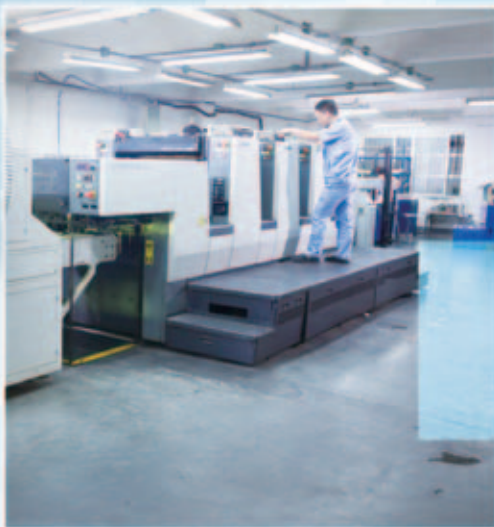




JIA YAO HOLDINGS LIMITED

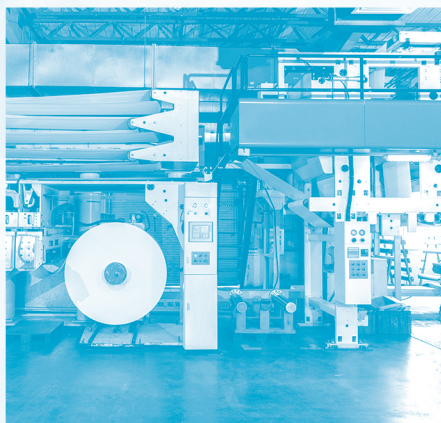
嘉耀控股有限公司

(Incorporated in the Cayman Islands with Limited Liability)
Stock Code: 01626



Interim
Report
2015





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FINANCIAL HIGHLIGHTS

The board (the "Board") of directors (the "Directors") of Jia Yao Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2015 together with the comparative figures for the corresponding period in 2014.

- Revenue for the six months ended 30 June 2015 increased by approximately 6.4% or RMB12.3 million to approximately RMB205.1 million as compared with the same period in 2014.
- Gross profit for the six months ended 30 June 2015 decreased by approximately 14.6% or RMB8.3 million to approximately RMB48.3 million as compared with the same period in 2014.
- Gross profit margin for the six months ended 30 June 2015 decreased by approximately 5.7% from approximately 29.3% to approximately 23.6% as compared with the same period in 2014.
- Profit attributable to owners of the Company for the six months ended 30 June 2015 was approximately RMB3.7 million as compared to the loss attributable to owners of the Company of approximately RMB5.4 million for the six months ended 30 June 2014.
- Average trade and note receivables turnover days increased from approximately 122 days for the year ended 31 December 2014 to approximately 148 days for the six months ended 30 June 2015.
- Average trade and note payables turnover days increased from approximately 205 days for the year ended 31 December 2014 to approximately 239 days for the six months ended 30 June 2015.
- Average inventory turnover days increased from approximately 86 days for the year ended 31 December 2014 to approximately 102 days for the six months ended 30 June 2015.
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2015 (for the six months ended 30 June 2014: Nil).

Notes:

- (i) Gross profit margin were calculated based on gross profit for the period from continuing operations divided by the revenue of continuing operations for the period.
- (ii) Average trade and note receivables turnover days were calculated as the average of the beginning and ending of trade and note receivables balance from continuing operations of the year end/period end divided by the revenue of continuing operations for the year/period and multiplied by the number of days for the year/period (365 days for the year ended 31 December 2014 and 181 days for the six months ended 30 June 2015).
- (iii) Average trade and note payables turnover days were calculated as the average of the beginning and ending of trade and note payables balance from continuing operations of the year end/period end divided by the cost of sales of continuing operations for the year/period and multiplied by the number of days for the year/period (365 days for the year ended 31 December 2014 and 181 days for the six months ended 30 June 2015).
- (iv) Average inventory turnover days were calculated as the average of the beginning and ending of inventories balance from continuing operations of the year end/period end divided by the cost of sales of continuing operations for the year/period and multiplied by the number of days for the year/period (365 days for the year ended 31 December 2014 and 181 days for the six months ended 30 June 2015).

CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Yang Yoong An (*Chairman*)

Mr. Feng Bin (*Chief Executive Officer*)

Non-executive Director

Mr. Yang Fan

Independent Non-executive Directors

Mr. Gong Jinjun

Mr. Zeng Shiquan

Mr. Wang Ping

Company Secretary

Mr. Wu Hung Wai (*HKICPA*)

Registered Office

Clifton House

75 Fort Street, PO Box 1350

Grand Cayman, KY1-1108

Cayman Islands

Headquarter and Principal Place of Business in the PRC

No. 6 Qingdao Road

Dongshan Economic Developing District

Yichang, Hubei

Principal Place of Business in Hong Kong

Suite 3212, 32nd Floor, Tower One, Times Square

No.1 Matheson Street, Causeway Bay

Hong Kong

Audit Committee

Mr. Wang Ping (*Chairman*)

Mr. Yang Fan

Mr. Zeng Shiquan

Remuneration Committee

Mr. Gong Jinjun (*Chairman*)

Mr. Feng Bin

Mr. Wang Ping

Nomination Committee

Mr. Yang Yoong An (*Chairman*)

Mr. Zeng Shiquan

Mr. Gong Jinjun

Corporate Website Address

www.jiayaoholdings.com

Authorised Representatives

Mr. Feng Bin

Mr. Wu Hung Wai

Compliance Adviser

RaffAello Capital Limited

Room 2002, 20/F

Tower Two, Lippo Centre

89 Queensway

Hong Kong

Principal Bankers

China Minsheng Bank Yichang Branch

China Merchants Bank Yichang Branch

Hubei Bank Corporation Yichang Branch

Principal Share Registrar and Transfer Office

Appleby Trust (Cayman) Ltd.

Clifton House

75 Fort Street, PO Box 1350

Grand Cayman, KY1-1108

Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Union Registrars Limited

A18/F

Asia Orient Tower

Town Place

33 Lockhart Road

Wanchai

Hong Kong

Legal Adviser as to Hong Kong Laws

Loong & Yeung

Suites 2001-2006, 20th Floor

Jardine House, 1 Connaught Place

Central

Hong Kong

Auditor

HLB Hodgson Impey Cheng Limited

Certified Public Accountants

31/F

Gloucester Tower

The Landmark

11 Pedder Street

Central

Hong Kong

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Jia Yao Holdings Limited, I am pleased to present the interim report of the Company for the six months ended 30 June 2015.

