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Jia Yao Holdings Limited

嘉耀控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 01626)

CONTINUING CONNECTED TRANSACTIONS SALE OF PAPER CIGARETTE PACKAGES

SALE OF PAPER CIGARETTE PACKAGES

The Board is pleased to announce that on 8 December 2021, Hubei Golden Three Gorges, a subsidiary of the Company, entered into the Sale Agreements with China Tobacco Chongqing, Yunnan Tobacco Materials, Shanxi Kunming Tobacco, China Tobacco Henan, Hainan Tobacco, Longyan Tobacco and Heilongjiang Tobacco Industrial.

LISTING RULES IMPLICATIONS

Each of the seven counter-parties to the Sale Agreements is a connected person of the Company and their respective relationships with the Company are set out in the paragraph headed “PARTIES AND RELATIONSHIPS OF THE PARTIES” of this announcement. Accordingly, the transactions under the Sale Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

THE SALE AGREEMENTS

As the transactions under the Sale Agreements are transactions between the Group and connected persons at the subsidiary level on normal commercial terms, the Board has approved the transactions under the Sale Agreements and the independent non-executive Directors have confirmed that the terms of the transactions under the Sale Agreements are fair and reasonable, the transactions under the Sale Agreements are on normal commercial terms and in the interests of the Company and its Shareholders as a whole, the Sale Agreements are subject to the annual review, reporting and announcement requirements and are exempt from the circular, independent financial advice and shareholders’ approval requirements pursuant to Rule 14A.101 of the Listing Rules.

SALE OF PAPER CIGARETTE PACKAGES

The Board is pleased to announce that on 8 December 2021, Hubei Golden Three Gorges, a subsidiary of the Company, entered into the Sale Agreements in relation to the sale of paper cigarette packages.

PRINCIPAL TERMS OF THE SALE AGREEMENTS

The principal terms of each of the Sale Agreements are set out as follows:

(i) Chongqing Sale Agreements

Date:

8 December 2021

Parties:

- (a) Hubei Golden Three Gorges
- (b) China Tobacco Chongqing

Description of the transactions:

Pursuant to the Chongqing Sale Agreements, Hubei Golden Three Gorges agreed to supply to China Tobacco Chongqing, and China Tobacco Chongqing agreed to purchase from Hubei Golden Three Gorges paper cigarette packages for certain sub-brands of the cigarette brand “Long Feng Cheng Xiang (龍鳳呈祥)” at unit prices ranging from approximately RMB0.0886 per piece to approximately RMB0.6339 per piece for the period from 8 December 2021 to 31 December 2021.

Purchase orders will be issued by China Tobacco Chongqing to Hubei Golden Three Gorges.

(ii) Yunnan Sale Agreements

Date:

8 December 2021

Parties:

- (a) Hubei Golden Three Gorges
- (b) Yunnan Tobacco Materials

Description of the transactions:

Pursuant to the Yunnan Sale Agreements, Hubei Golden Three Gorges agreed to supply to Yunnan Tobacco Materials, and Yunnan Tobacco Materials agreed to purchase from Hubei Golden Three Gorges paper cigarette packages for a sub-brand of the cigarette brand “Hong Ta Shan (紅塔山)” at unit prices ranging from approximately RMB0.1824 per piece to approximately RMB0.6842 per piece; a sub-brand of the cigarette brand “Yun Yan (雲煙)” at unit price approximately RMB9.1428 per piece; and a sub-brand of the cigarette brand “Yu Xi (玉溪)” at unit price approximately RMB10.2593 per piece, for the period from 8 December 2021 to 31 December 2021.

Purchase orders will be issued by Yunnan Tobacco Materials to Hubei Golden Three Gorges. Upon passing of the examination of the paper cigarette packages and obtaining confirmation by Yunnan Tobacco Materials on its ERP system, Yunnan Tobacco Materials shall settle the payment within one month upon receiving the invoice from Hubei Golden Three Gorges.

(iii) Shanxi Sale Agreements

Date:

8 December 2021

Parties:

- (a) Hubei Golden Three Gorges
- (b) Shanxi Kunming Tobacco

Description of the transactions:

Pursuant to the Shanxi Sale Agreements, Hubei Golden Three Gorges agreed to supply to Shanxi Kunming Tobacco, and Shanxi Kunming Tobacco agreed to purchase from Hubei Golden Three Gorges paper cigarette packages for a sub-brand of the cigarette brand “Zi Qi Dong Lai (紫氣東來)” at unit prices ranging from approximately RMB0.3758 per piece to approximately RMB1.3153 per piece; a sub-brand of the cigarette brand “Hong Ta Shan (紅塔山)” at unit prices ranging from approximately RMB0.1338 per piece to approximately RMB0.5228 per piece; and a sub-brand of the cigarette brand “Yun Yan (雲煙)” at unit prices ranging from approximately RMB0.1549 per piece to approximately RMB0.5221 per piece, for the period from 8 December 2021 to 31 December 2021.

