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 2016

FINANCIAL HIGHLIGHTS

- Revenue for the year ended 31 December 2016 increased by approximately 4.2% or RMB21.0 million to approximately RMB516.1 million as compared with the same period in 2015.

- Gross profit for the year ended 31 December 2016 increased by approximately 3.3% or RMB3.3 million to approximately RMB103.3 million as compared with the same period in 2015.

- Gross profit margin for the year ended 31 December 2016 decreased by approximately 0.2% from approximately 20.2% to approximately 20.0% as compared with the same period in 2015.

- Profit attributable to owners of the Company for the year ended 31 December 2016 increased by approximately 2.0% or RMB0.05 million to approximately RMB2.6 million as compared with the same period in 2015.

- The Board does not recommend the payment of a final dividend for the year ended 31 December 2016 (for the year ended 31 December 2015: 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 2016 of the Company and its subsidiaries (collectively, the "Group") together with the comparative figures for the year ended 31 December 2015, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2016

	Note	**2016** *RMB'000*	2015 *RMB'000*
Revenue	*3*	**516,074**	495,089
Cost of sales		**(412,760)**	(395,115)
Gross profit		**103,314**	99,974
Other income		**2,945**	8,067
Other gains and losses		**(1,094)**	1,964
Selling and distribution expenses		**(31,191)**	(29,496)
Administrative and other operating expenses		**(55,033)**	(57,519)
Finance costs	*4*	**(9,791)**	(13,981)
Profit before tax		**9,150**	9,009
Income tax expense	*5*	**(4,516)**	(4,944)
Profit for the year	*6*	**4,634**	4,065
Other comprehensive income/(expense) for the year, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**112**	(575)
Total comprehensive income for the year		**4,746**	3,490
Profit for the year attributable to:			
Owners of the Company		**2,556**	2,507
Non-controlling interests		**2,078**	1,558
		4,634	4,065
Total comprehensive income for the year attributable to:			
Owners of the Company		**2,668**	1,932
Non-controlling interests		**2,078**	1,558
		4,746	3,490
Earnings per share			
– Basic and diluted (RMB)	*8*	**0.01**	0.01

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Note	2016 RMB'000	2015 RMB'000
Non-current assets			
Property, plant and equipment		**168,160**	184,008
Prepaid lease payments		**20,599**	21,179
Deferred tax assets		**1,501**	2,071
		190,260	207,258
Current assets			
Inventories		**109,559**	110,134
Trade and other receivables	*9*	**276,313**	262,000
Prepaid lease payments		**580**	580
Current tax assets		**–**	329
Pledged bank deposits		**54,013**	97,000
Bank balances and cash		**58,199**	55,194
		498,664	525,237
Total assets		**688,924**	732,495

	Note	2016	2015
		RMB'000	*RMB'000*
Current liabilities			
Trade and other payables	*10*	**303,414**	359,255
Borrowings		**150,000**	143,500
Current tax liabilities		**877**	–
		454,291	502,755
Net current assets		**44,373**	22,482
Total assets less current liabilities		**234,633**	229,740
Non-current liabilities			
Deferred tax liabilities		**4,043**	3,896
		4,043	3,896
Net assets		**230,590**	225,844
Capital and reserves			
Share capital		**2,382**	2,382
Reserves		**189,444**	186,776
Equity attributable to owners of the Company		**191,826**	189,158
Non-controlling interests		**38,764**	36,686
Total equity		**230,590**	225,844

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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"). Since 30 December 2016, the Company's ultimate holding company has been HNA Group Co., Ltd ("HNA Group"), a company registered in the People's Republic of China (the "PRC"), and the Company's immediate holding Company has been China Civil Aviation(Cayman) Investment Group Limited ("China Civil Aviation"), a company incorporated in the Cayman Islands with limited liability. 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, 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.

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 Hong Kong Institute of Certified Public Accountants ("HKICPA"):

Amendments to HKFRS 11	Accounting for Acquisition of Interest in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 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 amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transaction[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[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 HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]

[1] Effective for annual periods beginning on or after 1 January 2018.
[2] Effective for annual periods beginning on or after 1 January 2019.
[3] Effective for annual periods beginning on or after a date to be determined.
[4] Effective for annual periods beginning on or after 1 January 2017.

