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 2014

FINANCIAL HIGHLIGHTS

- Revenue for the year ended 31 December 2014 decreased by approximately 4.6% or RMB22.9 million to approximately RMB472.9 million as compared with the same period in 2013.
- Gross profit for the year ended 31 December 2014 decreased by approximately 13.7% or RMB21.6 million to approximately RMB136.3 million as compared with the same period in 2013.
- Gross profit margin for the year ended 31 December 2014 decreased by approximately 3.1% from approximately 31.9% to approximately 28.8% as compared with the same period in 2013.
- Profit attributable to owners of the Company for the year ended 31 December 2014 decreased by approximately 79.4% or RMB28.1 million to approximately RMB7.3 million as compared with the same period in 2013.
- The Board does not recommend the payment of a final dividend for the year ended 31 December 2014.

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 2014 of the Company and its subsidiaries (collectively, the "Group") together with the comparative figures for the year ended 31 December 2013, as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2014

	Note	**2014** *RMB'000*	2013 *RMB'000*
Continuing operations			
Revenue	*3*	**472,861**	495,773
Cost of sales		**(336,607)**	(337,851)
Gross profit		**136,254**	157,922
Other income		**6,938**	8,412
Other gains and losses		**(1,605)**	(2,578)
Selling and distribution expenses		**(30,939)**	(31,502)
Administrative and other operating expenses		**(54,172)**	(48,113)
Listing expenses		**(19,596)**	(5,819)
Finance costs	*4*	**(14,856)**	(22,545)
Profit before tax		**22,024**	55,777
Income tax expense	*5*	**(9,130)**	(8,297)
Profit for the year from continuing operations	*6*	**12,894**	47,480
Discontinued operation			
Loss for the year from discontinued operation		**—**	(3,816)
Profit for the year		**12,894**	43,664
Other comprehensive income for the year, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**216**	—
Total comprehensive income for the year		**13,110**	43,664

	Note	**2014**	2013
		RMB'000	*RMB'000*
Profit for the year attributable to:			
Owners of the Company		**7,321**	35,427
Non-controlling interests		**5,573**	8,237
		12,894	43,664
Total comprehensive income for the year attributable to:			
Owners of the Company		**7,537**	35,427
Non-controlling interests		**5,573**	8,237
		13,110	43,664
Earnings per share			
For continuing and discontinued operations			
— Basic and diluted (RMB)	*8*	**0.03**	0.16
For continuing operations			
— Basic and diluted (RMB)	*8*	**0.03**	0.18

Consolidated Statement of Financial Position

As at 31 December 2014

	Note	**2014**	2013
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment		**170,396**	178,325
Prepaid lease payments		**21,759**	22,339
Deferred tax assets		**1,987**	2,453
		194,142	203,117
Current assets			
Inventories		**87,192**	70,539
Trade and other receivables	*9*	**212,219**	183,927
Prepaid lease payments		**580**	580
Amounts due from former equity holders of a subsidiary		**—**	17,258
Amount due from a non-controlling equity holder of a subsidiary		**—**	164
Current tax assets		**43**	—
Pledged bank deposits		**59,026**	59,293
Bank balances and cash		**104,416**	29,963
		463,476	361,724
Assets classified as held for sale		**3,909**	3,909
		467,385	365,633
Total assets		**661,527**	568,750

	Note	2014 RMB'000	2013 RMB'000
Current liabilities			
Trade and other payables	*10*	**214,062**	220,583
Borrowings		**183,000**	94,550
Amounts due to former equity holders of a subsidiary		**—**	93,026
Amounts due to directors		**—**	31,987
Current tax liabilities		**—**	3,733
		397,062	443,879
Net current assets/(liabilities)		**70,323**	(78,246)
Total assets less current liabilities		**264,465**	124,871
Non-current liabilities			
Borrowings		**—**	60,000
Deferred tax liabilities		**3,111**	1,866
		3,111	61,866
Net assets		**261,354**	63,005
Capital and reserves			
Share capital		**2,382**	62
Reserves		**223,845**	33,388
Equity attributable to owners of the Company		**226,227**	33,450
Non-controlling interests		**35,127**	29,555
Total equity		**261,354**	63,005

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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 address 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 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 the paragraph headed "Corporate Reorganisation" in Appendix V to the prospectus of the Company dated 17 June 2014 (the "Prospectus"). Accordingly, for the purpose of the preparation of the 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 HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) - Int 21	Levies

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions and/or on the disclosures set out in these consolidated financial statements.