With China's reform and continuous change of economic structure, the country's economy gained steady growth in the first half of 2015 with a GDP growth of 7%. During the period, the Chinese central government strictly prohibited any corruption and bribery. Therefore, with the enactment of the Administrative Measures on Cigarette Brand Specifications last year, demand for high-end cigarette market shrank while consumption of cigarette market gradually became diversified. High market demand for cigarette packaging and continuous consolidation of cigarette industry provided more competitive strengths for prominent cigarette packaging providers such as Hubei Golden Three Gorges Printing Industry Co., Ltd. ("Hubei Golden Three Gorges").

On 24 April 2015, PRC Advertising Law was amended at the 14th Session of the Standing Committee of the Twelfth National People's Congress. Promotion of tobacco products is prohibited in other commodities and charity advertisement in the second half of 2015. It implies stricter requirements on cigarette industry standardisation while it provides more opportunities to capable providers including Hubei Golden Three Gorges. Standardisation leads to more diversified consumption in cigarette market and slim cigarettes become the current cigarette trend. In 2015, slim cigarette will become a new growth driver in the industry.

During the period, the Group's revenue amounted to approximately RMB205.1 million, representing an increase of approximately 6.4% as compared with the same period in 2014. Gross profit was approximately RMB48.3 million, a decrease of approximately 14.6%. Gross profit margin was approximately 23.6%. Profit attributable to owners of the Company amounted to approximately RMB3.7 million.

At the present, the Group is focusing on developing its major business of cigarette package printing. The Group will continue to maximise its scale in order to upgrade its position with the tobacco industry. In order to further minimise the fluctuation of cost price, the Group will improve the tendering process whilst seeking and forming strategic partnership with capable companies so as to contend with the price fluctuation. With strong relationships with long-established customers, stringent technical specifications, outstanding product design and technical development ability, the Group is eager to enhance its market competitiveness. Meanwhile, as tobacco brands further consolidate and products upgrade speeds up, the Group will improve its capability on new product design of both paper cigarette and social product paper packages, put more efforts on improvement of printing quality and efficiency and expand to new market. Specialised in paper cigarette packaging, the Group also develops other social product paper packaging business in order to further strengthen its operation capability.

CHAIRMAN'S STATEMENT

Looking ahead, the Group will tap into new markets through different initiatives such as tender, joint cooperation production and new product development. The sales targets will be delegated to various regional markets. The Group is also committed to expanding to other provinces where it has not established its foothold. The marketing department is focusing on preliminary preparation work in order to further expand the business.

I would like to express my gratitude to the continuous support of all the shareholders, investors and customers. The Group's management team and all staff members will endeavor to strive for better result and bringing returns to the shareholders.

YANG Yoong An

Chairman of the Board and Executive Director

Hong Kong, 27 August 2015

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

During the six months ended 30 June 2015, the Chinese central government continued to clamp down on corruption and bribery. The Administrative Measures on Cigarette Brand Specifications has exerted deeper impact on the market since its enactment on 5 March 2014. While the policy dampened cigarette demand in the high-end and high-price segments, overall growth of cigarette consumption was slowed down with the exception of traditional cigarette with a relatively stable customer base. Slim cigarette became a trend-setter and was considered a new growth driver of the cigarette industry in 2015 for its consistently robust growth momentum.

Earlier in 2015, the National People's Congress put forward legislative proposals such as defining non-smoking locations and enforcement bodies as well as banning tobacco advertising promotion and sponsorship, which further concretised the measures introduced by the State Council in late 2014. Some top-tier cities became the primary targets. Under the Smoking Control Provisions of Beijing Municipality, indoor smoking has been completely banned at public facilities including restaurants, bars, hotels and office buildings from 1 June 2015. The comprehensive measures of the central government to advance tobacco governance and rule of law have had great significance for the whole tobacco industry. Law-based administration, business operation and regulation and greater efforts against counterfeit tobacco are in the interest of the country and its consumers and will enable the industry to grow sustainably.

Business Review

The Group is principally engaged in the design, production and distribution of paper cigarette packages in China and, to a lesser extent, paper packages for other social products. 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 medicines, wines, food and other consumer goods by leveraging its extensive experience and specialized knowledge in the cigarette packaging industry.

Sales and Distribution

The Group places great emphasis on product design and technology development, striving to enhance its technological competitiveness by leveraging its design and development capabilities. To date, the Group's clients included 10 major provincial tobacco industrial companies 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. For those existing clients, the Group will strive, by taking advantage of its current status as an approved supplier, to include other cigarette brands or sub-brands manufactured by those clients currently not designed and/or printed by the Group into the Group's product portfolio.

To facilitate potential business growth, the Group added a new intaglio printing line at Yichang Factory in the first half of 2015 to increase the annual capacity. The Group currently has a total of 35 sales and marketing staff members, mainly engaged in sales and sales management as well as sales office work.

Product Development and Design

The Group will continue to invest in machinery and equipment to upgrade its production plants and ensure the productivity is up to international standards. The management strives to pursue cutting-edge technology in order to reduce production costs while maintaining or even improving product quality.

MANAGEMENT DISCUSSION AND ANALYSIS

Technology Development and Quality Control

The Group attaches high importance on product design and technology development, striving to enhance its technological competitiveness by leveraging its design and development capabilities, and continuing to commit resources to the upgrading of product research and development capabilities. During the period under review, the Group carried out regulated operation in strict compliance with the ISO9000 quality system standards. Equipped with state-of-the-art and comprehensive inspection equipment and devices, the Group has formulated a complete institutional system that covers every single process for its products in terms of the flow, standards, record and appraisal for the quality management of imported materials, processes as well as inspection of finished products and product delivery, which in turn assures the continuous enhancement of product quality.

Cost Control

Due to the impact of the current rising prices of paper packaging raw materials in the industry and the Group, in order to keep the fluctuations in the prices of packaging raw materials under effective control, further improved the bidding process by selecting the top-ranking suppliers with strength in the industry during the period under review for carrying out strategic cooperation with the Group to hedge against price fluctuations together.

Financial Review

Turnover

For the six months ended 30 June 2015, the turnover of the Group was approximately RMB205.1 million, representing an increase of approximately 6.4% over the same period in 2014, among which sales of paper cigarette packages and social product paper packages increased by approximately 3.3% and 64.5%, respectively. The increase in sales was primarily attributable to the Group's expansion of the production capacity for handmade products and the sales of handmade products increased accordingly during the period. Currently, the sales are in expected progress and the target of the Group is to expand its market shares in Henan and Northeastern region in China.