The actual quantity of the paper cigarette packages to be purchased by Shanxi Kunming Tobacco, and the time and place of delivery of the products concerned shall conform to the purchase orders by Shanxi Kunming Tobacco. Upon passing of the

examination of the paper cigarette packages by Shanxi Kunming Tobacco, Shanxi Kunming Tobacco shall settle the payment by installment upon receiving the value-added tax invoice from Hubei Golden Three Gorges, the outstanding balance will be treated as the performance bond.

(iv) Henan Sale Agreements

Date:

8 December 2021

Parties:

- (a) Hubei Golden Three Gorges
- (b) China Tobacco Henan

Description of the transactions:

Pursuant to the Henan Sale Agreements, Hubei Golden Three Gorges agreed to supply to China Tobacco Henan, and China Tobacco Henan agreed to purchase from Hubei Golden Three Gorges paper cigarette packages for a sub-brand of the cigarette brand “Huang Jin Ye (黃金葉)” at unit prices ranging from approximately RMB0.2239 per piece to RMB12.0797 per piece for the period from 8 December 2021 to 31 December 2021.

Purchase orders will be issued by China Tobacco Henan to Hubei Golden Three Gorges. Hubei Golden Three Gorges shall issue the value-added tax invoice to China Tobacco Henan and China Tobacco Henan shall settle the payment by electronic payment, bank acceptance bill or banker’s draft thereafter.

(v) Hainan Sale Agreements

Date:

8 December 2021

Parties:

- (a) Hubei Golden Three Gorges
- (b) Hainan Tobacco

Description of the transactions:

Pursuant to the Hainan Sale Agreements, Hubei Golden Three Gorges agreed to supply to Hainan Tobacco, and Hainan Tobacco agreed to purchase from Hubei Golden Three Gorges paper cigarette packages for a sub-brand of the cigarette brand “Bao Dao (寶島)” at unit prices ranging from RMB0.34 per piece to RMB1.54 per piece for the period from 8 December 2021 to 31 December 2021.

The actual quantity of the paper cigarette packages to be purchased by Hainan Tobacco, and the time and place of delivery of the products concerned shall conform to the purchase orders by Hainan Tobacco. Upon passing of the examination of the paper cigarette packages by Hainan Tobacco, Hainan Tobacco shall settle the payment within 90 days upon receiving the invoice from Hubei Golden Three Gorges.

(vi) Longyan Sale Agreements

Date:

8 December 2021

Parties:

(a) Hubei Golden Three Gorges

(b) Longyan Tobacco

Description of the transactions:

Pursuant to the Longyan Sale Agreements, Hubei Golden Three Gorges agreed to supply to Longyan Tobacco, and Longyan Tobacco agreed to purchase from Hubei Golden Three Gorges paper cigarette packages for a sub-brand of the cigarette brand “Qi Pi Lang (七匹狼)” at unit prices ranging from approximately RMB0.1914 per piece to approximately RMB0.8204 per piece for the period from 8 December 2021 to 31 December 2021.

The actual quantity of the paper cigarette packages to be purchased by Longyan Tobacco, and the time and place of delivery of the products concerned shall conform to the purchase orders by Longyan Tobacco. Longyan Tobacco shall settle the payment within 90 days upon receiving the value-added tax invoice from Hubei Golden Three Gorges.

(vii) Heilongjiang Sale Agreements

Date:

8 December 2021

Parties:

- (a) Hubei Golden Three Gorges
- (b) Heilongjiang Tobacco Industrial

Description of the transactions:

Pursuant to the Heilongjiang Sale Agreements, Hubei Golden Three Gorges agreed to supply to Heilongjiang Tobacco Industrial, and Heilongjiang Tobacco Industrial agreed to purchase from Hubei Golden Three Gorges paper cigarette packages for a sub-brand of the cigarette brand “Yun Yan (雲煙)” at unit prices ranging from approximately RMB0.1424 per piece to RMB0.6102 per piece; certain sub-brands of the cigarette brand “Long Yan (龍煙)” at unit prices ranging from approximately RMB0.2433 per piece to approximately RMB1.5594 per piece; certain sub-brands of the cigarette brand “Nan Jing (南京)” at unit prices ranging from approximately RMB0.1748 per piece to approximately RMB0.9323 per piece; and certain sub-brands of the cigarette brand “Ha Er bin (哈爾濱)” at unit prices ranging from approximately RMB0.1503 per piece to approximately RMB0.8582 per piece, for the period from 8 December 2021 to 31 December 2021.