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

HKFRS 9	Financial Instruments[1]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[5]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle[6]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle[5]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.
3 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
4 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.
5 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
6 Effective for annual periods beginning on or after 1 July 2014, with limited exception. Earlier application is permitted.

The Group has not applied other new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of other new and revised HKFRSs but is not yet in a position to state whether these other new and revised HKFRSs would have a material impact on its results of operations and financial position. The Group does not plan to adopt these standards prior to their mandatory effective date.

3. REVENUE AND SEGMENT INFORMATION

Revenue

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

An analysis of revenue from continuing operations is as follows:

	2014	2013
	RMB'000	*RMB'000*
Sales of paper cigarette packages	**444,842**	469,513
Sales of social product paper packages	**28,019**	26,260
	472,861	495,773

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)

An operation was discontinued in the year ended 31 December 2013. The segment information does not include any amounts for the discontinued operation.

For the year ended 31 December 2014

	Paper cigarette packages	**Social product paper packages**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Continuing operations			
Segment revenue	**444,842**	**28,019**	**472,861**
Segment profit	**134,238**	**2,016**	**136,254**
Other income			**6,938**
Other gains and losses			**(1,605)**
Selling and distribution expenses			**(30,939)**
Administrative and other operating expenses			**(54,172)**
Listing expenses			**(19,596)**
Finance costs			**(14,856)**
Profit before tax from continuing operations			**22,024**

For the year ended 31 December 2013

	Paper cigarette packages *RMB'000*	Social product paper packages *RMB'000*	Total *RMB'000*
Continuing operations			
Segment revenue	469,513	26,260	495,773
Segment profit	153,884	4,038	157,922
Other income			8,412
Other gains and losses			(2,578)
Selling and distribution expenses			(31,502)
Administrative and other operating expenses			(48,113)
Listing expenses			(5,819)
Finance costs			(22,545)
Profit before tax from continuing operations			55,777

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, selling and distribution expenses, 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

	2014 ***RMB'000***	2013 *RMB'000*
Continuing operations		
Paper cigarette packages:		
Depreciation of property, plant and equipment	**18,881**	18,999
Impairment losses on property, plant and equipment	**1,778**	361
Reversal of provision for slow-moving inventories	**(243)**	—
(Reversal)/recognition of impairment loss on trade receivables	**(144)**	47
Amortisation of prepaid lease payments	**561**	602
Additions to non-current assets	**10,485**	11,060
Social product paper packages:		
Depreciation of property, plant and equipment	**1,027**	2,386
Amortisation of prepaid lease payments	**19**	75
Recognition of impairment loss on trade receivables	**14**	—
Additions to non-current assets	**3,691**	708

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 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 from continuing operations of the Group are as follows:

	2014	2013
	RMB'000	*RMB'000*
Customer A *(Note)*	**N/A**[1]	58,952
Customer B	**103,646**	112,355
Customer C	**100,448**	57,502

[1] The corresponding revenue did not contribute over 10% of the total revenue of the Group.

Note: Customer A represents Hubei China Tobacco 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").

4. FINANCE COSTS

Continuing operations	**2014**	2013
	RMB'000	*RMB'000*
Interest on bank and other borrowings wholly repayable within five years	**12,377**	14,076
Finance costs arising on early redemption of note receivables	**1,792**	7,196
Other bank charges	**687**	1,273
Total finance costs	**14,856**	22,545

5. INCOME TAX EXPENSE

Continuing operations	**2014**	2013
	RMB'000	*RMB'000*
Current tax:		
— PRC Enterprise Income Tax ("EIT")	**6,784**	10,621
— Underprovision/(overprovision) in prior years	**635**	(52)
Deferred tax	**1,711**	(2,272)
	9,130	8,297

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, 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 15 September 2012 and subsequently extended from 20 November 2012 to 19 November 2015.

6. PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS

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

Continuing operations	2014	2013
	RMB'000	*RMB'000*
Staff costs:		
Directors' emoluments	**491**	188
Other staff costs:		
Salaries and other benefits	**38,190**	34,855
Contributions to retirement benefits schemes, excluding those of directors	**8,629**	5,613
	47,310	40,656
Auditors' remuneration	**792**	66
Depreciation of property, plant and equipment	**19,908**	21,385
Impairment losses on property, plant and equipment	**1,778**	361
Loss on disposal of property, plant and equipment	**200**	2,538
Amortisation of prepaid lease payments	**580**	677
Operating lease rentals in respect of rented premises	**459**	—
Reversal of provision for slow-moving inventories	**(243)**	—
(Reversal)/recognition of impairment loss on trade receivables	**(130)**	47
Cost of inventories recognised as an expense	**336,607**	337,851

7. DIVIDENDS

	2014	2013
	RMB'000	*RMB'000*
Dividends recognised as distributions attributable to:		
Owners of the Company	**—**	—
Former equity holders of a subsidiary prior to Reorganisation	**—**	81,197
	—	81,197

The dividend of approximately RMB81,197,000 paid for the year ended 31 December 2013 represented the dividend paid by a subsidiary of the Company to its then equity holder prior to the Reorganisation. The rate of dividend and the number of shares ranking for dividends have not been presented as such information is not meaningful having regard to the purpose of these consolidated financial statements.

No dividend has been paid or declared by the Company since its date of incorporation. The Directors do not recommend the payment of a final dividend for the year ended 31 December 2014.

8. EARNINGS PER SHARE

From continuing and discontinued operations

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

	2014	2013
	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)	**7,321**	35,427
	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	**263,630,137**	225,000,000

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 to be 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.

For the year ended 31 December 2013, 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 225,000,000 shares (comprising 1 share in issue, 9,999 shares issued pursuant to the Reorganisation on 30 April 2014 and 224,990,000 shares to be issued under the capitalisation issue pursuant to the resolutions passed by the shareholders of the Company (the "Shareholders") on 6 June 2014), as if these 225,000,000 shares were outstanding since 1 January 2013.

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 2014 and 2013.

From continuing operations

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

	2014	2013
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of basic and diluted earnings per share	**7,321**	39,759

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

From discontinued operation

Basic and diluted loss per share for the discontinued operation is nil per share (2013: RMB0.02 per share), based on the loss for the year from the discontinued operation of nil (2013: approximately RMB3,816,000) and the denominators detailed above for both basic and diluted loss per share.

9. TRADE AND OTHER RECEIVABLES

	2014	2013
	RMB'000	*RMB'000*
Trade receivables	**146,437**	148,334
Less: allowance for doubtful debts	**(55)**	(185)
	146,382	148,149
Note receivables	**19,758**	1,250
Other receivables	**14,589**	13,823
Payments in advance	**11,059**	9,972
Advance to employees	**4,086**	7,070
Deposit paid for the purchases of property, plant and equipment	**9,247**	1,162
Prepaid listing expenses	**—**	897
Prepayments and deposits paid	**7,098**	1,604
Total trade and other receivables	**212,219**	183,927

As at 31 December 2014, included in the Group's trade receivables are receivables from China Tobacco Hubei of approximately RMB4,340,000 (2013: RMB9,927,000). The amounts were unsecured and interest-free.

As at 31 December 2014, included in the Group's other receivables and payment in advance are receivables from and advance to a former subsidiary, 湖北盟科紙業有限公司 (Hubei Mengke Paper Co., Ltd) ("Hubei Mengke"), of approximately RMB13,802,000 and RMB7,020,000 (2013: RMB13,382,000 and RMB8,523,000). The amount was unsecured, interest-free and had no fixed term of repayment.