The following table sets forth the breakdown of the Group's sales for the six months ended 30 June 2015:

	For the six months ended 30 June		
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)	Change (%) (approximate)
Paper cigarette packages	189,374	183,287	+3.3%
Social product paper packages	15,774	9,587	+64.5%

Gross profit

The Group's gross profit decreased by approximately 14.6% from approximately RMB56.6 million for the six months ended 30 June 2014 to approximately RMB48.3 million for the six months ended 30 June 2015. The Group's gross profit margin decreased by approximately 5.7% from approximately 29.3% to approximately 23.6% as compared with the same period in 2014. The decrease in gross profit and gross profit margin was due to (i) the lower production efficiency on the new production line of handmade products (including both paper cigarette packages and social product paper packages); and (ii) the increase in overall production costs during the first half of 2015.

Other income

For the six months ended 30 June 2015, 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 six months ended 30 June 2015, the Group's other income increased by approximately 57.5% to approximately RMB2.8 million. It was mainly due to the receipt of government grant for the Company's successful listing on the Main board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") in year 2014 of RMB1 million during the period.

MANAGEMENT DISCUSSION AND ANALYSIS

Other Gains and Losses

For the six months ended 30 June 2015, other gains and losses mainly comprise net losses arising from disposal of property, plant and equipment and gain on disposal of land. For the six months ended 30 June 2015, other gains and losses increased to approximately RMB2.0 million mainly due to the net effect of gain on disposal of land of approximately RMB3.3 million (for the six months ended 30 June 2014: Nil) and increase in net losses arising from disposal of plant and equipment by RMB1.1 million to RMB1.3 million during the period.

Selling and Distribution Expenses

For the six months ended 30 June 2015, 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 6.0% from approximately RMB10.1 million for the six months ended 30 June 2014 to approximately RMB9.5 million for the six months ended 30 June 2015. The decrease was mainly due to the reduction of expenses incurred in customer hospitality activities during our normal course of business during the period.

Administrative and Other Operating Expenses

For the six months ended 30 June 2015, administrative and other operating expenses consist of (i) staff costs and benefits relating to our Group's administrative personnel; (ii) travelling expenses of administrative staff; (iii) depreciation expenses arising from daily operation; (iv) entertainment expense of administrative staff; (v) research and development expenses; (vi) office expenses; (vii) regulatory expenses; and (viii) other expenses incurred in relation to our administrative operations. The expenses increased by approximately 52.8% from approximately RMB18.4 million for the six months ended 30 June 2014 to approximately RMB28.2 million for the six months ended 30 June 2015. The increase was mainly attributable to the increase in research and development expenses and the Company's regulatory compliance expenses during the period.

Listing Expenses

During the six months ended 30 June 2014, the Group incurred expenses in relation to the listing of the shares of the Company on the Main Board of the Stock Exchange of approximately RMB19.6 million, which were primarily professional fees in connection with the listing. There were no such expenses incurred during the six months ended 30 June 2015.

Finance Costs

For the six months ended 30 June 2015, 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 increased by approximately 7.9% from approximately RMB6.5 million for the six months ended 30 June 2014 to approximately RMB7.0 million for the six months ended 30 June 2015. Such increase in finance costs was mainly due to the increase of finance costs arising from early redemption of note receivables during the period.

Income Tax Expense

The Group's income tax expense decreased by approximately 46.8% from approximately RMB6.7 million for the six months ended 30 June 2014 to approximately RMB3.5 million for the six months ended 30 June 2015. The decrease was mainly due to the decrease of PRC Enterprise Income Tax ("EIT") of the PRC subsidiaries of the Company.

Profit Attributable to Owners of the Company

As a result of the foregoing, the Group recorded a profit attributable to owners of the Company for the six months ended 30 June 2015 of approximately RMB3.7 million as compared to the loss attributable to owners of the Company of approximately RMB5.4 million for the six months ended 30 June 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Trade and Other Receivables

Trade and other receivables increased by approximately 9.5% from approximately RMB212.2 million as at 31 December 2014 to approximately RMB232.3 million as at 30 June 2015. The increase was mainly attributed to the net effect of: (i) decrease of trade receivables from approximately RMB146.4 million as at 31 December 2014 to approximately RMB137.2 million as at 30 June 2015; (ii) increase of note receivables from approximately RMB19.8 million as at 31 December 2014 to approximately RMB32.0 million as at 30 June 2015; and (iii) increase of payments in advance from approximately RMB11.1 million as at 31 December 2014 to approximately RMB18.2 million as at 30 June 2015.

Trade and Other Payables

Trade and other payables increased by approximately 8.6% from approximately RMB214.1 million as at 31 December 2014 to approximately RMB232.6 million as at 30 June 2015. The increase was mainly due to: (i) increase of trade payables from approximately RMB71.0 million as at 31 December 2014 to approximately RMB81.6 million as at 30 June 2015; and (ii) increase of note payables from approximately RMB124.2 million as at 31 December 2014 to approximately RMB137.8 million as at 30 June 2015.

Liquidity and Financial Resources

The Group recorded net current assets of approximately RMB64.1 million as at 30 June 2015, compared with net current assets of approximately RMB70.3 million as at 31 December 2014. The Group maintained a stable and healthy liquidity position during the six months ended 30 June 2015. The Group's operations were principally financed by internal resources and bank borrowings during the period.

As at 30 June 2015, the Group's cash and cash equivalents, which were held mainly in Renminbi and Hong Kong dollars, were approximately RMB61.8 million, compared with RMB104.4 million as at 31 December 2014. The decrease in balance was mainly due to (i) use of proceeds from the public offer and placing according to the plan during the period; and (ii) increase in repayment of borrowings during the period.

Borrowings and Gearing Ratio

The Group's interest-bearing borrowings was approximately RMB170.0 million as at 30 June 2015 (as at 31 December 2014: approximately RMB183.0 million). The decrease of interest-bearing borrowings is mainly due to increase in repayment of borrowings during the period. The gearing ratio (defined as total debt divided by total equity) decreased from approximately 70.0% as at 31 December 2014 to approximately 64.0% as at 30 June 2015. The decrease in gearing ratio was mainly due to the decrease of interest-bearing borrowings as at 30 June 2015. The Group's interest-bearing borrowings were mainly denominated in Renminbi as at 30 June 2015 and 31 December 2014.

It is the policy of the Group to adopt a consistently prudent financial management strategy, sufficient liquidity is maintained with appropriate levels of borrowings to meet the funding requirements of the Group's investments and operations.

Capital Expenditure

During the six months ended 30 June 2015, the Group's total capital expenditure amounted to approximately RMB23.2 million (for the six months ended 30 June 2014: RMB4.3 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. Funds, primarily denominated in Renminbi and Hong Kong dollars, are normally placed with banks in short or medium term deposits for working capital of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

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):

	As at 30 June 2015 RMB'000 (Unaudited)	As at 31 December 2014 RMB'000 (Audited)
Prepaid lease payments	22,048	22,339
Property, plant and equipment	124,127	132,390
Trade receivables	88,401	122,948
Pledged bank deposits	81,269	59,026
	315,845	336,703

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

Save as disclosed herein, there are no significant investments, material acquisition and disposal of subsidiaries and associated companies by the Group for the six months ended 30 June 2015.