Purchase orders will be issued by Heilongjiang Tobacco Industrial to Hubei Golden Three Gorges.

ANNUAL CAPS

It is proposed that the annual caps of the transactions contemplated under the Sale Agreements for the financial year ending 31 December 2021 will not exceed the following:

Supply of paper cigarette packages under the Sale Agreements	For the year ending 31 December 2021 (RMB)
(i) Chongqing Sale Agreements	16,894,000
(ii) Yunnan Sale Agreements	16,547,000
(iii) Shanxi Sale Agreements	12,175,000
(iv) Henan Sale Agreements	13,585,000
(v) Hainan Sale Agreements	4,940,000
(vi) Longyan Sale Agreements	7,521,000
(vii) Heilongjiang Sale Agreements	<u>11,358,000</u>
 Total	 <u><u>83,020,000</u></u>

The unit prices of the paper cigarette packages were determined based on the prevailing market prices for paper cigarette packages of similar nature that were provided by Hubei Golden Three Gorges to independent third parties, and the expected production costs involved to produce the paper cigarette packages.

In arriving at the annual caps as contemplated under the Sale Agreements, the Directors had considered the expected total quantities of paper cigarette packages to be purchased by each of the seven counterparties from Hubei Golden Three Gorges as specified in the relevant tender documents and/or the Sale Agreements.

REASONS FOR AND BENEFITS OF ENTERING INTO THE TRANSACTIONS

The sale of paper cigarette packages is within the ordinary course of business of the Group. The Directors consider that the sale of paper cigarette packages by Hubei Golden Three Gorges to each of the seven counterparties will ensure the Group a steady income.

Having considered the above reasons and taking into consideration that (i) the Sale Agreements were entered into based on the tender result of the relevant products; and (ii) the selling prices of the paper cigarette packages are fixed under each of the Sale Agreements, the Board (including independent non-executive Directors) considers that each of the Sale Agreements was entered into on normal commercial terms comparable to those offered by other Provincial Tobacco Industrial Companies, in the ordinary and usual course of business of the Group, and such transactions have been negotiated on an arm's length basis, and the terms of the Sale Agreements and the respective Annual Caps are fair and reasonable, and in the interests of the Company and its Shareholders as a whole.

PARTIES AND RELATIONSHIPS OF THE PARTIES

Hubei Golden Three Gorges is a company established in the PRC with limited liability and is indirectly owned as to approximately 82.86% by the Company and approximately 17.14% by China Tobacco Hubei as at the date of this announcement. Hubei Golden Three Gorges 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.

China Tobacco Hubei holds approximately 17.14% equity interest in Hubei Golden Three Gorges, which is a subsidiary of the Company. Hence, China Tobacco Hubei is a connected person of the Company. China Tobacco Hubei is a wholly-owned subsidiary of CNTC. Hence, CNTC is an associate of China Tobacco Hubei under Rule 14A.13 of the Listing Rules, and accordingly a connected person of the Company. China Tobacco Hubei is principally engaged in the production and sale of tobacco products.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, as at the date of this announcement, the State Council of the People's Republic of China holds 100% equity interest in CNTC. China Tobacco Chongqing, Yunnan Tobacco Materials, Shanxi Kunming Tobacco, China Tobacco Henan, Hainan Tobacco, Longyan Tobacco and Heilongjiang Tobacco Industrial are direct or indirect wholly-owned subsidiaries of CNTC. Therefore, each of the above companies are an associate of China Tobacco Hubei under Rule 14A.13 of the Listing Rules and each of them is therefore, a connected person of the Company. Each of the above companies are principally engaged in the production and sale of tobacco products.

LISTING RULES IMPLICATIONS

Each of the seven counter-parties to the Sale Agreements is a connected person of the Company and their respective relationships with the Company are set out in the paragraph headed "PARTIES AND RELATIONSHIPS OF THE PARTIES" of this announcement. Accordingly, the transactions under the Sale Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The Sale Agreements

As the transactions under the Sale Agreements are transactions between the Group and connected persons at the subsidiary level on normal commercial terms, the Board has approved the transactions under the Sale Agreements and the independent non-executive Directors have confirmed that the terms of the transactions under the Sale Agreements are fair and reasonable, the transactions under the Sale Agreements are on normal commercial terms and in the interests of the Company and its Shareholders as a whole, the Sale Agreements are subject to the annual review, reporting and announcement requirements and are exempt from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