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.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have an impact on the amounts reported as the timing of revenue recognition may be affected/and the amounts of revenue recognised are subject to variable consideration constraints, and more disclosures relating to revenue is required. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review. In addition, the application of HKFRS 15 in the future may result in more disclosures in the consolidated financial statements.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of approximately RMB1,143,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete 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, sales of social product paper packages, machinery rental services and subcontracting services.

An analysis of revenue is as follows:

	2016	2015
	RMB'000	*RMB'000*
Sales of paper cigarette packages	**476,123**	459,460
Sales of social product paper packages	**37,834**	35,629
Machinery rental service income	**750**	–
Subcontracting income	**1,367**	–
	516,074	495,089

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, renting of imprinting machinery and subcontracting for imprinting and processing 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 2016:

	Paper cigarette packages	**Social product paper packages**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Segment revenue	**478,240**	**37,834**	**516,074**
Segment profit	**69,738**	**2,385**	**72,123**
Other income			**2,945**
Other gains and losses			**(1,094)**
Administrative and other operating expenses			**(55,033)**
Finance costs			**(9,791)**
Profit before tax			**9,150**

For the year ended 31 December 2015:

	Paper cigarette packages *RMB'000*	Social product paper packages *RMB'000*	Total *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

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, 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

	2016 ***RMB'000***	2015 *RMB'000*
Paper cigarette packages:		
Depreciation of property, plant and equipment	**19,510**	18,875
Social product paper packages:		
Depreciation of property, plant and equipment	**1,456**	1,295

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 most 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:

	2016	2015
	RMB'000	*RMB'000*
Customer A	**–**	78,966
Customer B	**81,597**	151,137
Customer C	**55,470**	14,559
Customer D	**84,635**	28,517

These revenues are attributable to paper cigarette packages.

4. FINANCE COSTS

	2016	2015
	RMB'000	*RMB'000*
Interest on bank and other borrowings	**7,840**	9,387
Finance costs arising on early redemption of note receivables	**1,705**	4,085
Other bank charges	**246**	509
Total finance costs	**9,791**	13,981

5. INCOME TAX EXPENSE

	2016	2015
	RMB'000	*RMB'000*
Current tax:		
– PRC Enterprise Income Tax ("EIT")	**1,934**	4,243
– Underprovision in prior years	**1,865**	–
Deferred tax	**717**	701
	4,516	4,944

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 to 28 October 2018.

6. PROFIT FOR THE YEAR

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

	2016	2015
	RMB'000	*RMB'000*
Staff costs:		
Directors' emoluments	**796**	740
Other staff costs:		
Salaries and other benefits	**51,197**	50,811
Contributions to retirement benefits schemes	**10,763**	10,814
	62,756	62,365
Auditors' remuneration	**766**	826
Amortisation of prepaid lease payments	**580**	580
Depreciation of property, plant and equipment	**20,966**	20,170
Loss on disposal of property, plant and equipment	**984**	1,325
Operating lease rentals in respect of rented premises	**1,910**	1,478
Recognition/(reversal) of impairment loss on trade receivables	**110**	(9)
Cost of inventories recognised as an expense	**412,760**	395,115

7. DIVIDENDS

	2016	2015
	RMB'000	*RMB'000*
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2015 special dividend – RMB13 cents per share	**–**	39,000

No dividend was paid or proposed for ordinary shareholders of the Company during 2016, nor has any dividend been proposed since the end of the reporting period.

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:

	2016	2015
	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)	**2,556**	2,507
	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**	300,000,000

For the year ended 31 December 2016 and 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.

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 2016 and 2015.

9. TRADE AND OTHER RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Trade receivables	**206,356**	216,867
Less: allowance for doubtful debts	**(146)**	(46)
	206,210	216,821
Note receivables	**34,726**	–
Other receivables	**7,401**	9,991
Payments in advance	**6,783**	13,072
Advance to employees	**9,789**	11,020
Prepayments and deposits paid	**11,404**	11,096
Total trade and other receivables	**276,313**	262,000

As at 31 December 2016, 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) ("China Tobacco Hubei"), 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) ("Hubei Three Gorges") of approximately RMB2,149,000 (2015: approximately RMB5,114,000). The amounts were unsecured and interest-free.