Contingent Liabilities

As at 30 June 2015, the Group did not have any significant contingent liabilities (as at 31 December 2014: Nil).

Foreign Exchange Risks

The Group's transactions were mainly conducted in Renminbi, the functional currency of the Group, and the major receivables and payables are denominated in Renminbi. 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 six months ended 30 June 2015.

Human Resources and Remuneration

As at 30 June 2015, the Group's employed 1,138 employees (as compared with 1,000 employees as at 31 December 2014) with total staff cost of approximately RMB25.4 million incurred for the six months ended 30 June 2015 (as compared with approximately RMB24.5 million for the same period of 2014). The Group's remuneration packages are generally structured with reference to market terms and individual performance.

Interim Dividend

The Board proposed not to declare any interim dividend for the six months ended 30 June 2015 (for the six months ended 30 June 2014: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Significant Events after the Period

Special Dividend

In recognition of its shareholders' support and to reward its shareholders, the Board resolved to declare a special dividend of RMB0.13 per share (2014: nil) on 3 July 2015, which was payable on 27 July 2015 to shareholders whose names appear on the register on 22 July 2015. For details, please refer to the announcement of the Company dated 3 July 2015.

Possible Subscription of Shares and Possible Whitewash Waiver

On 6 August 2015, the Company and an independent third party (the "Potential Investor") entered into a non-legally binding memorandum of understanding (the "MOU"), pursuant to which the Company intends to issue and the Potential Investor intends to subscribe for (or to procure its subsidiary to subscribe for) new shares of the Company (the "Possible Subscription"). The Possible Subscription is subject to further negotiations between the Company and the Potential Investor and the execution of the formal legally binding subscription agreement (the "Subscription Agreement") in relation to the Possible Subscription which may or may not be entered between the Company and the Potential Investor (or its subsidiary). As at the date hereof, the parties are still in the course of negotiation and the Possible Subscription is still not yet materialised and may or may not proceed. For details, please refer to the announcement of the Company dated 7 August 2015.

Future Outlook

Looking ahead, the Group remains committed to further improving its technological competitiveness and acquiring new customers with its design and development capabilities. In a better regulated tobacco product industry, the Group will continue to enhance business relationships with existing customers and engage potential customers, and capture opportunities for fair and transparent public tender and grow its market share by closely following industry trends and lifting its overall strengths.

Despite the tightening regulations on tobacco product advertising as a result of the advertising law amendment during the reporting period, the Group sees little disruption to the tobacco product industry mainly because tobacco products target certain demographics with whom advertising can only have very limited effect. Brand reputation, flavor and quality are the main comparative advantages and unique selling points of a brand. Meanwhile, as tobacco brands further consolidate and product upgrade quickens its pace, the Group will enhance its capabilities for design of new product, widely participate in new product development and explore new markets.

By strengthening capacity building for product development and design, the Group is looking forward to competing and winning through technological innovation and brand design and development. It is streamlining internal management on cost, production, quality and purchasing to lower operating expenditure, mitigate quality risks and increase resilience. Continued efforts of customer order bidding, new product and market development and hand-made business development will help expand the Group's market footprint and provide future support for its growth.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Any of the Associated Corporations

As at 30 June 2015, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests which they are taken or deemed to have under such provisions of the SFO) or which, pursuant to section 352 of the SFO, have been entered in the register referred to therein, or have been, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, notified to the Company and the Stock Exchange were as follows:

(i) Long positions in the shares of the Company

Name	Capacity/Nature of interest	No. of ordinary shares held	Percentage of interest
Mr. Yang Yoong An ("Mr. Yang")	Interest of a controlled corporation (Note 1)	209,362,000	69.79%
Mr. Feng Bin ("Mr. Feng")	Interest of a controlled corporation (Note 2)	15,638,000	5.21%

(ii) Long positions in the ordinary shares of associated corporation

Name	Name of associated corporation	Capacity/Nature of interest	No. of ordinary shares held	Percentage of interest
Mr. Yang ⁽¹⁾	Spearhead Leader Limited ("Spearhead Leader")	Beneficial owner	1	100%
Mr. Feng ⁽²⁾	Star Glide Limited ("Star Glide")	Beneficial owner	1	100%

Notes:

- Mr. Yang beneficially owns the entire issued share capital of Spearhead Leader. Therefore, Mr. Yang is deemed, or taken to be, interested in 209,362,000 Shares held by Spearhead Leader for the purpose of the SFO. Mr. Yang is the sole director of Spearhead Leader.
- Mr. Feng beneficially owns the entire issued share capital of Star Glide. Therefore, Mr. Feng is deemed, or taken to be, interested in 15,638,000 Shares held by Star Glide for the purpose of the SFO. Mr. Feng is the sole director of Star Glide.

Other members of our Group

Name of subsidiary	Name of shareholder	Percentage of shareholding
Hubei Golden Three Gorges Printing Industry Co. Ltd.	Hubei Three Gorges Tobacco Co., Ltd.	17.14%

CORPORATE GOVERNANCE AND OTHER INFORMATION

Interests and Short Positions of Substantial Shareholders in Shares, Underlying Shares and Debentures of the Company and Any of the Associated Companies

So far as is known to the Directors, as at 30 June 2015, the following persons (not being a Director or chief executive of the Company) had interests or short positions in shares, underlying shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the SFO) which fell to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Long positions in the shares of the Company

Name of shareholders	Capacity/Nature of interest	No. of ordinary shares held/interested	Percentage of shareholding
Spearhead Leader	Beneficial owner	209,362,000	69.79%
Star Glide	Beneficial owner	15,638,000	5.21%
Ms. Cai Yaohui ("Ms. Cai")	Interest of spouse (Note 1)	209,362,000	69.79%
Ms. Zhao Yi ("Ms. Zhao")	Interest of spouse (Note 2)	15,638,000	5.21%

Notes:

- Ms. Cai is the spouse of Mr. Yang. Accordingly, Ms. Cai is deemed, or taken to be, interested in all Shares and underlying Shares in which Mr. Yang is interested in for the purpose of the SFO.
- Ms. Zhao is the spouse of Mr. Feng. Accordingly, Ms. Zhao is deemed, or taken to be, interested in all Shares and underlying Shares in which Mr. Feng is interested in for the purpose of the SFO.

