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JIA YAO HOLDINGS LIMITED

嘉耀控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01626)

CONTINUING CONNECTED TRANSACTIONS: SALE OF PAPER CIGARETTE PACKAGES

The Board is pleased to announce that on 27 July 2016, Hubei Golden Three Gorges, a subsidiary of the Company, entered into the Sichuan Sale Agreements, the Chongqing Sale Agreements, the Hunan Sale Agreements and the Henan Sale Agreements in relation to the sale of paper cigarette packages.

Each of the counter-parties to the Sale Agreements, being China Tobacco Sichuan, China Tobacco Chongqing, China Tobacco Hunan and China Tobacco Henan is a connected person of the Company and their respective relationships with the Company are set out in the paragraph headed “PARTIES AND RELATIONSHIPS OF THE PARTIES” of this announcement. Accordingly, the transactions under the Sale Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As (i) one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules for the Sale Agreements, on an annual basis and in aggregate, will be more than 5%; and (ii) the transactions under the Sale Agreements are transactions between the Group and connected persons at the subsidiary level on normal commercial terms, the Board has approved the transactions under the Sale Agreements and the independent non-executive Directors have confirmed that the terms of the transactions under the Sale Agreements are fair and reasonable, the transactions under the Sale Agreements are on normal commercial terms and in the interests of the Company and its Shareholders as a whole, the Sale Agreements are subject to the annual review, reporting and announcement requirements 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 27 July 2016, Hubei Golden Three Gorges, a subsidiary of the Company, entered into the Sichuan Sale Agreements, the Chongqing Sale Agreements, the Hunan Sale Agreements and the Henan 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, each of China Tobacco Sichuan, China Tobacco Chongqing, China Tobacco Hunan and China Tobacco Henan is a wholly-owned subsidiary of CNTC, the holding company of China Tobacco Hubei. Therefore, China Tobacco Sichuan, China Tobacco Chongqing, China Tobacco Hunan and China Tobacco Henan are the associates of Hubei Three Gorges under Rule 14A.13 of the Listing Rules and hence connected persons of the Company. China Tobacco Sichuan, China Tobacco Chongqing, China Tobacco Hunan and China Tobacco Henan are principally engaged in the production and sale of tobacco products.

MAJOR TERMS OF THE SALE AGREEMENTS

The Sichuan Sale Agreements

Date:

27 July 2016

Parties:

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

Description of the transactions:

Pursuant to the Sichuan Sale Agreements, Hubei Golden Three Gorges has agreed to supply to China Tobacco Sichuan, and China Tobacco Sichuan has agreed to purchase from Hubei Golden Three Gorges paper cigarette packages for a sub-brand of the cigarette brand “Wuniu (五牛)” at unit prices ranging from approximately RMB0.10 per piece to RMB0.36 per piece for the period from 27 July 2016 to 31 December 2016. Purchase orders will be issued by China Tobacco Sichuan to Hubei Golden Three Gorges. Upon passing of the examination of the paper cigarette packages and obtaining confirmation by China Tobacco Sichuan on its ERP system, China Tobacco Sichuan shall settle the payment within one month upon receiving the invoice from Hubei Golden Three Gorges.

The Chongqing Sale Agreements

Date:

27 July 2016

Parties:

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

Description of the transactions:

Pursuant to the Chongqing Sale Agreements, Hubei Golden Three Gorges has agreed to supply to China Tobacco Chongqing, and China Tobacco Chongqing has agreed to purchase from Hubei Golden Three Gorges paper cigarette packages for certain sub-brands of the cigarette brand “Longfengchengxiang (龍鳳呈祥)” at certain unit prices fixed for each sub-brand (ranging from approximately RMB0.22 per piece to RMB1.18 per piece) for the period from 27 July 2016 to 31 December 2016. Purchase orders will be issued by China Tobacco Chongqing to Hubei Golden Three Gorges. Upon passing of the examination of the paper cigarette packages and obtaining confirmation by China Tobacco Chongqing on its ERP system, China Tobacco Chongqing shall settle the payment within one month upon receiving the invoice from Hubei Golden Three Gorges.