Note receivables represented bank acceptance notes with maturity of within six months. Note receivables were 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 150 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:

	2016	2015
	RMB'000	*RMB'000*
0 to 90 days	**139,394**	171,915
91 to 180 days	**57,037**	36,334
181 to 360 days	**6,193**	7,847
Over 360 days	**3,586**	725
	206,210	216,821

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

	2016	2015
	RMB'000	*RMB'000*
0 to 90 days	**27,726**	–
91 to 180 days	**7,000**	–
	34,726	–

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 2016 and 2015 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

	2016	2015
	RMB'000	*RMB'000*
Overdue by:		
1 to 90 days	**28,839**	25,814
91 to 180 days	**1,590**	20,135
181 to 360 days	**2,347**	456
Over 360 days	**358**	665
	33,134	47,070

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

	2016	2015
	RMB'000	*RMB'000*
Balance at beginning of year	**46**	55
Recognition/(reversal) of impairment losses on trade receivables	**110**	(9)
Amounts written off as uncollectible	**(10)**	–
Balance at end of year	**146**	46

Included in the allowances for doubtful debts are individually impaired trade receivables with balances of approximately RMB146,000 (2015: RMB46,000) respectively. The individually impaired receivables related to customers that were in financial difficulties or in dispute and the management assessed that the recovery of the amounts is doubtful. The Group does not hold any collateral over these balances.

10. TRADE AND OTHER PAYABLES

	2016	2015
	RMB'000	*RMB'000*
Trade payables	**177,968**	128,222
Note payables	**107,600**	205,150
Other payables and accruals	**17,846**	25,883
Total trade and other payables	**303,414**	359,255

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.

	2016	2015
	RMB'000	*RMB'000*
0 to 90 days	**157,075**	102,548
91 to 180 days	**10,572**	20,139
181 to 360 days	**6,644**	4,605
Over 360 days	**3,677**	930
	177,968	128,222

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

	2016	2015
	RMB'000	*RMB'000*
0 to 90 days	**57,600**	152,100
91 to 180 days	**50,000**	53,050
	107,600	205,150

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

Despite of the stagnant and vulnerable global economy in 2016, the economy of the PRC kept undergoing the restructure of "new normal" with a natural slowdown. Hitting the growth target set by the PRC government, which ranges between 6.5% and 7%, the PRC posted a consistent 6.7% increase in gross domestic product for the year of 2016. Strong fiscal support, loose monetary policy, and a booming property market were the main factors that drove the economic growth of the PRC in the previous year.

With respect to the tobacco industry in the PRC, the cigarette sales volume amounted to a total of 47.01 million cases of cigarettes, slightly decreased by 5.6% from the corresponding period in 2015. Notwithstanding the insignificant drop in the overall sales volume, the tobacco industry is turning into more sophisticated and brand-focused. Adapting to the changes of the industry, experienced paper cigarette package printers with strong capabilities of research and development, such as the Company, obviously enjoyed more advantages under industry polarisation. Moreover, handmade products, customised packaging and labels have received increasing popularity in recent years. Higher demand on qualitative paper cigarette package required professional talents at the field of technology and product design, which are the competitive edges of the Company.

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 the PRC. Hubei Golden Three Gorges Printing Industry Co., Ltd* (湖北金三峽印務有限公司) ("Hubei Golden Three Gorges"), the Group's primary subsidiary, has been established in the PRC 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 7 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.

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 2016, the revenue of the Group was approximately RMB516.1 million, representing an increase of approximately 4.2% over the same period in 2015, among which revenue from paper cigarette packages segment and social product paper packages segment increased by approximately 4.1% and 6.2%, respectively. The increase in revenue was primarily attributable to the Group's continuing expansion of the production capacity for handmade products and the sales of handmade products increased accordingly during the year.

The following table sets forth the breakdown of the Group's revenue for the year ended 31 December 2016:

	For the year ended 31 December		
	2016	2015	Change (%)
	RMB'000	*RMB'000*	*(approximate)*
Paper cigarette packages segment	**478,240**	459,460	4.1%
Social product paper packages segment	**37,834**	35,629	6.2%

Gross Profit

The Group's gross profit increased by approximately 3.3% from approximately RMB100.0 million for the year ended 31 December 2015 to approximately RMB103.3 million for the year ended 31 December 2016. The Group's gross profit margin decreased by approximately 0.2% from approximately 20.2% to approximately 20.0% as compared with the same period in 2015. The Group recorded a steady increase in gross profit and stable gross profit margin as compared with the same period in 2015.

