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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

The Board is pleased to announce that on 27 August 2014, Hubei Golden Three Gorges, a subsidiary of the Company, entered into the Hubei Sale Agreement in relation to the sale of paper cigarette packages.

The counter-party to the Hubei Sale Agreement, being China Tobacco Hubei, is a connected person of the Company and its relationship with the Company is set out in the paragraph headed “PARTIES AND RELATIONSHIPS OF THE PARTIES” of this announcement. Accordingly, the transactions under the Hubei Sale Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules for the Hubei Sale Agreement, on an annual basis, will be more than 1% but less than 5%, the Hubei Sale Agreement is subject to the annual review, reporting and announcement requirements under Chapter 14A of the Listing Rules, but is exempt from the circular, independent financial advice and shareholders’ approval requirements.

INTRODUCTION

The Board is pleased to announce that on 27 August 2014, Hubei Golden Three Gorges, a subsidiary of the Company, entered into the Hubei Sale Agreement in relation to the sale of paper cigarette packages.

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 82.86% by the Company and 17.14% by Hubei Three Gorges as at the date of this announcement. Hubei Golden Three Gorges is principally engaged in the design, manufacture and sales of paper cigarette packages and, to a lesser extent, social product paper packages, in the PRC.

The counter-party to the Hubei Sale Agreement as well as its relationship with the Company is set out below:

China Tobacco Hubei

Hubei Three Gorges holds 17.14% equity interest in Hubei Golden Three Gorges, which is a subsidiary of the Company. Hence, Hubei Three Gorges is a connected person of the Company. To the best knowledge of the Directors after making reasonable enquiries, although 湖北省煙草專賣局 (Hubei Tobacco Monopoly Administration) is the registered equity holder of Hubei Three Gorges, the Directors consider China Tobacco Hubei to be the de facto holding company of Hubei Three Gorges and hence, China Tobacco Hubei is an associate of Hubei Three Gorges 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.

MAJOR TERMS OF THE HUBEI SALE AGREEMENT

Hubei Sale Agreement

Date:

27 August 2014

Parties:

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

Description of the transaction:

Pursuant to the Hubei Sale Agreement, Hubei Golden Three Gorges has agreed to supply to Enshi Tobacco Factory of China Tobacco Hubei, and Enshi Tobacco Factory of China Tobacco Hubei has agreed to purchase from Hubei Golden Three Gorges paper cigarette packages for certain sub-brands of the cigarette brand “Hongjinlong (紅金龍)” at certain unit prices fixed for each sub-brand (ranging from approximately RMB0.08 per piece to RMB0.96 per piece) and for the cigarette brand “Huangjinlong (黃金龍)” at certain unit prices fixed for a sub-brand (ranging from approximately RMB0.09 per piece to RMB0.60 per piece) for the period from 27 August 2014 to 31 December 2014. Purchase orders specifying quantities of paper cigarette packages to be purchased will be issued by China Tobacco Hubei to Hubei Golden Three Gorges on a monthly basis. Upon passing of the examination of the paper cigarette packages and handling of the inventory entry procedures by China Tobacco Hubei, China Tobacco Hubei shall notify Hubei Golden Three Gorges timely for issuance of the invoice and China Tobacco Hubei shall handle the payment procedures within 60 days upon receiving the effective invoice.

ANNUAL CAP

It is expected that the sale by the Group to China Tobacco Hubei under the Hubei Sale Agreement for the year ending 31 December 2014 (the “Annual Cap”) will not be more than RMB9,740,000. In arriving at the Annual Cap, the Directors had considered:

- (i) the historical transaction amount for the year ended 31 December 2013 for the relevant sub-brands of the cigarette brand “Hongjinlong (紅金龍)”;
- (ii) the estimated quantity of paper cigarette packages for the cigarette brand “Hongjinlong (紅金龍)” and “Huangjinlong (黃金龍)” to be purchased by China Tobacco Hubei from Hubei Golden Three Gorges specified in the relevant tender documents.

The Group’s total sale of paper cigarette packages to China Tobacco Hubei for the year ended 31 December 2013 for the relevant sub-brands of the cigarette brand “Hongjinlong (紅金龍)” was approximately RMB56,040,000 and for the cigarette brand “Huangjinlong (黃金龍)” was Nil.

REASONS FOR AND BENEFITS OF ENTERING INTO THE TRANSACTIONS

The Hubei Sale Agreement has been entered into between China Tobacco Hubei and Hubei Golden Three Gorges following completion of the tender process for the current year by China Tobacco Hubei. The sale of paper cigarette packages is in the ordinary course of business of the Group. Besides, the Directors believe that the sale of paper cigarette packages to China Tobacco Hubei will ensure the Group a steady, reliable and relatively large income.

Having considered the above reasons and taking into consideration that (i) the Hubei Sale Agreement has been entered into based on the tender result of the relevant products; and (ii) the selling prices of the paper cigarette packages are fixed under the Hubei Sale Agreement (which are determined with reference to the price ranges specified in the relevant tender document), the Board (including independent non-executive Directors) considers that Hubei Sale Agreement has been 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 Hubei Sale Agreement and the Annual Cap are fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

Accordingly, transactions between the Group and China Tobacco Hubei constitute continuing connected transactions of the Company. As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules for the Hubei Sale Agreement on an annual basis will be more than 1% but less than 5%, the Hubei Sale Agreement is subject to the annual review, reporting and announcement requirements under Chapter 14A of the Listing Rules, but is exempt from the circular, independent financial advice and shareholders' approval requirements.

No Director is materially interested in the Hubei Sale Agreement and required to abstain from voting on the Board resolutions to approve the Hubei Sale Agreement.

DEFINITIONS

“Board”	the board of Directors
“China Tobacco Hubei”	湖北中煙工業有限責任公司 (China Tobacco Hubei Industrial Co., Ltd.*), one of the 16 Provincial Tobacco Industrial Companies
“China Tobacco Industry Development Center”	中國煙草實業發展中心 (China Tobacco Industry Development Center*), which is directly under CNTC and STMA
“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

“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 Hubei Three Gorges as at the date of this announcement
“Hubei Sale Agreement”	an agreement entered into between Hubei Golden Three Gorges and China Tobacco Hubei dated 27 August 2014 for the sale of paper cigarette packages by Hubei Golden Three Gorges to Enshi Tobacco Factory of China Tobacco Hubei
“Hubei Three Gorges”	湖北三峽煙草有限公司 (Hubei Three Gorges Tobacco Co., Ltd*), a company established in the PRC with limited liability, a 17.14% equity holder of Hubei Golden Three Gorges as at the date of this announcement and is wholly-owned by 湖北省煙草專賣局 (Hubei Tobacco Monopoly Administration*), with China Tobacco Hubei being the de facto equity holder
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Provincial Tobacco Industrial Companies”	The 16 state-owned provincial-level or equivalent cigarette manufacturers in the PRC which are subordinated to CNTC
“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
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of shares of the Company
“State-owned Tobacco Companies Customers”	the Group’s customers comprising, to the best knowledge of the Directors after making reasonable enquiries, Provincial Tobacco Industrial Companies or the enterprises under China Tobacco Industry Development Center
“STMA”	the State Tobacco Monopoly Administration of the PRC (中國國家煙草專賣局), a governmental administration responsible for the management of the tobacco industry in the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“HK\$” Hong Kong dollars, the lawful currency of the Hong Kong

“%” per cent

By order of the Board
JIA YAO HOLDINGS LIMITED
Yang Yoong An
Chairman

Hong Kong, 27 August 2014

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