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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 30 June 2015, Hubei Golden Three Gorges, a subsidiary of the Company, entered into the Guizhou Sale Agreements in relation to the sale of paper cigarette packages.

The counter-party to the Guizhou Sale Agreements, being China Tobacco Guizhou, 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 Guizhou Sale Agreements 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 Guizhou Sale Agreements, on an annual basis, will be more than 1% but less than 5%, the Guizhou Sale Agreements are subject to the annual review, reporting and announcement requirements under Chapter 14A of the Listing Rules, but are exempt from the circular, independent financial advice and shareholders’ approval requirements.

#### **INTRODUCTION**

The Board is pleased to announce that on 30 June 2015, Hubei Golden Three Gorges, a subsidiary of the Company, entered into the Guizhou Sale Agreements 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.

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.

To the best knowledge of the Directors after making reasonable enquiries, China Tobacco Guizhou is a wholly-owned subsidiary of CNTC, the holding company of China Tobacco Hubei. Therefore, China Tobacco Guizhou is an associate of Hubei Three Gorges under Rule 14A.13 of the Listing Rules and hence a connected person of the Company. China Tobacco Guizhou is principally engaged in the production and sale of tobacco products.

## **MAJOR TERMS OF THE GUIZHOU SALE AGREEMENTS**

### **Guizhou Sale Agreements**

*Date:*

30 June 2015

*Parties:*

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

*Description of the transaction:*

Pursuant to the Guizhou Sale Agreements, Hubei Golden Three Gorges has agreed to supply to China Tobacco Guizhou, and China Tobacco Guizhou has agreed to purchase from Hubei Golden Three Gorges paper cigarette packages for certain sub-brands of the cigarette brand “Guiyan (貴煙)” at certain unit prices fixed for each sub-brand (ranging from approximately RMB0.28 per piece to RMB1.70 per piece) and for a sub-brand of the cigarette brand “Huangguoshu (黃果樹)” at unit prices of approximately RMB0.17 per piece and RMB0.74 per piece for the period from 30 June 2015 to 31 March 2017 under the Guizhou Sale Agreement I, and for certain sub-brands of the cigarette brand “Baisha (白沙)” at certain unit prices fixed for each sub-brand (ranging from approximately RMB0.21 per piece to approximately RMB1.11 per piece) and for the cigarette brand “Gaibaisha (蓋白沙)” at

unit prices of approximately RMB0.07 per piece and approximately RMB0.44 per piece for the period from 30 June 2015 to 31 March 2016 under the Guizhou Sale Agreement II. Purchase orders specifying quantities and specifications of paper cigarette packages to be purchased will be issued by China Tobacco Guizhou to Hubei Golden Three Gorges. Upon passing of the examination of the paper cigarette packages and handling of the inventory entry procedures, Hubei Golden Three Gorges shall issue the invoice and China Tobacco Guizhou shall settle the payment by wire transfer or bank's acceptance bill in the following manners:

- (i) once the paper cigarette packages have been fully utilised, the full payment shall be settled within 90 days from the date the invoice being entered into the account of China Tobacco Guizhou (the “**Accounting Date**”);
- (ii) once the utilisation rate of the paper cigarette packages reaches 70%, 50% of the full payment shall be settled within 90 days from the Accounting Date and the remaining balance shall be settled within 30 days from the date the paper cigarette packages have been fully utilised;
- (iii) if the utilisation rate of the paper cigarette packages does not reach 70%, 30% of the full payment shall firstly be settled within 120 days from the Accounting Date, and the payment shall be settled in the manner as set out in clause (ii) above once the utilisation rate of the paper cigarette packages reaches 70%; and
- (iv) the full payment shall be settled if the paper cigarette packages have not been fully utilised within 180 days from the Accounting Date without fault on the part of Hubei Golden Three Gorges.

## ANNUAL CAPS

The Company estimates that the sales by the Group to China Tobacco Guizhou under the Guizhou Sale Agreements (the “**Annual Caps**”) are as follows:

	<b>For the period from 30 June 2015 to 31 December 2015 (RMB)</b>	<b>For the year ended 31 December 2016 (RMB)</b>	<b>For the period from 1 January 2017 to 31 March 2017 (RMB)</b>
Guizhou Sale Agreement I	4,370,000	8,730,000	2,190,000
Guizhou Sale Agreement II	<u>3,160,000</u>	<u>1,580,000</u>	N/A
<b>Total</b>	<u><u>7,530,000</u></u>	<u><u>10,310,000</u></u>	<u><u>2,190,000</u></u>

In arriving at the Annual Caps, the Directors had considered the expected total sales of paper cigarette packages to be purchased by China Tobacco Guizhou from Hubei Golden Three Gorges as specified in the relevant purchase agreements.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE TRANSACTIONS**

The Guizhou Sale Agreement I has been entered into between China Tobacco Guizhou and Hubei Golden Three Gorges following completion of the tender process for the current year by China Tobacco Guizhou. Hubei Golden Three Gorges's existing agreement with China Tobacco Guizhou for the sale of paper cigarette packages for certain sub-brands of the cigarette brand "Baisha (白沙)" and for the cigarette brand "Gaibaisha (蓋白沙)" by the Group to China Tobacco Guizhou had expired. The Guizhou Sale Agreement II has been entered into for renewal of the said transactions between the Group and China Tobacco Guizhou. 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 Guizhou will ensure the Group a steady income.

Having considered the above reasons and taking into consideration that (i) the Guizhou Sale Agreements have 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 Guizhou Sale Agreements, the Board (including independent non-executive Directors) considers that the Guizhou Sale Agreements have 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 Guizhou Sale Agreements and the Annual Caps are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

The transactions between the Group and China Tobacco Guizhou under the Guizhou Sale Agreements 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 Guizhou Sale Agreements on an annual basis will be more than 1% but less than 5%, the Guizhou Sale Agreements are subject to the annual review, reporting and announcement requirements under Chapter 14A of the Listing Rules, but are exempt from the circular, independent financial advice and shareholders' approval requirements.

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

## DEFINITIONS

“Board”	the board of Directors
“China Tobacco Guizhou”	貴州中煙工業有限責任公司 (China Tobacco Guizhou Industrial Co., Ltd.*), one of the 16 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 16 Provincial Tobacco Industrial Companies
“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
“Guizhou Sale Agreement I”	an agreement entered into between Hubei Golden Three Gorges and China Tobacco Guizhou dated 30 June 2015 for the sale of paper cigarette packages for certain sub-brands of the cigarette brand “Guiyan (貴煙)” and for a sub-brand of the cigarette brand “Huangguoshu (黃果樹)” by Hubei Golden Three Gorges to China Tobacco Guizhou from 30 June 2015 to 31 March 2017
“Guizhou Sale Agreement II”	an agreement entered into between Hubei Golden Three Gorges and China Tobacco Guizhou dated 30 June 2015 for the sale of paper cigarette packages for certain sub-brands of the cigarette brand “Baisha (白沙)” and for the cigarette brand “Gaibaisha (蓋白沙)” by Hubei Golden Three Gorges to China Tobacco Guizhou from 30 June 2015 to 31 March 2016
“Guizhou Sale Agreements”	Guizhou Sale Agreement I and Guizhou Sale Agreement II
“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 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
“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, 30 June 2015

*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.*

\* *For identification purpose only*