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 2016, the Group's other income decreased by approximately 63.5% to approximately RMB2.9 million. During the year ended 31 December 2015, the Group recorded a receipt of government grant for the Company's successful listing on the Main Board of the Stock Exchange of Hong Kong Limited ("Stock Exchange") in year 2014. There were no such income recorded during the year ended 31 December 2016.

Other Gains and Losses

For the year ended 31 December 2016, 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 2016, the Group recorded net other losses of approximately RMB1.1 million as compared with net other gains of approximately RMB2.0 million for the year ended 31 December 2015. During the year ended 31 December 2015, the Group recorded a gain on disposal of land of approximately RMB3.3 million (for the year ended 31 December 2016: nil).

Selling and Distribution Expenses

For the year ended 31 December 2016, 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 increased by approximately 5.7% from approximately RMB29.5 million for the year ended 31 December 2015 to approximately RMB31.2 million for the year ended 31 December 2016. The increase was mainly due to the increase in transportation costs for delivery of goods to customer because of expansion of market to outer districts of China such as Heilongjiang, Yunnan and Inner Mongolia and increase in volume of goods delivering to remote customers during the year ended 31 December 2016.

Administrative and Other Operating Expenses

For the year ended 31 December 2016, 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 decreased by approximately 4.3% from approximately RMB57.5 million for the year ended 31 December 2015 to approximately RMB55.0 million for the year ended 31 December 2016. The decrease was mainly due to the decrease in staff benefits, depreciation and compliance advisory fee during the year.

Finance Costs

For the year ended 31 December 2016, finance costs primarily consist of interest payments on interest-bearing obligations, finance costs arising on early redemption of note receivables when the Group sold 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 30.0% from approximately RMB14.0 million for the year ended 31 December 2015 to approximately RMB9.8 million for the year ended 31 December 2016. Such decrease in finance costs was mainly due to the decrease of finance costs arising from early redemption of note receivables during the year.

Income Tax Expense

The Group's income tax expense decreased by approximately 8.7% from approximately RMB4.9 million for the year ended 31 December 2015 to approximately RMB4.5 million for the year ended 31 December 2016.

Profit Attributable to Owners of the Company

As a result of the foregoing, the Group's profit attributable to owners of the Company increased by approximately 2.0% from approximately RMB2.5 million for the year ended 31 December 2015 to approximately RMB2.6 million for the year ended 31 December 2016.

Trade and Other Receivables

Trade and other receivables increased by approximately 5.5% from approximately RMB262.0 million as at 31 December 2015 to approximately RMB276.3 million as at 31 December 2016. The increase was mainly attributable to the net effect of: (i) decrease of trade receivables from approximately RMB216.8 million as at 31 December 2015 to approximately RMB206.2 million as at 31 December 2016; (ii) decrease in payments in advance from approximately RMB13.1 million as at 31 December 2015 to approximately RMB6.8 million as at 31 December 2016; and (iii) the Company recorded note receivables of RMB34.8 million as at 31 December 2016 (as at 31 December 2015: nil).

Trade and Other Payables

Trade and other payables decreased by approximately 15.5% from approximately RMB359.3 million as at 31 December 2015 to approximately RMB303.4 million as at 31 December 2016. The decrease was mainly due to the net effect of: (i) increase of trade payables from approximately RMB128.2 million as at 31 December 2015 to approximately RMB178.0 million as at 31 December 2016; and (ii) decrease of note payables from approximately RMB205.2 million as at 31 December 2015 to approximately RMB107.6 million as 31 December 2016.

LIQUIDITY AND FINANCIAL RESOURCES

The Group recorded net current assets of approximately RMB44.4 million as at 31 December 2016, compared with net current assets of approximately RMB22.5 million as at 31 December 2015. The Group maintained a healthy liquidity position during the year ended 31 December 2016. The Group's operations were principally financed by internal resources and bank borrowings during the year.

As at 31 December 2016, the Group's bank balances and cash, which were held mainly in Renminbi and Hong Kong dollars, were approximately RMB58.2 million, compared with RMB55.2 million as at 31 December 2015.

