**	263,630,137

For the year ended 31 December 2015, the calculation of the basic earnings per share attributable to owners of the Company was based on (i) the profit attributable to owners of the Company and (ii) the weighted average number of ordinary shares.

For the year ended 31 December 2014, the calculation of the basic earnings per share attributable to owners of the Company was based on (i) the profit attributable to owners of the Company and (ii) the weighted average number of ordinary shares (adjusted retrospectively for 1 share in issue and 9,999 shares issued pursuant to the Reorganisation on 30 April 2014 and 224,990,000 shares issued under the capitalisation issue on 6 June 2014), and the effects of 75,000,000 shares issued under public offer and placing.

The numerator and denominator used are the same as those detailed above for the computation of both basic and diluted earnings per share for both years as there were no potential ordinary shares outstanding during the years ended 31 December 2015 and 2014.

9. TRADE AND OTHER RECEIVABLES

	2015	2014
	RMB'000	*RMB'000*
Trade receivables	**216,867**	146,437
Less: allowance for doubtful debts	**(46)**	(55)
	216,821	146,382
Note receivables	**–**	19,758
Other receivables	**9,991**	14,589
Payments in advance	**13,072**	11,059
Advance to employees	**11,020**	4,086
Deposit paid for the purchases of property, plant and equipment	**2,907**	9,247
Prepayments and deposits paid	**8,189**	7,098
Total trade and other receivables	**262,000**	212,219

As at 31 December 2015, included in the Group's trade receivables are receivables from China Tobacco Hubei Industrial Co., Ltd* (湖北中煙工業有限責任公司), an intermediate holding company of a subsidiary's non-controlling shareholder, Hubei Three Gorges Tobacco Co., Ltd* (湖北三峽煙草有限公司) of approximately RMB5,114,000 (2014: RMB4,340,000). The amounts were unsecured and interest-free.

Note receivables represented bank acceptance notes with maturity of within six months. Note receivables are unsecured and interest-free.

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 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:

	2015	2014
	RMB'000	*RMB'000*
0 to 90 days	**171,915**	119,647
91 to 180 days	**36,334**	17,757
181 to 360 days	**7,847**	2,397
Over 360 days	**725**	6,581
	216,821	146,382

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

	2015	2014
	RMB'000	*RMB'000*
0 to 90 days	**–**	1,840
91 to 180 days	**–**	17,918
	–	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.

Included in the Group's trade receivables are receivables with the following carrying amounts which are past due as at the years ended 31 December 2015 and 2014 for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

Ageing of past due but not impaired

	2015	2014
	RMB'000	*RMB'000*
Overdue by:		
0 to 90 days	**25,814**	36,559
91 to 180 days	**20,135**	3,049
181 to 360 days	**456**	1,373
Over 360 days	**665**	4
	47,070	40,985

Allowance of the above amount has not been made by the Group as there has not been a significant change in the credit quality and the amounts are still considered recoverable. The Directors consider they are in good credit quality.

Movement in the allowance of doubtful debts for trade receivables

	2015	2014
	RMB'000	*RMB'000*
Balance at beginning of year	**55**	185
Reversal of impairment losses on trade receivables	**(9)**	(130)
Balance at end of year	**46**	55

10. TRADE AND OTHER PAYABLES

	2015	2014
	RMB'000	*RMB'000*
Trade payables	**128,222**	71,023
Note payables	**205,150**	124,227
Other payables and accruals	**25,883**	18,812
Total trade and other payables	**359,255**	214,062

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

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

	2015	2014
	RMB'000	*RMB'000*
0 to 90 days	**102,548**	68,144
91 to 180 days	**20,139**	1,614
181 to 360 days	**4,605**	162
Over 360 days	**930**	1,103
	128,222	71,023

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

	2015	2014
	RMB'000	*RMB'000*
0 to 90 days	**152,100**	61,860
91 to 180 days	**53,050**	62,367
	205,150	124,227

The average credit period on purchases of goods is ranging from 30 to 90 days from the date of 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 within six months, and were secured by a charge over certain pledged assets of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

In 2015, China remained as the world's largest consumer of tobacco that China's smoking population has increased by 15 million during the past five years and now stands at approximately 316 million. The steady-growing smoking prevalence, coupled with higher purchasing power of citizens in China as a whole, continues to provide opportunities for tobacco and tobacco packaging industry.