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:

	2014	2013
	RMB'000	*RMB'000*
0 to 90 days	**119,647**	125,095
91 to 180 days	**17,757**	18,507
181 to 360 days	**2,397**	3,407
Over 360 days	**6,581**	1,140
	146,382	148,149

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

	2014	2013
	RMB'000	*RMB'000*
0 to 90 days	**1,840**	1,100
91 to 180 days	**17,918**	150
	19,758	1,250

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 2014 and 2013 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

	2014	2013
	RMB'000	*RMB'000*
Overdue by:		
0 to 90 days	**36,559**	15,219
91 to 180 days	**3,049**	2,889
181 to 360 days	**1,373**	1,158
Over 360 days	**4**	599
	40,985	19,865

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

	2014	2013
	RMB'000	*RMB'000*
Balance at beginning of year	**185**	138
(Reversal)/recognition of impairment losses on trade receivables	**(130)**	47
Balance at end of year	**55**	185

10. TRADE AND OTHER PAYABLES

	2014	2013
	RMB'000	*RMB'000*
Trade payables	**71,023**	74,159
Note payables	**124,227**	109,130
Dividends payable	**—**	13,914
Other payables and accruals	**18,812**	23,380
Total trade and other payables	**214,062**	220,583

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.

	2014	2013
	RMB'000	*RMB'000*
0 to 90 days	**68,144**	67,628
91 to 180 days	**1,614**	4,776
181 to 360 days	**162**	569
Over 360 days	**1,103**	1,186
	71,023	74,159

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

	2014	2013
	RMB'000	*RMB'000*
0 to 90 days	**61,860**	57,000
91 to 180 days	**62,367**	52,130
	124,227	109,130

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 within six months, and were secured by a charge over certain pledged assets of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

During 2014, the PRC's economy faced a slowdown. The Chinese central government (the "Government") strictly prohibited any corruption and bribery. The "smoking ban" was contemplated for introduction. These factors posed challenges to cigarette packaging firms, yet the tobacco industry continued to consolidate, develop and grow steadily with the encouragement of the Government.

The Administrative Measures on Cigarette Brand Specifications was enacted in 2014 with the aim of fostering "famous national brands, prominent regional brands and novel specialty brands" in line with the objectives of "raising brand value, refining specifications and adopting premium pricing", to develop a market of competition on brand, to increase the pace of resources reallocation and consolidation and to allow for resources, such as planning, raw materials and market, to gravitate towards and focus on top-tier brands. From January to November 2014, the 28 principal tobacco brands booked over 39.5 million cases in combined sales and nearly RMB1.194 trillion in combined sales revenues. Revenue per case averaged RMB30,200 among top-tier brands, which is about RMB3,400 higher than the national mean of revenue per case and RMB1,800 higher compared with the corresponding period of 2013. The market share of top-tier brands in total cigarette sales has been rising year on year. While the cigarette industry gained steady growth, the market became increasingly demanding on cigarette products. This provided further upside for profit growth for prominent tobacco brands.

In addition, China has a large growing smoking population owing to its smoking culture. Out of the 1.2 billion smokers globally, around 320 million or one quarter of which are in China. In 2014, tobacco sales in China reached approximately RMB1.2 trillion. Given the huge smoking population, a rising demand for cigarettes and more sophisticated requirements for packaging, cigarette packaging still holds growth potential for the tobacco industry, especially in the high-end segment. The Group will seize the growth opportunities with a commitment to developing premium and high-quality cigarette packages and to further enhance its market position and market share.

Business Review

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

The Company was initially listed on the Listing Date under which a total of 75,000,000 shares were issued at an offer price of HK$1.26 per share.

Sales and Distribution

Currently, the Group's clients included 10 major provincial tobacco industrial companies (省級中煙工業公司) 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. To those existing clients, the Group will strive to make use of our current status as an "approved supplier" and include other cigarette brands or sub-brands manufactured by those clients but currently not being designed and/or printed by the Group into our product portfolio. To adhere to this business strategy, the Group intends to set up sales offices in cities where those major customers are located at the time when it appears to have significant business growth. Setting up sales offices at places near major customers will enable the Group to maintain good relationships with its clients and to improve the Group's after-sale services which, in turn, will enhance customer's satisfaction.

