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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

SALE OF PAPER CIGARETTE PACKAGES

The Board is pleased to announce that on 26 June 2017, Hubei Golden Three Gorges, a subsidiary of the Company, entered into the Chongqing Sale Agreements, Shenzhen Sale Agreements and Sichuan Sale Agreements in relation to the sale of paper cigarette packages.

LISTING RULES IMPLICATIONS

Each of the counter-parties to the Sale Agreements, being China Tobacco Chongqing, Shenzhen Tobacco Industrial and China Tobacco Sichuan, 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 respective 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 26 June 2017, Hubei Golden Three Gorges, a subsidiary of the Company, entered into the 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 Chongqing, Shenzhen Tobacco Industrial and China Tobacco Sichuan is a wholly-owned subsidiary of CNTC, the holding company of China Tobacco Hubei. Therefore, China Tobacco Chongqing, Shenzhen Tobacco Industrial and China Tobacco Sichuan are the associates of Hubei Three Gorges under Rule 14A.13 of the Listing Rules and hence all China Tobacco Chongqing, Shenzhen Tobacco Industrial and China Tobacco Sichuan are connected persons of the Company.

China Tobacco Chongqing, Shenzhen Tobacco Industrial and China Tobacco Sichuan are principally engaged in the production and sale of tobacco products.

SALE OF PAPER CIGARETTE PACKAGES

The principal terms of each of the Sale Agreements are set out as follows:

(1) Chongqing Sale Agreements

Date:

26 June 2017

Parties:

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

Description of the transactions:

Pursuant to the Chongqing Sale Agreements, Hubei Golden Three Gorges agreed to supply to China Tobacco Chongqing, and China Tobacco Chongqing agreed to purchase from Hubei Golden Three Gorges paper cigarette packages for a sub-brand of the cigarette brand “Longfeng Chengxiang (龍鳳呈祥)” at unit prices ranging from approximately RMB0.2110 per piece to approximately RMB0.8500 per piece for the period from 26 June 2017 to 31 December 2017.

The quantity of the paper cigarette packages to be purchased by China Tobacco Chongqing, and the time and place of delivery of the products concerned shall conform to the purchase orders by China Tobacco Chongqing. Upon passing of the examination of the paper cigarette packages by China Tobacco Chongqing, China Tobacco Chongqing shall settle the payment upon receiving the invoice from Hubei Golden Three Gorges.

(2) Shenzhen Sale Agreements

Date:

26 June 2017

Parties:

(a) Hubei Golden Three Gorges

(b) Shenzhen Tobacco Industrial

Description of the transactions:

Pursuant to the Shenzhen Sale Agreements, Hubei Golden Three Gorges agreed to supply to Shenzhen Tobacco Industrial, and Shenzhen Tobacco Industrial agreed to purchase from Hubei Golden Three Gorges paper cigarette packages for a sub-brand of the cigarette brand “Jinzun Haorizi (金樽好日子)” at unit prices ranging from approximately RMB0.2901 per piece to approximately RMB1.2128 per piece for the period from 26 June 2017 to 31 December 2017.

The quantity of the paper cigarette packages to be purchased by Shenzhen Tobacco Industrial, and the time and place of delivery of the products concerned shall conform to the purchase orders by Shenzhen Tobacco Industrial. Upon passing of the examination of the paper cigarette packages by Shenzhen Tobacco Industrial, Shenzhen Tobacco Industrial shall settle the payment upon receiving the invoice from Hubei Golden Three Gorges.

(3) Sichuan Sale Agreements

Date:

26 June 2017

Parties:

(a) Hubei Golden Three Gorges

(b) China Tobacco Sichuan

Description of the transactions:

Pursuant to the Sichuan Sale Agreements, Hubei Golden Three Gorges agreed to supply to China Tobacco Sichuan, and China Tobacco Sichuan agreed to purchase from Hubei Golden Three Gorges paper cigarette packages for certain sub-brands of the cigarette brand “Jiaozi (嬌子)” at unit prices ranging from approximately RMB0.0924 per piece to approximately RMB0.5190 per piece for the period from 26 June 2017 to 31 December 2017.