Nevertheless, adjustments in national policies inevitably brought dynamicity to the tobacco market in China. The Chinese Central Government continued to clamp down on corruption and bribery, which dampened cigarette demand in the high-end and high-priced segments. Legislative proposals put forward by the National People's Congress towards defining non-smoking locations, creating enforcement bodies, and banning tobacco advertising promotion and sponsorship further concretised measures introduced by the State Council in late 2014. As a result, overall growth in cigarette consumption has been slightly dragged, with the exception of traditional cigarettes, which have a relatively stable customer base. Slim cigarettes became a trend-setter and were a growth driver in the cigarette industry in 2015.

The comprehensive measures of the Central Government to advance tobacco governance and the rule of law have had great significance for the whole tobacco industry. Law-based administration, business operations and regulation, and greater efforts against counterfeit tobacco are in the best interests of the industry and its consumers, and will enable the industry to grow sustainably.

BUSINESS REVIEW

The Group is principally engaged in the design, printing and sales of paper cigarette packages and to a lesser extent, social product paper packages in China. Hubei Golden Three Gorges, the Group's primary subsidiary, has been established in China for over 20 years. The Group provides paper cigarette packaging services for 15 of the 30 key cigarette brands designated by the State Tobacco Monopoly Administration of the PRC ("STMA"), including Pride (嬌子), Haomao (好貓) and Double Happiness (雙喜). The Group has also diversified its business to social product paper packages such as medicine, wine, food and other consumer goods by leveraging its extensive experience and know-how 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. As at the date of this announcement, the Group's clients included 10 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 which are 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 production capacity. The Group currently has a total of 35 sales and marketing staff members which 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 to 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 year for carrying out strategic cooperation with the Group to hedge against price fluctuations together. Furthermore, at the beginning of each year, the management of each department of the Group will hold a meeting to plan the annual purchasing strategy on each major raw materials in order to set the cost target, and a mid-year meeting will also be held to adjust the annual purchasing strategy based on the market conditions.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2015, the revenue of the Group was approximately RMB495.1 million, representing an increase of approximately 4.7% over the same period in 2014, among which sales of paper cigarette packages and social product paper packages increased by approximately 3.3% and 27.2%, 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 year. Currently, the sales are in expected progress with the target of the Group, which 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 year ended 31 December 2015:

	For the year ended 31 December		
	2015	2014	Change (%)
	RMB'000	*RMB'000*	*(approximate)*
Paper cigarette packages	**459,460**	444,842	+3.3%
Social product paper packages	**35,629**	28,019	+27.2%

Gross Profit

The Group's gross profit decreased by approximately 26.6% from approximately RMB136.3 million for the year ended 31 December 2014 to approximately RMB100.0 million for the year ended 31 December 2015. The Group's gross profit margin decreased by approximately 8.6% from approximately 28.8% to approximately 20.2% as compared with the same period in 2014. The decrease in gross profit and gross profit margin was due to (i) the significant increase in cost of sales because of the lower production efficiency on the new production line of handmade products (including both paper cigarette packages and social product paper packages), which caused the gross profit and gross profit margin to decrease; and (ii) the continuing increase in overall production costs during the year. The Group is actively expanding the handmade cigarette package market and aiming to increase the sales volume on handmade cigarette packages in order to lessen the fixed production costs of new production line such as electricity and water expenses, depreciation and maintenance expenses on plant and machineries and labour costs with a target to achieve economies of scale on production in the future.

Other Income

Other income mainly consisted of interest income on bank deposits, sundry income from the sale of scrap material and non-recurring government grants. For the year ended 31 December 2015, the Group's other income increased by approximately 16.3% to approximately RMB8.1 million. The increase in other income was mainly due to (i) increase in bank interest income; and (ii) increase in non-recurring government grants during the year.

Other Gains and Losses

For the year ended 31 December 2015, other gains and losses mainly consisted net gains and losses arising from disposal of property, plant and equipment and net gains and losses on disposal of assets classified as held for sale. For the year ended 31 December 2015, the Group recorded net other gains of approximately RMB2.0 million as compared with net other losses of approximately RMB1.6 million for the year ended 31 December 2014 mainly due to the gain on disposal of assets classified as held for sale of approximately RMB3.3 million.

Selling and Distribution Expenses

For the year ended 31 December 2015, selling and distribution expenses comprise: (i) delivery expenses for 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 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 4.7% from approximately RMB30.9 million for the year ended 31 December 2014 to approximately RMB29.5 million for the year ended 31 December 2015. The decrease in selling and distribution expenses was mainly due to the decrease in transportation expenses by approximately RMB3.0 million, which is partly offset by the increase in salaries of sale staffs by approximately RMB1.8 million during the year.

Administrative and Other Operating Expenses

For the year ended 31 December 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 6.2% from approximately RMB54.2 million for the year ended 31 December 2014 to approximately RMB57.5 million for the year ended 31 December 2015. The increase was mainly attributable to the increase in research and development expenses during the year.