Save as disclosed above, as at 30 June 2015, the Company had not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which fell to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Share Option Schemes

The Company adopted a share option scheme (the "Share Option Scheme") pursuant to a shareholders' resolution passed on 6 June 2014. The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 30,000,000 shares, being 10% of the shares of the Company in issue on the Listing Date, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders, independent non-executive Directors, or any of their respective associates (including a discretionary trust whose discretionary objects include a substantial shareholder, independent non-executive Directors, or any of their respective associates) in any 12-month period in excess of 0.1% of the Company's issued share capital in aggregate or with an aggregate value in excess of HK\$5,000,000 must be also approved by the Company's shareholders.

The subscription price of share in respect of options granted under the Share Option Scheme shall be solely determined by the Board, but may not be less than the higher of (i) the Stock Exchange's closing price of the Company's shares on the date of the grant of the share options which must be a business day; (ii) the average Stock Exchange's closing price of the Company's shares for the five business days immediately preceding the date of the grant; and (iii) the nominal value of a share of the Company.

CORPORATE GOVERNANCE AND OTHER INFORMATION

The Share Option Scheme will remain in force for a period of ten years commencing on the adoption date (i.e. 6 June 2014) and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the Shareholders in general meeting.

No options were granted, exercised, cancelled or lapsed and there were no outstanding options under the Share Option Scheme from the date of its adoption to the date of this report. A summary of the principal terms and conditions of the Share Option Scheme is set out in Appendix V to the prospectus of the Company dated 17 June 2014.

Competing Business and Conflicts of Interests

None of the Directors, management, controlling shareholders or substantial shareholders of the Company or any of their respective associates (as defined under the Listing Rules) is engaged in any business which competes or is likely to compete with the business of the Group, and none of them has any other conflicts of interests with the Group.

Purchase, Sales or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company on the Stock Exchange, any other stock exchange, by private arrangement or by general offer throughout the six months ended 30 June 2015.

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 30 June 2015:

Use of net proceeds	Planned amount	Actual amount	Balance as at 30 June 2015
	as stated in the Prospectus	utilised from the Listing Date up to 30 June 2015	
	RMB'000	RMB'000	RMB'000
Technical advance, renewal and upgrade of existing equipment	14,000	14,000	—
Procurement and installation of new equipment and machinery for expanding our product variety and enhancing our production capability	9,600	9,600	—
Development of phase II of our Yichang production base for social product paper packages	9,100	9,100	—
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	42,300	—

CORPORATE GOVERNANCE AND OTHER INFORMATION

Corporate Governance

Our Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. The Company has complied with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2015.

Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding directors' securities transactions. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the code of conduct and the required standard set out in the Model Code regarding directors' securities transactions for the six months ended 30 June 2015.

Audit Committee and Review of Interim Results

The Company has an audit committee (the "Audit Committee") with terms of reference aligned with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules for the purpose of reviewing and providing supervision on the financial reporting process and internal controls of the Group. The Audit Committee consists of two independent non-executive Directors, namely Mr. Wang Ping (as Chairman), Mr. Zeng Shiquan and one non-executive Director, Mr. Yang Fan.

The interim financial results of the Group for the six months ended 30 June 2015 is unaudited but have been reviewed by the Audit Committee, 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 Audit Committee has also reviewed this report.

The results for the current interim period have been reviewed by our auditors, HLB Hodgson Impey Cheng Limited in Hong Kong, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



31/F, Gloucester Tower
The Landmark
11 Pedder Street Central
Hong Kong

TO THE BOARD OF DIRECTORS OF JIA YAO HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Jia Yao Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 17 to 36, which comprise the condensed consolidated statement of financial position as of 30 June 2015 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

HLB Hodgson Impey Cheng Limited

Certified Public Accountants

Kwok Kin Leung

Practising Certificate Number: P05769

Hong Kong, 27 August 2015

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	NOTES	Six months ended 30 June	
		2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Revenue	4	205,148	192,874
Cost of sales		(156,805)	(136,279)
Gross profit		48,343	56,595
Other income		2,781	1,766
Other gains and losses		2,025	408
Selling and distribution expenses		(9,536)	(10,148)
Administrative and other operating expenses		(28,169)	(18,436)
Listing expenses		—	(19,582)
Finance costs		(6,976)	(6,466)
Profit before tax		8,468	4,137
Income tax expense	5	(3,542)	(6,659)
Profit/(loss) for the period	6	4,926	(2,522)
Other comprehensive (expense)/income for the period, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(665)	95
Total comprehensive income/(expense) for the period		4,261	(2,427)
Profit/(loss) for the period attributable to:			
Owners of the Company		3,724	(5,390)
Non-controlling interests		1,202	2,868
		4,926	(2,522)
Total comprehensive income/(expense) for the period attributable to:			
Owners of the Company		3,059	(5,295)
Non-controlling interests		1,202	2,868
		4,261	(2,427)
Earnings/(loss) per share			
— Basic and diluted (RMB)	8	0.01	(0.02)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	NOTES	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	9	182,040	170,396
Prepaid lease payments		21,468	21,759
Deferred tax assets		1,345	1,987
		204,853	194,142
Current assets			
Inventories		89,724	87,192
Trade and other receivables	10	232,313	212,219
Prepaid lease payments		580	580
Current tax assets		1,018	43
Pledged bank deposits		81,269	59,026
Bank balances and cash		61,773	104,416
		466,677	463,476
Assets classified as held for sale		—	3,909
		466,677	467,385
Total assets		671,530	661,527
Current liabilities			
Trade and other payables	11	232,561	214,062
Borrowings	12	170,000	183,000
		402,561	397,062
Net current assets		64,116	70,323
Total assets less current liabilities		268,969	264,465

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	NOTES	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Non-current liabilities			
Deferred tax liabilities		3,354	3,111
Net assets			
Capital and reserves			
Share capital	13	2,382	2,382
Reserves		226,903	223,844
Equity attributable to owners of the Company		229,285	226,226
Non-controlling interests		36,330	35,128
Total equity		265,615	261,354