In addition to the strengthened marketing efforts for existing clients, the Group continued to explore its potentials and developed its handmade gift box business in 2014. At the end of 2014, the production line of handmade gift boxes had a team of 300 employees and a daily capacity of 15,000 cases of carton packages. In year 2015, the handmade gift box production is targeted to achieve an annual production capacity of 30,000 cases of carton packages and 10,000 cases of cigarette packets. The Group also aims to enhance the production capacity and production efficiency of the gift box production site, formulate customised quality solutions for each client to ensure an improvement in the quality of gift boxes, and strive to achieve enhancement in the automated production of gift boxes.

For the year ended 31 December 2014, the Group's production bases were mainly located in Yichang factory and Dangyang factory. Apart from production activities, Yichang factory also carried out design and development of paper packages. There were 13 factories and ancillary buildings with an aggregate gross floor area of approximately 32 thousand square meters. In addition to the production line in Yichang factory, in order to share the workload and cope with the potential business growth, the Company has two production lines for paper cigarette packages in Dangyang factory to further enhance the production capacity of the Company. There were 11 factories and ancillary buildings with an aggregate gross floor area of approximately 12 thousand square meters. It is expected that the production capacities and utilisation rates of Yichang factory and Dangyang factory can be increased. Furthermore, the Company has completed the infrastructure, road and greening construction as well as the installation of ancillary utilities supply, air-conditioners and air compressors for phase II of the Yichang production base for social product paper packages and such phase has been put into operation.

Product Development and Design

The Group will continue to invest in machineries and equipment to upgrade our production bases and ensure the productivity is up to international standards. The management strives to reach the cutting edge of technology in order to reduce production costs while maintaining or even improving product quality. In addition to the continuous investment in and improvement on machineries in the production lines, such as intaglio printing machine (凹版印刷機), platen hot foil stamping die-cutting machine (平壓平燙金模切機), automatic platen waste cleaning die-cutting machine (自動平壓平清廢模切機) and quality checking machine, the Group will also invest in upgrading quality control equipment.

Moreover, the Group was granted the 10-year patent of "a thermal printing structure becomes apparent binary code" ("一種熱變顯現二維碼的印刷結構") on 26 March 2014, being our 21st patent. The Group will continue to develop packaging technology to improve product quality with professional technologies.

Technology Development and Quality Control

The Group highly emphasises on product design and technology development. With its design and development capabilities, the Group strives to enhance its technological competitiveness. Resources will be continuously inputted in order to upgrade product development capability. During the period under review, the Group underwent regulated operation in strict compliance with the quality system criteria of ISO9000. Equipped with comprehensive inspection equipment and devices, the Group has formulated a complete system and structure with coverage of every single process for our products in terms of quality control of the flow, standards, record and appraisal on materials input, processes, inspection of finished products and inspection of products output, which in turn assures the continuous enhancement of product quality. In addition, the Group has passed the certification of quality control system of ISO9001, environmental management system of ISO14000, occupational health and safety management system of OHSAS18001 as well as the accreditation from China National Accreditation Board for Laboratories, while successfully obtaining the accreditation for laboratories from China National Accreditation Service for Conformity Assessment. Such accreditations will further boost customers' confidence in our product quality.

Meanwhile, the Group has signed agreements with several institutions in China to nurture appropriate technical experts in order to enhance our development capability, which in turn improves the Group's operation, especially in the aspects of product development, production efficiency and quality control ability. The Group believes that it can create more business opportunities from existing and potential customers.

Cost Control

The Company adopted various methods to control the effect of price fluctuation of paper package materials to the Company. Initially, by identifying reliable suppliers in the industry to commence strategic co-operation, we were able to maintain long-term business relationship with them. On the foundation of securing product quality, the Company aims to maintain the stability of paper price. Besides, with the gradual improvement in quality of domestic paper in China, the Company will reinforce our co-operation with domestic paper suppliers in China and increase the usage of domestic paper instead of imported paper from overseas in order to alleviate our production cost.