Listing Expenses

During the year ended 31 December 2014, the Group incurred expenses in relation to the listing of the shares of the Company (the "Shares") on the Main Board of the Stock Exchange of approximately RMB19.6 million, which were primarily professional fees in connection with the listing. There was no such expense incurred during the year ended 31 December 2015.

Finance Costs

For the year ended 31 December 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 decreased by approximately 5.9% from approximately RMB14.9 million for the year ended 31 December 2014 to approximately RMB14.0 million for the year ended 31 December 2015. Such decrease in finance costs was mainly due to the decrease in interest on bank and other borrowings, which is partly offset by the increase in finance costs arising on early redemption of notes receivables.

Income Tax Expense

The Group's income tax expense decreased by approximately 45.8% from approximately RMB9.1 million for the year ended 31 December 2014 to approximately RMB4.9 million for the year ended 31 December 2015. The decrease was mainly due to the decrease in net profit before tax of the PRC subsidiaries of the Company.

Profit Attributable to Owners of the Company

As a result of the foregoing, the Group's profit attributable to owners of the Company decreased by approximately 65.8% from approximately RMB7.3 million for the year ended 31 December 2014 to approximately RMB2.5 million for the year ended 31 December 2015.

Trade and Other Receivables

Trade and other receivables increased by approximately 23.5% from approximately RMB212.2 million as at 31 December 2014 to approximately RMB262.0 million as at 31 December 2015. The increase was mainly attributable to: (i) increase of trade receivables from approximately RMB146.4 million as at 31 December 2014 to approximately RMB216.8 million as at 31 December 2015; (ii) increase in advance to employees from approximately RMB4.1 million as at 31 December 2014 to approximately RMB11.0 million as at 31 December 2015; and (iii) increase in prepayments and deposits paid from approximately RMB7.1 million as at 31 December 2014 to approximately RMB8.2 million as at 31 December 2015.

Trade and Other Payables

Trade and other payables increased by approximately 67.8% from approximately RMB214.1 million as at 31 December 2014 to approximately RMB359.3 million as at 31 December 2015. The increase was mainly due to: (i) increase of trade payables from approximately RMB71.0 million as at 31 December 2014 to approximately RMB128.2 million as at 31 December 2015; and (ii) increase of note payables from approximately RMB124.2 million as at 31 December 2014 to approximately RMB205.2 million as 31 December 2015.

LIQUIDITY AND FINANCIAL RESOURCES

The Group recorded net current assets of approximately RMB22.5 million as at 31 December 2015, compared with net current assets of approximately RMB70.3 million as at 31 December 2014. The decrease in net current assets was mainly due to the distribution of special dividend of RMB39.0 million during the year. The Group maintained a healthy liquidity position during the year ended 31 December 2015. The Group's operations were principally financed by internal resources and bank borrowings during the year.

As at 31 December 2015, the Group's bank balances and cash, which were held mainly in Renminbi and Hong Kong dollars, were approximately RMB55.2 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 year; and (ii) payment of special dividend of RMB39.0 million during the year.

Borrowings and Gearing Ratio

The Group's interest-bearing borrowings was approximately RMB143.5 million as at 31 December 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 year. The gearing ratio (defined as total debt divided by total equity) decreased from approximately 70.0% as at 31 December 2014 to approximately 63.5% as at 31 December 2015. The decrease in gearing ratio was due to the decrease of interest-bearing borrowings as at 31 December 2015. The Group's interest-bearing borrowings were mainly denominated in Renminbi as at 31 December 2014 and 2015.

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 year ended 31 December 2015, the Group's total capital expenditure amounted to approximately RMB35.3 million (2014: RMB14.2 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):

	2015	2014
	RMB'000	*RMB'000*
Prepaid lease payments	**21,759**	22,339
Property, plant and equipment	**145,830**	132,390
Trade receivables	**111,087**	122,948
Pledged bank deposits	**97,000**	59,026
	375,676	336,703

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

There are no significant investments, material acquisition and disposal of subsidiaries and associated companies by the Group for the year ended 31 December 2015.

Contingent Liabilities

As at 31 December 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 RMB, the functional currency of the Group, and the major receivables and payables are denominated in RMB. 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 year ended 31 December 2015.

HUMAN RESOURCES AND REMUNERATION

As at 31 December 2015, the Group's employed 1,081 employees (as compared with 1,000 employees as at 31 December 2014) with total staff cost of approximately RMB62.4 million incurred for the year ended 31 December 2015 (as compared with approximately RMB47.3 million for the year ended 31 December 2014). The Group's remuneration packages are generally structured with reference to market terms and individual merits.