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Attributable to owners of the Company								
	Paid-in capital/ share capital	Share premium	Special reserve	PRC statutory reserves	Retained profits	Translation reserve	Total	Non-controlling interests	Total equity
	RMB'000 (Note 13)	RMB'000	RMB'000 (Note a)	RMB'000 (Note b)	RMB'000	RMB'000 (Note c)	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2015	2,382	64,200	91,448	41,188	26,792	216	226,226	35,128	261,354
Profit/(loss) and total comprehensive income/(expense) for the period	—	—	—	—	3,724	(665)	3,059	1,202	4,261
Balance as at 30 June 2015 (Unaudited)	2,382	64,200	91,448	41,188	30,516	(449)	229,285	36,330	265,615
Balance as at 1 January 2014	62	—	(27,271)	41,188	19,471	—	33,450	29,555	63,005
Profit/(loss) and total comprehensive income/(expense) for the period	—	—	—	—	(5,390)	95	(5,295)	2,868	(2,427)
Issue of new shares	595	74,453	—	—	—	—	75,048	—	75,048
Capitalisation Issue	1,787	(1,787)	—	—	—	—	—	—	—
Transaction costs attributable to issue of new shares	—	(8,466)	—	—	—	—	(8,466)	—	(8,466)
Effect of Reorganisation	(62)	—	62	—	—	—	—	—	—
Deemed contribution from Mr. Yang and Mr. Feng	—	—	118,657	—	—	—	118,657	—	118,657
Balance as at 30 June 2014 (Unaudited)	2,382	64,200	91,448	41,188	14,081	95	213,394	32,423	245,817

(a) Special reserve comprise of:

- (i) An amount of approximately RMB8,798,000, being the difference between the paid-in capital of a subsidiary, Hubei Golden Three Gorges, and the aggregate amount of the cash capital contribution and the fair value of the property, plant and equipment invested into Hubei Golden Three Gorges by its former equity holders;
- (ii) An amount of approximately RMB2,009,000, being the difference between the carrying amount of the share of net assets acquired and the consideration of approximately RMB5,300,000 in respect of the acquisition of additional 17% equity interests in Danyang Liantong Printing Industry Co., Ltd ("Danyang Liantong") by Medicon Pharmaceutical Industries Limited ("Medicon") on 29 June 2012. The consideration of approximately RMB5,300,000 was treated as deemed contribution from the Controlling Shareholder;
- (iii) An amount of approximately RMB43,378,000 represented the difference between (i) the aggregate consideration payable by a subsidiary, Easy Creator Limited, to former equity holders of a subsidiary for the acquisition of their respective equity interests in Hubei Golden Three Gorges and Danyang Liantong pursuant to the Reorganisation and (ii) the aggregate amount of paid-in capital of Hubei Golden Three Gorges and Danyang Liantong attributable to the former equity holders of these entities;
- (iv) An amount of approximately RMB62,000 represented the paid-in capital of Giant Harmony Limited ("Giant Harmony") which has been transferred to special reserve pursuant to the Reorganisation; and
- (v) The capitalised amount due to Mr. Yang and Mr. Feng Bin ("Mr. Feng") of approximately RMB110,525,000 and RMB8,152,000 respectively and accounted for as deemed contributions.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

(b) PRC statutory reserve

In accordance with the Company Law of the People's Republic of China (the "PRC") and the relevant Articles of Association, the PRC subsidiaries of the Company are required to appropriate amount equal to 10% of their profit after taxation as determined in accordance with the PRC accounting standards to the PRC statutory surplus reserve. Additional appropriation to the reserve are decided by their board of directors annually.

Statutory surplus reserve is part of shareholders' equity and when its balance reaches an amount equal to 50% of the registered capital, further appropriation is not required. According to the Company Law of the PRC, statutory surplus reserve may be used to make up past losses, to increase production and business operations or to increase capital by means of conversion.

(c) Translation reserve

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. RMB) are recognised directly in other comprehensive income and accumulated in the translation reserve. Exchange differences previously accumulated in the translation reserve in respect of translating the net assets of foreign operations are reclassified to profit or loss on the disposal of the foreign operation.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

Six months ended 30 June
2015 2014
RMB'000 RMB'000
(Unaudited) (Unaudited)

NET CASH GENERATED BY/(USED IN) OPERATING ACTIVITIES	17,427	(55,172)
NET CASH FROM INVESTING ACTIVITIES		
Decrease in the amounts due from former equity holders of a subsidiary	—	17,258
(Increase)/decrease in pledged bank deposits	(22,243)	25,583
Purchase of property, plant and equipment and related deposit paid	(17,385)	(5,813)
Proceeds from disposals of property, plant and equipment	199	159
NET CASH (USED IN)/GENERATED BY INVESTING ACTIVITIES	(39,429)	37,187
NET CASH FROM FINANCING ACTIVITIES		
Proceeds from issue of new shares	—	22,518
Transaction costs attributable to issue of new shares	—	(8,466)
Proceeds from borrowings	100,000	75,000
Repayment of borrowings	(113,000)	(62,550)
Interest paid	(6,229)	(6,028)
Other finance costs paid	(747)	(438)
NET CASH (USED IN)/GENERATED BY FINANCING ACTIVITIES	(19,976)	20,036
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(41,978)	2,051
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	104,416	29,963
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(665)	95
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD REPRESENTING BANK BALANCES AND CASH	61,773	32,109

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

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 registered office of the Company is located at Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands, and the address of the principal place of business is No. 6 Qingdao Road, Dongshan Economic Developing District, Yichang, Hubei Province, the People's Republic of China (the "PRC" or "China").

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 China.

In preparing for the initial listing of the shares of the Company on the Main Board of the Stock Exchange, the companies now comprising 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 in 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 condensed consolidated financial statements of the Group, the Company has been considered as the holding company of the companies now comprising the Group throughout the periods 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 condensed consolidated financial statements have been prepared as if the Company had been the holding company of the Group throughout the periods 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 condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the periods 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 periods presented, or since their respective dates of incorporation, whichever is a shorter period. The condensed 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 condensed consolidated financial statements are presented in 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

2. Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34") "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs").

3. Principal Accounting Policies

The accounting policies and the methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2015 are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2014.

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs and Hong Kong Accounting Standards ("HKASs") issued by the HKICPA:

Amendments to HKAS 19
Amendments to HKFRSs
Amendments to HKFRSs

Defined Benefit Plans: Employee Contributions
Annual Improvements to HKFRSs 2010–2012 Cycle
Annual Improvements to HKFRSs 2011–2013 Cycle

The application of the above new or revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

4. Revenue and Segment Information

Revenue

Revenue represents revenue arising from sales of paper cigarette packages and social product paper packages for the period.