The Hunan Agreements

Date:

27 July 2016

Parties:

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

Description of the transactions:

Pursuant to the Hunan Sale Agreements, Hubei Golden Three Gorges has agreed to supply to China Tobacco Hunan and China Tobacco Hunan has agreed to purchase from Hubei Golden Three Gorges paper cigarette packages for the cigarette brand “Lishi (利事)” at unit prices ranging from approximately RMB0.06 per piece to RMB0.36 per piece; for the blank paper cigarette packages at unit prices ranging from approximately RMB0.09 per piece to RMB0.34 per piece; for certain sub-brands of the cigarette brand “Baisha (白沙)” at certain unit prices fixed for each sub-brand (ranging from approximately RMB0.15 per piece to RMB1.42 per piece); for the cigarette brand “Hetianxia (和天下)” at unit prices ranging from approximately RMB0.49 per piece to RMB10.80 per piece; and for certain sub-brands of the cigarette brand “Chukoufurongwang (出口芙蓉王)” at certain unit prices fixed for each sub-brand (ranging from approximately RMB0.43 per piece to RMB3.93 per piece) for the period from 27 July 2016 to 31 December 2016. Purchase orders specifying quantities of paper cigarette packages to be purchased will be issued by China Tobacco Hunan to Hubei Golden Three Gorges. Upon passing of the examination and inventory entry of the paper cigarette packages by China Tobacco Hunan, China Tobacco Hunan shall settle the payment in accordance with its relevant financial provisions.

The Henan Sale Agreements

Date:

27 July 2016

Parties:

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

Description of the transactions:

Pursuant to the Henan Sale Agreements, Hubei Golden Three Gorges has agreed to supply to China Tobacco Henan, and China Tobacco Henan has agreed to purchase from Hubei Golden Three Gorges paper cigarette packages for certain sub-brands of the cigarette brand “Huangjinye (黃金葉)” at certain unit prices fixed for each sub-brand (ranging from approximately RMB0.08 per piece to RMB1.33 per piece); for certain sub-brands of the cigarette brand “Hongtashan (紅塔山)” at certain unit prices fixed for each sub-brand (ranging from approximately RMB0.10 per piece to RMB0.84 per piece) and for a sub-brand of the cigarette brand “Sanhua (散花)” at unit prices ranging from approximately RMB0.03 per piece to RMB0.38 per piece; and for a sub-brand of the cigarette brand “Fashida (發時達)” at unit prices ranging from approximately RMB0.23 per piece to RMB1.01 per piece for the period from 27 July 2016 to 31 December 2016. Purchase orders will be issued by China Tobacco Henan to Hubei Golden Three Gorges. Hubei Golden Three Gorges shall issue the value-added tax invoice to China Tobacco Henan and China Tobacco Henan shall settle the payment by electronic payment, bank acceptance bill or banker’s draft thereafter and the corresponding payment period to be mutually agreed by both Hubei Golden Three Gorges and China Tobacco Henan.

ANNUAL CAPS

The Company estimates that the expected sales by the Group to each of China Tobacco Sichuan, China Tobacco Chongqing, China Tobacco Hunan and China Tobacco Henan under the relevant Sale Agreements for the period from 27 July 2016 to 31 December 2016 are as follows:

| | For the Period from 27 July 2016 to 31 December 2016 (RMB) |
|-------------------------------|---|
| The Sale Agreements | |
| The Sichuan Sale Agreements | 3,280,000 |
| The Chongqing Sale Agreements | 7,050,000 |
| The Hunan Sale Agreements | 22,790,000 |
| The Henan Sale Agreements | <u>20,270,000</u> |
| Annual Caps: | <u>53,390,000</u> |

In arriving at the Annual Caps, the Directors had considered the expected total sales of paper cigarette packages to be purchased by each of China Tobacco Sichuan, China Tobacco Chongqing, China Tobacco Hunan and China Tobacco Henan from Hubei Golden Three Gorges as specified in the relevant tender documents and/or the Sale Agreements.

REASONS FOR AND BENEFITS OF ENTERING INTO THE TRANSACTIONS

Hubei Golden Three Gorges's existing agreements with each of China Tobacco Sichuan, China Tobacco Chongqing, China Tobacco Hunan and China Tobacco Henan for the sale of the relevant paper packages for the relevant cigarette brands by the Group to each of China Tobacco Sichuan, China Tobacco Chongqing, China Tobacco Hunan and China Tobacco Henan had expired in December 2015. The Sale Agreements have been entered into for the renewal of the said transactions between the Group and each of China Tobacco Sichuan, China Tobacco Chongqing, China Tobacco Hunan and China Tobacco Henan. 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 each of China Tobacco Sichuan, China Tobacco Chongqing, China Tobacco Hunan and China Tobacco Henan will ensure the Group a steady income.