FUTURE OUTLOOK

According to the reports published by China Tobacco (an official semi-monthly publication of the STMA), there were two major factors in the development of the tobacco industry during the Twelfth Five-year Plan in years 2011 to 2015. Firstly, total profits tax amounted to more than RMB1 trillion in 2014. Secondly, the average price of a single box of cigarettes increased by RMB100,000 in year 2015 as compared with year 2010. In addition, the total turnover to the treasury in 2015 was more than RMB1 trillion. In 2016, the tobacco industry will emphasise the key tasks of minimising overcapacity, destocking, deleveraging, lowering costs and making up for shortcomings in its efforts to keep the rate of growth of the industry's total profits tax slightly higher than the national GDP growth rate and the national financial revenue growth rate.

The management is optimistic about the future business outlook as the smoking population in China is expected to grow steadily in the coming years. It is also foreseeable that the market demand for quality cigarette packaging will continue to increase with the improving living standard in China. During the year, the Company submitted bids to centain new clients such as Shanghai Tobacco Group Co., Ltd.* (上海煙草(集團)有限責任公司), and took part in the development of new products for China Tobacco Jiangsu Industrial Co., Ltd.* (江蘇中煙工業有限責任公司). Looking forward, the Company will keep abreast of industry trends and developments to enhance our overall capacity. We will also seize opportunities in new tenders to expand our market share.

With further brand integration in the tobacco industry and shorter product life cycles, we will boost our capacity of research and development for new products and actively develop new products to expand our market. The Group is actively expanding the handmade cigarette package market and aiming to increase the sales volume on handmade cigarette packages in order to lessen the production costs of new production line with a target to achieve economies of scale on production in the future. Internally, we are strengthening our internal management by focusing on managing costs, production, quality, procurement and other aspects of our operations to reduce operating costs and the risks associated with product quality, and to enhance business development and create higher value and returns for our shareholders.

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 close associates (as defined under the Rules Governing the Listing of Securities on the Stock Exchange (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 year ended 31 December 2015.

Listing and Use of Proceeds from the Public Offer and Placing

The Shares of the Company was successfully listed on the Main Board of the Stock Exchange on 27 June 2014 by way of placing and public offer of a total of 75,000,000 Shares at the offer price of HK$1.26 per Share.

The following table sets forth a breakdown of the use of net proceeds applied by the Group during the period from the Listing Date up to 31 December 2014 and the year ended 31 December 2015:

Use of net proceeds	**Planned amount as stated in the prospectus**	**Actual amount utilised from the Listing Date up to 31 December 2014**	**Actual amount utilised during the year ended 31 December 2015**	**Balance as at 31 December 2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Technical advance, renewal and upgrade of existing equipment	14,000	8,815	5,185	–
Procurement and installation of new equipment and machinery for expanding our product variety and enhancing our production capability	9,600	5,999	3,601	–
Development of phase II of our Yichang production base for social product paper packages	9,100	4,570	4,530	–
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	28,984	13,316	–

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 year ended 31 December 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 year ended 31 December 2015.

Event After the year ended 31 December 2015

There was no material subsequent event during the period from 1 January 2016 to the date of this announcement.

REVIEW OF ANNUAL RESULTS

The Group's annual results for the year ended 31 December 2015 have been reviewed by the audit committee of the Company, 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 current members of the audit committee of the Company are Mr. Wang Ping, Mr. Yang Fan and Mr. Zeng Shiquan.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting is scheduled to be held on Wednesday, 25 May 2016.

For the purpose of determining the shareholders of the Company who are entitled to attend and vote at the annual general meeting, the register of members of the Company will be closed from Monday, 23 May 2016 to Wednesday, 25 May 2016, both days inclusive. In order to qualify for the right to attend and vote at the annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration no later than 4:00 p.m. on Friday, 20 May 2016.

SCOPE OF WORK OF HLB HODGSON IMPEY CHENG LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2015 as set out in this announcement have been agreed by the Group's auditor, HLB Hodgson Impey Cheng Limited. The work performed by HLB Hodgson Impey Cheng Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by HLB Hodgson Impey Cheng Limited on this announcement.

ACKNOWLEDGEMENT

The chairman of the Board would like to thank the Board, the management and all of our staff for their hard work and dedication, as well as the shareholders of the Company for their support to the Group.

On behalf of the Board
JIA YAO HOLDINGS LIMITED
Yang Yoong An
Chairman

Hong Kong, 24 March 2016

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.

* *For identification purpose only*