An analysis of revenue is as follows:

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sales of paper cigarette packages	189,374	183,287
Sales of social product paper packages	15,774	9,587
	205,148	192,874

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

4. Revenue and Segment Information (Continued)

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 operation 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)

For the six months ended 30 June 2015:	Paper cigarette packages RMB'000 (Unaudited)	Social product paper packages RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue	189,374	15,774	205,148
Segment profit	47,910	433	48,343
Other income			2,781
Other gains and losses			2,025
Selling and distribution expenses			(9,536)
Administrative and other operating expenses			(28,169)
Finance costs			(6,976)
Profit before tax			8,468

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

4. Revenue and Segment Information (Continued)

Segment information (Continued)

For the six months ended 30 June 2014:	Paper cigarette packages RMB'000 (Unaudited)	Social product paper packages RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue	183,287	9,587	192,874
Segment profit/(loss)	57,485	(890)	56,595
Other income			1,766
Other gains and losses			408
Selling and distribution expenses			(10,148)
Administrative and other operating expenses			(18,436)
Listing expenses			(19,582)
Finance costs			(6,466)
Profit before tax			4,137

Segment assets and liabilities

Segment assets and liabilities are not disclosed in condensed consolidated financial statements as they are not regularly provided to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Geographical information

As substantially all of the Group's revenue is derived from customers located in the PRC and all the Group's identifiable non-current assets are principally located in the PRC, no geographical segment information is presented.

5. Income Tax Expense

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
PRC Enterprise Income Tax ("EIT")		
Current tax	2,658	4,864
Deferred tax	884	1,795
	3,542	6,659

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the period. No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Group had no assessable profit arising in or derived from Hong Kong for both periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

5. Income Tax Expense (Continued)

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 operating subsidiary in the PRC, namely Hubei Golden Three Gorges Printing Industry Co., Ltd. ("Hubei Golden Three Gorges"), which is qualified as a High and New Technology Enterprise since 16 September 2009, Hubei Golden Three Gorges is entitled to a preferential income tax rate of 15% for the periods from 16 September 2009 to 15 September 2012 and then extended from 20 November 2012 to 19 November 2015.

Upon the New Tax Law and Implementation Regulations, PRC withholding income tax is applicable to dividends payable to investors that are "non-PRC tax resident enterprises", which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends have their sources within the PRC. Under such circumstances, dividends distributed from the PRC subsidiaries to non-PRC tax resident group entities shall be subject to the withholding income tax at 10% or lower tax rate, as applicable. Under the relevant tax treaty, withholding tax rate on distribution to Hong Kong resident companies is 5%. During the six months ended 30 June 2014 and 2015, deferred taxation has been provided on undistributed earnings attributable to non-PRC tax resident equity holders of the subsidiaries in the PRC.

6. Profit/(Loss) for the Period

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Profit/(loss) for the period has been arrived at after charging/(crediting):		
Staff costs:		
Directors' emoluments	364	34
Other staff costs		
Salaries and other benefits	20,452	21,090
Contributions to retirement benefits scheme, excluding those of Directors	4,550	3,365
	25,366	24,489
Depreciation of property, plant and equipment	10,056	10,105
Gain on disposal of assets classified as held for sale	(3,280)	—
Loss on disposal of property, plant and equipment	1,255	192
Amortisation of prepaid lease payments	291	291
Operating lease rentals in respect of rented premises	790	457
Reversal of impairment loss on trade receivables	—	(6)
Cost of inventories recognised as an expense	156,805	136,279

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

7. Dividends

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2015 (2014: nil).

On 3 July 2015, the Board has resolved to declare a special dividend of RMB0.13 per share (2014: nil), which was payable on 27 July 2015 to shareholders who were on the register at 22 July 2015. This special dividend, amounting to approximately RMB39,000,000 (2014: nil), has not been recognised as liability in these condensed consolidated financial statements. It will be recognised in the equity attributable to owners of the Company for the year ending 31 December 2015.

8. Earnings/(Loss) Per Share

The calculation of the basic earnings/(loss) per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings/(loss):		
Earnings/(loss) for the purpose of basic and diluted earnings/(loss) per share		
(profit/(loss) for the period attributable to owners of the Company)	3,724	(5,390)
	Number of shares	Number of shares
	(Unaudited)	(Unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings/(loss) per share	300,000,000	227,072,000

The weighted average number of ordinary shares for the purpose of calculating basic loss per share for the six months ended 30 June 2014 has been retrospectively adjusted to reflect 1 share issued upon the incorporation of the Company on 5 August 2013, 9,999 shares issued pursuant to the Reorganisation on 30 April 2014 and 224,990,000 shares issued upon the capitalisation issue on 6 June 2014.

The numerator and denominator used are the same as those detailed above for the computation of both basic and diluted earnings/(loss) per share for both periods as there were no potential ordinary shares outstanding during each of the six months ended 30 June 2015 and 2014 respectively.

9. Movements in Property, Plant and Equipment

During the six months ended 30 June 2015, the Group purchased certain plant and machinery with an aggregate amount of approximately RMB22,034,000.

In addition, during the six months ended 30 June 2015, the Group incurred approximately RMB1,118,000 for construction in progress.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

10. Trade and Other Receivables

	As at 30 June 2015 RMB'000 (Unaudited)	As at 31 December 2014 RMB'000 (Audited)
Trade receivables	137,256	146,437
Less: allowance for doubtful debts	(55)	(55)
	137,201	146,382
Note receivables	32,040	19,758
Other receivables	14,133	14,589
Payments in advance	18,236	11,059
Advance to employees	10,837	4,086
Deposit paid for machinery and equipment	3,234	9,247
Prepayments and deposits paid	16,632	7,098
Total trade and other receivables	232,313	212,219

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 the 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:

	As at 30 June 2015 RMB'000 (Unaudited)	As at 31 December 2014 RMB'000 (Audited)
0 to 90 days	105,097	119,647
91 to 180 days	28,285	17,757
181 to 360 days	2,080	2,397
Over 360 days	1,739	6,581
	137,201	146,382

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

10. Trade and Other Receivables (Continued)

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

	As at 30 June 2015 RMB'000 (Unaudited)	As at 31 December 2014 RMB'000 (Audited)
0 to 90 days	31,040	1,840
91 to 180 days	1,000	17,918
	32,040	19,758

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.

11. Trade and Other Payables

	As at 30 June 2015 RMB'000 (Unaudited)	As at 31 December 2014 RMB'000 (Audited)
Trade payables	81,578	71,023
Note payables	137,815	124,227
Other payables and accruals	13,168	18,812
Total trade and other payables	232,561	214,062

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For the six months ended 30 June 2015

11. Trade and Other Payables (Continued)

The following is an analysis of trade payables by age, presented based on the date of invoice:

	As at 30 June 2015 RMB'000 (Unaudited)	As at 31 December 2014 RMB'000 (Audited)
0 to 90 days	62,822	68,144
91 to 180 days	14,274	1,614
181 to 360 days	3,361	162
Over 360 days	1,121	1,103
	81,578	71,023

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

	As at 30 June 2015 RMB'000 (Unaudited)	As at 31 December 2014 RMB'000 (Audited)
0 to 90 days	99,470	61,860
91 to 180 days	38,345	62,367
	137,815	124,227

The average credit period on purchases of goods is ranging from 30 to 90 days from the date of the invoice. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