Financial Review

Turnover

For the year ended 31 December 2014, the turnover was approximately RMB472.9 million, representing a decrease of approximately 4.6% as compared with the same period in 2013.

The following table sets forth the breakdown of the Group's sales for the year ended 31 December 2014:

	For the year ended 31 December		
	2014	2013	Change (%)
	RMB'000	*RMB'000*	(approximate)
Paper cigarette packages	**444,842**	469,513	–5.3%
Social product paper packages	**28,019**	26,260	+6.7%

For the year ended 31 December 2014, sales of paper cigarette packages decreased by approximately 5.3% to approximately RMB444.8 million in comparing with the corresponding period in 2013. It was mainly due to the decrease in sales in May and June 2014 as a result of a decrease in customers' orders. The decrease was mainly due to the fact that some major customers such as China Tobacco Hubei Industrial Co., Ltd. (湖北中煙工業有限責任公司) ("Hubei China Tobacco") and Heilongjiang Tobacco Industrial Co., Ltd. (黑龍江煙草工業有限責任公司) ("Heilongjiang Tobacco Industrial") deferred the completion of tendering process in 2014.

Gross Profit

The Group's gross profit decreased by approximately 13.7% from approximately RMB157.9 million for the year ended 31 December 2013 to approximately RMB136.3 million for the year ended 31 December 2014. The decrease in gross profit was due to the increase in production cost during the year. For the year ended 31 December 2014, the Group's gross profit margin was approximately 28.8%, which was decreased by approximately 3.1% as compared with the same period of 2013. It was mainly due to the increase in paper price during the year.

Other Income

For the year ended 31 December 2014, other income mainly consists of interest income on bank deposits, sundry income from the sale of scrap material and non-recurring government grants. For the year ended 31 December 2014, the Group's other income decreased by approximately 17.9% to approximately RMB6.9 million. It was mainly due to the decrease of interest income from entrusted loans made to Maoming Xin Jia Chang Investment Company Limited from approximately RMB0.7 million for the year ended 31 December 2013 to nil for the year ended 31 December 2014 and the decrease in interest income on bank deposits from approximately RMB2.7 million to approximately RMB1.6 million for the year ended 31 December 2014 (for the year ended 31 December 2013: approximately RMB4.3 million).

Other Gains and Losses

For the year ended 31 December 2014, the net other gains mainly consists net losses arising from disposal of property, plant and equipment and impairment losses on property, plant and equipment. For the year ended 31 December 2014, the Group's net other losses decreased by approximately 38.5% to approximately RMB1.6 million. It was mainly due to the decrease of net losses arising from disposal of property, plant and equipment from approximately RMB2.0 million to approximately RMB0.2 million for the year ended 31 December 2014.

Selling and Distribution Expenses

For the year ended 31 December 2014, selling and distribution expenses comprise: (i) delivery expenses for the transportation of our products to customers; (ii) staff costs and benefits relating to our Group's sales and marketing personnel; (iii) expenses incurred in customer hospitality activities during our normal course of business; (iv) travelling expenses of our staff incurred for the sales and distribution activities; (v) administrative expenses; and (vi) other selling and distribution related expenses. The Group's selling and distribution expenses decreased by approximately 1.9% from approximately RMB31.5 million for the year ended 31 December 2013 to approximately RMB30.9 million for the year ended 31 December 2014. The decrease was mainly due to the reduction of expenses incurred in customer hospitality activities during our normal course of business and travelling expenses of our staff incurred for the sales and distribution activities during the year.

Administrative and Other Operating Expenses

For the year ended 31 December 2014, administrative and other operating expenses consist of (i) staff cost 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 12.7% from approximately RMB48.1 million for the year ended 31 December 2013 to approximately RMB54.2 million for the year ended 31 December 2014. The increase was mainly attributable to the increase in research and development expenses and the Company's regulatory compliance expenses during the year.