The quantity of the paper cigarette packages to be purchased by China Tobacco Sichuan, and the time and place of delivery of the products concerned shall conform to the purchase orders by China Tobacco Sichuan. Upon passing of the examination of the paper cigarette packages by China Tobacco Sichuan, China Tobacco Sichuan shall settle the payment upon receiving the invoice from Hubei Golden Three Gorges.

SALE ANNUAL CAPS

The Company estimates that the expected sales by the Group to each of China Tobacco Chongqing, Shenzhen Tobacco Industrial and China Tobacco Sichuan under the relevant Sale Agreements are as follows:

	For the year ending 31 December 2017 (RMB)
Chongqing Sale Agreements	5,920,000
Shenzhen Sale Agreements	26,500,000
Sichuan Sale Agreements	<u>15,000,000</u>
Total	<u><u>47,420,000</u></u>

In arriving at the Sale Annual Caps, the Directors had considered the expected total sales of paper cigarette packages to be purchased by each of China Tobacco Chongqing, Shenzhen Tobacco Industrial and China Tobacco Sichuan 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

The sale of paper cigarette packages are the ordinary course of business of the Group. The Directors believe that the sale of paper cigarette packages by Hubei Golden Three Gorges will ensure the Group a steady income.

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 Chongqing, Shenzhen Tobacco Industrial and China Tobacco Sichuan 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 Sale Annual Caps are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

Each of the counter-parties to the Sale Agreements, being China Tobacco Chongqing, Shenzhen Tobacco Industrial and China Tobacco Sichuan 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 respective 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.

No Director is materially interested in any of the Sale Agreements and required to abstain from voting on the Board resolutions to approve the Sale Agreements and the Sales Annual Caps.

DEFINITIONS

“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 18 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 18 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 18 Provincial Tobacco Industrial Companies
“Chongqing Sale Agreements”	agreements entered into between Hubei Golden Three Gorges and China Tobacco Chongqing dated 26 June 2017 for the sale of paper cigarette packages by Hubei Golden Three Gorges to China Tobacco Chongqing
“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
“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
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	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

* For identification purpose only

“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 Yunnan being the de facto equity holder
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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 18 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”	Chongqing Sale Agreements, Shenzhen Sale Agreements and Sichuan Sale Agreements
“Sale Annual Caps”	the annual caps for the transactions contemplated under the Sale Agreements
“Sichuan Sale Agreements”	agreements entered into between Hubei Golden Three Gorges and China Tobacco Sichuan dated 26 June 2017 for the sale of paper cigarette packages by Hubei Golden Three Gorges to China Tobacco Sichuan
“Shareholder(s)”	holder(s) of shares of the Company
“Shenzhen Tobacco Industrial”	深圳煙草工業有限責任公司 (Shenzhen Tobacco Industrial Co., Ltd.*), one of the 18 Provincial Tobacco Industrial Companies
“Shenzhen Sale Agreements”	agreements entered into between Hubei Golden Three Gorges and Shenzhen Tobacco Industrial dated 26 June 2017 for the sale of paper cigarette packages by Hubei Golden Three Gorges to Shenzhen Tobacco Industrial

* For identification purpose only

“STMA”	the State Tobacco Monopoly Administration of the PRC (中國國家煙草專賣局), a governmental administration responsible for the management of the tobacco industry in the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

By order of the Board
JIA YAO HOLDINGS LIMITED
Li Tie
Chairman

Hong Kong, 26 June 2017

As at the date of this announcement, the Board comprises Mr. Li Tie, Mr. Liu Daoqi and Mr. Huang Erwei as executive Directors, Mr. Yang Yoong An as non-executive Director and Mr. Gong Jinjun, Mr. Zeng Shiquan and Mr. Wang Ping as independent non-executive Directors.