Note payables represented bank acceptance notes issued by the Group with maturity of six months, and were secured by a charge over certain pledged assets of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

12. Borrowings

	As at 30 June 2015 RMB'000 (Unaudited)	As at 31 December 2014 RMB'000 (Audited)
Secured bank loans, denominated in RMB	170,000	183,000
Carrying amount repayable:		
On demand or within one year	170,000	183,000
Less: amounts due within one year shown under current liabilities	(170,000)	(183,000)
Amounts due after one year shown under non-current liabilities	—	—

The analysis of the Group's borrowings was as follows:

	As at 30 June 2015 RMB'000 (Unaudited)	As at 31 December 2014 RMB'000 (Audited)
Fixed-rate borrowings	130,000	76,000
Floating-rate borrowings	40,000	107,000
	170,000	183,000

The effective interest rates on the Group's borrowings were as follows:

	As at 30 June 2015 %	As at 31 December 2014 %
	(Unaudited)	(Audited)
Fixed-rate borrowings	5.55	6.40
Floating-rate borrowings	6.18	6.84

Details of assets pledged for the bank borrowings are set out in note 16.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

13. Share Capital

	Number of shares	Share capital HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each		
As at 5 August 2013 (date of incorporation) (note (i))	38,000,000	380
Increase in authorised share capital (note (iii))	1,962,000,000	19,620
As at 31 December 2014 and 30 June 2015	2,000,000,000	20,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
As at 5 August 2013 (date of incorporation) (note (i))	1	—
Issue of shares pursuant to Reorganisation (note (ii))	9,999	—
Issue of shares upon Capitalisation Issue (note (iv))	224,990,000	2,250
Issue of shares by way of public offer and placing (note (v))	75,000,000	750
As at 31 December 2014 and 30 June 2015	300,000,000	3,000
	As at 30 June 2015 RMB'000	As at 31 December 2014 RMB'000
Share capital, in RMB thousand equivalent	2,382	2,382

Notes:

- (i) The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 5 August 2013 with an initial authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. One nil-paid share was allotted and issued to the subscriber on 5 August 2013, which was subsequently transferred to Spearhead Leader on the same date.
- (ii) Pursuant to the Reorganisation and as consideration for the acquisition by the Company of the entire issued share capital of Giant Harmony from Spearhead Leader and Star Glide Limited ("Star Glide") on 30 April 2014, (a) the one nil-paid share held by Spearhead Leader was credited as fully paid; and (b) 9,304 and 695 shares were allotted and issued to Spearhead Leader and Star Glide, respectively, and were credited as fully paid.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

13. Share Capital (Continued)

Notes: (Continued)

- (iii) Pursuant to the written resolution of the shareholders passed on 6 June 2014, the authorised share capital of the Company was increased from HK\$380,000 to HK\$20,000,000 by the creation of an additional of 1,962,000,000 shares of HK\$0.01 each, each ranking pari passu with the shares then in issue in all respects.
- (iv) Pursuant to the written resolutions of the shareholders passed on 6 June 2014, the Directors were authorised to capitalise the amount of HK\$2,249,900 standing to the credit of the share premium account of the Company and to appropriate such amount as to capital to pay up in full at par 224,990,000 shares for allotment and issue to the then existing shareholders of the Company (the "Capitalisation Issue"), each ranking pari passu in all respects with the then existing issued shares. On the same, the Company allotted and issued such shares as aforesaid and gave effect to the Capitalisation Issue.
- (v) On 27 June 2014, the Company issued 75,000,000 shares pursuant to the Company's listing on the Main Board of the Stock Exchange by way of public offer and placing at a price of HK\$1.26 per share.

14. Share Option Scheme

Equity-settled share option scheme of the Company

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 6 June 2014 for the primary purpose of attracting and retaining the best available personnel, providing additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers ("Eligible Participants") of the Group and promoting the success of the business of the Group and will remain in force for a period of ten years commencing on the adoption date and shall expire at 5 June 2024. The board of directors of the Company may grant options to Eligible Participants to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. However, the total maximum number of the shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Scheme and any other share option scheme of the Company must not exceed 30% of the issued share capital of the Company from time to time. Options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares as stated in the daily quotation sheets issued by the Stock Exchange at the date of the grant) in excess of HK\$5 million, within any 12-month period up to and including the date of grant, are subject to shareholders' approval in advance in a general meeting.

Options granted must be taken up within 7 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. Options may be exercised at any time for a period determined by its directors which shall not be later than the day immediately preceding the tenth anniversary of the date of grant. The exercise price of the share options must be at least the highest of (i) the nominal value of an ordinary share on the date of grant; (ii) the closing price of the Company's shares as stated in the daily quotations sheet of the Stock Exchange on the date of the offer of the share options; and (iii) the average closing price of the Company's shares as stated in the daily quotations sheet of the Stock Exchange for the five trading days immediately preceding the date of the offer.

No share options have been granted under the Scheme since its adoption date.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

15. RELATED PARTY TRANSACTIONS

(a) Transactions with related party

Save as disclosed elsewhere in these condensed consolidated financial statements, the Group did not entered into any other significant related party transactions during the period.

(b) Compensation of key management personnel

The remuneration of the directors (who are identified as the key management personnel) during the period was as follows:

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (unaudited)
Short-term benefits	349	28
Post-employment benefits	15	6
	364	34

16. Pledge of Assets and Corporate Guarantees

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):

	As at 30 June 2015 RMB'000 (Unaudited)	As at 31 December 2014 RMB'000 (Audited)
	Prepaid lease payments	22,048
Property, plant and equipment	124,127	132,390
Trade receivables	88,401	122,948
Pledged bank deposits	81,269	59,026
	315,845	336,703

As at 30 June 2015, the aggregate guarantees provided by subsidiaries in respect of the banking facilities granted to the Group were approximately RMB250,000,000 (2014: RMB280,000,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

17. Commitments

(a) Operating leases — the Group as lessee

The Group had commitments for future minimum lease payments under non-cancelable operating leases which fall due as follows:

	As at 30 June 2015 RMB'000 (Unaudited)	As at 31 December 2014 RMB'000 (Audited)
Within one year	1,549	876
In the second to fifth years inclusive	3,923	86
Over five years	4,740	—
	10,212	962

Operating lease payments related to warehouse facilities and staff quarter with lease terms ranged from one to ten years (31 December 2014: one year) and the Group does not have an option to purchase the lease assets at the expiry of the lease term.

(b) Capital commitment

	As at 30 June 2015 RMB'000 (Unaudited)	As at 31 December 2014 RMB'000 (Audited)
Contracted but not provided for:		
— Purchase of property, plant and equipment	216	5,536