Listing Expenses

During the year ended 31 December 2014, the Group incurred listing expenses of approximately RMB19.6 million, which were primarily professional fees in connection with the listing (for the year ended 31 December 2013: approximately RMB5.8 million).

Finance Costs

For the year ended 31 December 2014, 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 33.8% from approximately RMB22.5 million for the year ended 31 December 2013 to approximately RMB14.9 million for the year ended 31 December 2014. 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 increased by approximately 9.6% from approximately RMB8.3 million for the year ended 31 December 2013 to approximately RMB9.1 million for the year ended 31 December 2014. The increase was mainly due to the recognition of deferred tax expenses on undistributed earnings of the PRC subsidiaries of the Company.

Profit Attributable to Owners of the Company

The Group's profit attributable to owners of the Company decreased by approximately 79.4% from approximately RMB35.4 million for the year ended 31 December 2013 to approximately RMB7.3 million for the year ended 31 December 2014. The decrease was mainly due to (i) the recognition of the expenses of approximately RMB19.6 million in relation to the listing of the shares of the Company on the Main Board of the Stock Exchange; (ii) the decrease in sales in May and June 2014 as a result of a decrease in customers' orders; and (iii) the increase in production costs during the year.

Trade and Other Receivables

Trade and other receivables increased by approximately 15.4% from approximately RMB183.9 million as at 31 December 2013 to approximately RMB212.2 million as at 31 December 2014. The increase was mainly attributed to: (i) increase of note receivables by approximately RMB18.5 million from approximately RMB1.3 million as at 31 December 2013 to approximately RMB19.8 million as at 31 December 2014; and (ii) increase of deposits paid for the purchase of property, plant and equipment by approximately RMB8.0 million from approximately RMB1.2 million as at 31 December 2013 to approximately RMB9.2 million as at 31 December 2014.

Trade and Other Payables

Trade and other payables decreased by approximately 2.9% from approximately RMB220.6 million as at 31 December 2013 to approximately RMB214.1 million as at 31 December 2014. The decrease was mainly due to the net effect of: (i) increase of note payables by approximately RMB15.1 million from approximately RMB109.1 million as at 31 December 2013 to approximately RMB124.2 million as approximately at 31 December 2014; (ii) decrease of other payables and accruals by approximately RMB4.6 million from approximately RMB23.4 million as at 31 December 2013 to approximately RMB18.8 million as at 31 December 2014; and (iii) dividends payable to the non-controlling interest shareholder of Hubei Golden Three Gorges, Hubei Three Gorges Tobacco Co., Ltd. of approximately RMB13.9 million as at 31 December 2013 and the dividends have been fully settled during the year ended 31 December 2014.

LIQUIDITY AND FINANCIAL RESOURCES

The Group recorded net current assets of approximately RMB70.3 million as at 31 December 2014, compared with net current liabilities of approximately RMB78.2 million as at 31 December 2013. The Group maintained a greatly improved and healthy liquidity position during the year ended 31 December 2014. The Group's operations were principally financed by internal resources and bank borrowings during the year ended 31 December 2014.

As at 31 December 2014, the Group's cash and cash equivalents, which were held mainly in Renminbi and Hong Kong dollars, were approximately RMB104.4 million, compared with RMB30.0 million as at 31 December 2013. The increase in balance was mainly due to receipt of net listing proceeds during the year.

Borrowings and Gearing Ratio

The Group's interest-bearing borrowings was approximately RMB183.0 million as at 31 December 2014 (as at 31 December 2013: approximately RMB154.6 million). The increase of interest-bearing borrowings is mainly used for strengthening the cashflow of the Company. The gearing ratio (defined as total debt divided by total equity) decreased from approximately 443.7% as at 31 December 2013 to approximately 70.0% as at 31 December 2014. The decrease in gearing ratio was due to the increase in total equity of the Group.

Capital Expenditure

During the year ended 31 December 2014, the Group's total capital expenditure amounted to approximately 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.