Having considered the above reasons and taking into consideration that (i) each of the Sale Agreements has been entered into based on the tender results of the relevant products; and (ii) the selling prices of the paper cigarette packages are fixed under the Sale Agreements, the Board (including independent non-executive Directors) considers that the 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 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 each of China Tobacco Sichuan, China Tobacco Chongqing, China Tobacco Hunan and China Tobacco Henan under the Sale Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As (i) one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules for the Sale Agreements, on an annual basis and in aggregate, will be more than 5%; and (ii) the transactions under the Sale Agreements are transactions between the Group and connected persons at the subsidiary level on normal commercial terms, the Board has approved the transactions under the Sale Agreements and the independent non-executive Directors have confirmed that the terms of the transactions under the Sale Agreements are fair and reasonable, the transactions under the Sale Agreements are on normal commercial terms and in the interests of the Company and its Shareholders as a whole, the Sale Agreements are subject to the annual review, reporting and announcement requirements 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 Sale Agreements and required to abstain from voting on the Board resolutions to approve the Sale Agreements and the Annual Caps.

DEFINITIONS

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| “Annual Caps” | the annual caps for the transactions contemplated under the Sichuan Sale Agreements, the Chongqing Sale Agreements, the Hunan Sale Agreements and the Henan Sale Agreements for the period from 27 July 2016 to 31 December 2016 |
| “Board” | the board of Directors |
| “China Tobacco Chongqing” | 重慶中煙工業有限責任公司 (China Tobacco Chongqing Industrial Co., Ltd.*), one of the 17 Provincial Tobacco Industrial Companies |
| “China Tobacco Henan” | 河南中煙工業有限責任公司 (China Tobacco Henan Industrial Co., Ltd.*), one of the 17 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 17 Provincial Tobacco Industrial Companies |
| “China Tobacco Hunan” | 湖南中煙工業有限責任公司 (China Tobacco Hunan Industrial Co., Ltd.*), one of the 17 Provincial Tobacco Industrial Companies |
| “China Tobacco Sichuan” | 四川中煙工業有限責任公司 (China Tobacco Sichuan Industrial Co., Ltd.*), one of the 17 Provincial Tobacco Industrial Companies |
| “Chongqing Sale Agreements” | agreements entered into between Hubei Golden Three Gorges and China Tobacco Chongqing all dated 27 July 2016 for the sale of paper cigarette packages by Hubei Golden Three Gorges to China Tobacco Chongqing |
| “CNTC” | 中國煙草總公司 (China National Tobacco Corporation*), a national corporation responsible for the management of the tobacco industry in the PRC |

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| “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 |
| “Henan Sale Agreements” | agreements entered into between Hubei Golden Three Gorges and China Tobacco Henan all dated 27 July 2016 for the sale of paper cigarette packages by Hubei Golden Three Gorges to China Tobacco Henan |
| “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 |
| “Hunan Sale Agreements” | agreements entered into between Hubei Golden Three Gorges and China Tobacco Hunan all dated 27 July 2016 for the sale of paper cigarette packages by Hubei Golden Three Gorges to China Tobacco Hunan |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |

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| “PRC” | the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and the Taiwan region |
| “Provincial Tobacco Industrial Companies” | the 17 state-owned provincial-level or equivalent cigarette manufacturers in the PRC which are subordinated to CNTC |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Sale Agreements” | the Sichuan Sale Agreements, the Chongqing Sale Agreements, the Hunan Sale Agreements and the Henan Sale Agreements |
| “Shareholder(s)” | holder(s) of shares of the Company |
| “Sichuan Sale Agreements” | agreements entered into between Hubei Golden Three Gorges and China Tobacco Sichuan all dated 27 July 2016 for the sale of paper cigarette packages by Hubei Golden Three Gorges to China Tobacco Sichuan |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “HK\$” | Hong Kong dollars, the lawful currency of the Hong Kong |
| “%” | per cent |

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

Hong Kong, 27 July 2016

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