DEFINITIONS

“Board”	the board of Directors
“China Tobacco Chongqing”	重慶中煙工業有限責任公司 (China Tobacco Chongqing Industrial Co., Ltd.*), one of the 18 Provincial Tobacco Industrial Companies
“China Tobacco Henan”	河南中煙工業有限責任公司 (China Tobacco Henan Industrial Co., Ltd.*), one of the 18 Provincial Tobacco Industrial Companies
“China Tobacco Hubei”	湖北中煙工業有限責任公司 (China Tobacco Hubei Industrial Co., Ltd*), one of the 18 Provincial Tobacco Industrial Companies
“Chongqing Sale Agreements”	the agreements entered into between Hubei Golden Three Gorges and China Tobacco Chongqing dated 8 December 2021 for the sale of paper cigarette packages by Hubei Golden Three Gorges to China Tobacco Chongqing
“CNTC”	中國煙草總公司 (China National Tobacco Corporation*), a national corporation responsible for the management of the tobacco industry in the PRC
“Company”	Jia Yao Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“connected person”	has the meaning ascribed to it in the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hainan Tobacco”	海南紅塔卷煙有限責任公司 (Hainan Hongta Tobacco Company Limited*), a company indirectly wholly-owned by CNTC
“Hainan Sale Agreements”	the agreements entered into between Hubei Golden Three Gorges and Hainan Tobacco dated 8 December 2021 for the sale of paper cigarette packages by Hubei Golden Three Gorges to Hainan Tobacco

“Henan Sale Agreements”	agreements entered into between Hubei Golden Three Gorges and China Tobacco Henan dated 8 December 2021 for the sale of paper cigarette packages by Hubei Golden Three Gorges to China Tobacco Henan
“Heilongjiang Sale Agreements”	the agreements entered into between Hubei Golden Three Gorges and Heilongjiang Tobacco Industrial dated 8 December 2021 for the sale of paper cigarette packages by Hubei Golden Three Gorges to Heilongjiang Tobacco Industrial
“Heilongjiang Tobacco Industrial”	黑龍江煙草工業有限責任公司 (Heilongjiang Tobacco Industrial Co., Ltd.*), one of the 18 Provincial Tobacco Industrial Companies
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hubei Golden Three Gorges”	湖北金三峽印務有限公司 (Hubei Golden Three Gorges Printing Industry Co., Ltd*), a company established in the PRC with limited liability and is indirectly owned as to 82.86% by the Company and 17.14% by China Tobacco Hubei as at the date of this announcement
“Longyan Sale Agreements”	the sale agreements entered into between Hubei Golden Three Gorges and Longyan Tobacco dated 8 December 2021 for the sale of paper cigarette packages by Hubei Golden Three Gorges to Longyan Tobacco
“Longyan Tobacco”	龍岩煙草工業有限責任公司 (Longyan Tobacco Industrial Co., Ltd.*), a company indirectly wholly-owned by CNTC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and the Taiwan region
“Provincial Tobacco Industrial Companies”	the 18 state-owned provincial-level or equivalent cigarette manufacturers in the PRC which are subordinated to CNTC
“RMB”	Renminbi, the lawful currency of the PRC

“Sale Agreements”	Chongqing Sale Agreements, Yunnan Sale Agreements, Shanxi Sale Agreements, Henan Sale Agreements, Hainan Sale Agreements, Longyan Sale Agreements and Heilongjiang Sale Agreements
“Shanxi Kunming Tobacco”	山西昆明煙草有限責任公司 (Shanxi Kunming Tobacco Co., Ltd.*), one of the 18 Provincial Tobacco Industrial Companies
“Shanxi Sale Agreements”	the agreements entered into between Hubei Golden Three Gorges and Shanxi Kunming Tobacco dated 8 December 2021 for the sale of paper cigarette packages by Hubei Golden Three Gorges to Shanxi Kunming Tobacco
“Shareholder(s)”	holder(s) of shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Yunnan Tobacco Materials”	雲南中煙物資(集團)有限責任公司 (Yunnan Tobacco Materials (Group) Company Limited*), a company indirectly wholly-owned by CNTC
“Yunnan Sale Agreements”	the agreements entered into between Hubei Golden Three Gorges and Yunnan Tobacco Materials dated 8 December 2021 for the sale of paper cigarette packages by Hubei Golden Three Gorges to Yunnan Tobacco Materials
“%”	per cent

By order of the Board
Jia Yao Holdings Limited
Yang Yoong An
Chairman and Executive Director

Hong Kong, 8 December 2021

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

* For identification purpose only