Borrowings and Gearing Ratio

The Group's interest-bearing borrowings was approximately RMB150.0 million as at 31 December 2016 (as at 31 December 2015: approximately RMB143.5 million). The increase of interest-bearing borrowings is mainly due to increase in borrowings during the Year. The gearing ratio (defined as total debt divided by total equity) decreased from approximately 63.5% as at 31 December 2015 to approximately 65.1% as at 31 December 2016. The Group's interest-bearing borrowings were mainly denominated in Renminbi as at 31 December 2015 and 2016.

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 2016, the Group's total capital expenditure amounted to approximately RMB6.2 million (2015: RMB35.3 million), which was mainly used in 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):

	2016	2015
	RMB'000	*RMB'000*
Prepaid lease payments	**21,179**	21,759
Property, plant and equipment	**132,026**	145,830
Trade receivables	**139,795**	111,087
Pledged bank deposits	**54,013**	97,000
	347,013	375,676

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 2016 (2015: nil).

Contingent Liabilities

As at 31 December 2016, the Group did not have any significant contingent liabilities (as at 31 December 2015: 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 2016.

HUMAN RESOURCES AND REMUNERATION

As at 31 December 2016, the Group employed 850 employees (as compared with 1,081 employees as at 31 December 2015) with total staff cost of approximately RMB62.8 million incurred for the year ended 31 December 2016 (as compared with approximately RMB62.4 million for the year ended 31 December 2015). The Group's remuneration packages are generally structured with reference to market terms and individual merits.

FUTURE OUTLOOK

Looking ahead, "stability" is still the main focus of Chinese economy. The Chinese Academy of Social Sciences (CASS) forecast China's economic growth in 2017 will be 6.5%, which would be a bit down from the expected growth of around 6.7% for last year. With a steady yet slower GDP growth rate, the Chinese economy is believed to be on a path of stable and healthy development.

In the second half of 2016, improvement in the industrial sector provided strong momentum for China's economy and set off the new year with a positive start. In 2017, the tobacco industry will continue to emphasise the key tasks of destocking and lowering costs. At the same time, environmental protection and the quality of development will be the spotlights of the cigarette package printing industry. Therefore, the Company plans to enhance our product portfolio through developing new products and technology in order to keep abreast of industry trends. We will also boost our production capacity and technological standards to order to expand our market share.

With further brand integration in the tobacco industry, we will boost our research and development capability for new products, enhance our product mix and actively develop new products to expand our market. 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.

The Company will strive for stable business development with target to breakthrough in turnover in 2017. Efforts will be put into expanding market share and production capacity in order to strengthen our leading market position. Leveraging on years of experience in the industry and solid relationship with our cooperation partners, the Company will grasp the new market opportunities from new rounds of bidding in major markets to stimulate extra growth in sale volume. With stable business development, we will continue to utilise our advantages 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 2016.

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 2016.

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 2016.

Event After the year ended 31 December 2016

The Company has undergone a change in controlling shareholder on 21 December 2016 (after trading hours) after China Civil Aviation (Cayman) Investment Group Limited ("China Civil Aviation") executed the sale and purchase agreement acquiring 195,600,000 ordinary shares of the Company (the "Share(s)"). Upon the close of the unconditional mandatory general offer on 17 March 2017, China Civil Aviation held 195,602,000 Shares, constituting an aggregate of approximately 65.2% of the Company's total issued capital. For further details, please refer to the announcements of the Company dated 23 December 2016, 30 December 2016 and 17 March 2017, respectively, and the composite document of the Company dated 24 February 2017.

Save as disclosed above, there was no material subsequent event during the period from 1 January 2017 to the date of this announcement.

REVIEW OF ANNUAL RESULTS

The Group's annual results for the year ended 31 December 2016 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. Gong Jinjun and Mr. Zeng Shiquan.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting is scheduled to be held on Friday, 9 June 2017.

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 Tuesday, 6 June 2017 to Friday, 9 June 2017, 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 Monday, 5 June 2017.

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 2016 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
Li Tie
Chairman

Hong Kong, 21 March 2017

As at the date of this announcement, the Board comprises seven Directors, namely: Mr. Li Tie, Mr. Liu Daoqi and Mr. Huang Erwei as executive Directors; Mr. Yang Yoong An 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*