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):

	2014	2013
	RMB'000	*RMB'000*
Prepaid lease payments	**22,339**	18,572
Property, plant and equipment	**132,390**	145,394
Trade receivables	**122,948**	117,310
Pledged bank deposits	**59,026**	59,293
	336,703	340,569

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

The Company underwent the Reorganisation due to the preparation of listing. Details are set out under the section headed "History, Reorganisation and Group Structure" and the paragraph headed "Corporate Reorganisation" in Appendix V to the Prospectus.

Save as disclosed herein, there are no significant investments, material acquisition and disposal of subsidiaries and associated companies by the Group for the year ended 31 December 2014.

Contingent Liabilities

As at 31 December 2014, the Group did not have any significant contingent liabilities (as at 31 December 2013: 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 2014.

HUMAN RESOURCES AND REMUNERATION

As at 31 December 2014, the Group's employed 1,000 employees (as compared with 947 employees as at 31 December 2013) with total staff cost of approximately RMB47.3 million incurred for the year ended 31 December 2014 (as compared with approximately RMB40.7 million for the year ended 31 December 2013). The Group's remuneration packages are generally structure with reference to market terms and individual merits.

FUTURE OUTLOOK

With a smoking population of over 300 million together with a focus on high-end products in China's cigarette market, market demand for cigarettes is expected to grow continuously in China's cigarette market in the future. The Group anticipates a favourable market environment in year 2015.

The Group strives to consolidate relationship with existing customers and explore potential customers. The Group, capitalising the foundation of the current marketing plans, will tap into new markets through different initiatives such as open tender and new product development. In addition to reinforcing relationship with existing customers and expanding our business, the Group plans to invest in domestic markets where we have not established our foothold, including Anhui, Lanzhou and Jiangxi, with a view to enlarging our customer base and delegating sales targets to each market. In regard to personnel deployment, we have already assigned specialised salespersons to follow up in those targeted markets. We have also adopted stringent control on specialised market development. Representative offices will be set up upon duly entering into business partnerships.

Moving onwards, the Group aims to boom the sales volume in year 2015 in accordance with our annual plan: to enhance our capabilities of technology development and design and strengthen our market competitiveness, while expanding in the market with technological innovation and brand design and development; to reinforce our internal corporate management and implement lean management in terms of cost, manufacturing, quality and procurement so as to lower operating costs and product quality risk, and thus enhance our risk aversion capability; to continuously expand our market scale through open tenders, new products development, new market development and manual business development to support the sustainable development of the Group.

The successful listing of the Group has provided us with a better and wider platform for development. To utilize the potential development presented by the successful listing, the Company will leverage its competitive advantages. Whilst enhancing its capability of tender bidding and stepping up efforts in product development, the Group will further develop our business in the future.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The shares of the Company have been listed on the Main Board of the Stock Exchange on the Listing Date. Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company throughout the period from the Listing Date up to 31 December 2014.

Use of Proceeds from The Public Offer and Placing

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

Use of net proceeds	**Planned amount as stated in the Prospectus** *RMB'000*	**Actual amount utilised from the Listing Date up to 31 December 2014** *RMB'000*	**Balance as at 31 December 2014** *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

The actual amount utilised up to the year ended 31 December 2014 for the repayment of shareholders' loan which incurred by the Hong Kong subsidiaries as operating expenses was approximately RMB2,650,000.

The unused net proceeds have been placed as interest bearing deposits with licensed bank in Hong Kong. As at the date of this announcement, the Directors do not anticipate any change to the plan as to use of proceeds.

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 from the Listing Date up to 31 December 2014.

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 required standard as set out in the Model Code from the Listing Date up to 31 December 2014.

REVIEW OF ANNUAL RESULTS

The Group's annual results for the year ended 31 December 2014 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 Friday, 29 May 2015.

For the purpose of determining Shareholders who are entitled to attend and vote at the annual general meeting, the register of members of the Company will be closed from Wednesday, 27 May 2015 to Friday, 29 May 2015, 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 A18/F, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong for registration no later than 4:00 p.m. on Tuesday, 26 May 2015.

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 2014 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, 26 March 2015

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

If there is any inconsistency between the Chinese names of the entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail.