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 2017

CONTENTS

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 2017 together with the comparative figures for the corresponding period in 2016.

- Revenue for the six months ended 30 June 2017 increased by approximately 9.5% or RMB20.3 million to approximately RMB235.2 million as compared with the same period in 2016.
- Gross profit for the six months ended 30 June 2017 increased by approximately 12.3% or RMB6.0 million to approximately RMB54.9 million as compared with the same period in 2016.
- Gross profit margin for the six months ended 30 June 2017 increased by approximately 0.6% from approximately 22.7% to approximately 23.3% as compared with the same period in 2016.
- Profit attributable to owners of the Company for the six months ended 30 June 2017 was approximately RMB1.0 million as compared to the loss attributable to owners of the Company of approximately RMB0.3 million for the six months ended 30 June 2016.
- Average trade and note receivables turnover days increased from approximately 162 days for the year ended 31 December 2016 to approximately 180 days for the six months ended 30 June 2017.
- Average trade and note payables turnover days decreased from approximately 274 days for the year ended 31 December 2016 to approximately 271 days for the six months ended 30 June 2017.
- Average inventory turnover days increased from approximately 91 days for the year ended 31 December 2016 to approximately 107 days for the six months ended 30 June 2017.
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2017 (for the six months ended 30 June 2016: Nil).

Notes:

(i) Gross profit margin were calculated based on gross profit for the period divided by the revenue 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 of the year end/period end divided by the revenue for the year/period and multiplied by the number of days for the year/period (366 days for the year ended 31 December 2016 and 181 days for the six months ended 30 June 2017).

(iii) Average trade and note payables turnover days were calculated as the average of the beginning and ending of trade and note payables balance of the year end/period end divided by the cost of sales for the year/period and multiplied by the number of days for the year/period (366 days for the year ended 31 December 2016 and 181 days for the six months ended 30 June 2017).

(iv) Average inventory turnover days were calculated as the average of the beginning and ending of inventories balance of the year end/period end divided by the cost of sales for the year/period and multiplied by the number of days for the year/period (366 days for the year ended 31 December 2016 and 181 days for the six months ended 30 June 2017).

CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Li Tie *(Chairman) (appointed on 24 February 2017)*
Mr. Liu Daoqi *(Chief Executive Officer) (appointed on 24 February 2017)*
Mr. Huang Erwei *(appointed on 24 February 2017)*

Non-executive Director

Mr. Yang Yoong An (redesignated on 17 March 2017)

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. Gong Jinjun
Mr. Zeng Shiquan

Remuneration Committee

Mr. Gong Jinjun *(Chairman)*
Mr. Liu Daoqi *(appointed on 24 February 2017)*
Mr. Wang Ping

Nomination Committee

Mr. Li Tie *(Chairman) (appointed on 24 February 2017)*
Mr. Zeng Shiquan
Mr. Gong Jinjun

Corporate Website Address

www.jiayaoholdings.com

Authorised Representatives

Mr. Huang Erwei *(appointed on 17 March 2017)*
Mr. Wu Hung Wai

Principal Bankers

China Minsheng Bank Yichang Branch
China Merchants Bank Yichang Branch
Hubei Bank Corporation Yichang Branch

Principal Share Registrar and Transfer Office

Estera Trust (Cayman) Limited
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
Suites 3301-04, 33/F
Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

Legal Adviser as to Hong Kong Laws

Sidley Austin
39/F., Two International Finance Centre
Central
Hong Kong

Auditor

PricewaterhouseCoopers
Certified Public Accountants
22/F
Prince's Building Central
Hong Kong

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (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 2017.

China's economic growth was approximately 6.9% during the first half of 2017, which is beyond market expectations. Benefitting from the strengthened internal control and strong technology and development capabilities, the Group continued to reinforce its market position as a leading paper cigarette packaging printer.

For the six months ended 30 June 2017, the Group recorded approximately RMB235.2 million in revenue, representing a year–on–year increase of approximately 9.5%. The paper cigarette packaging and social product paper packaging accounted for approximately 93.8% and 6.2% of the revenue, respectively. Gross profit amounted to approximately RMB54.9 million, representing an increase of approximately 12.3% compared with the first half of 2016. Gross profit margin was approximately 23.3%. Profit for the period amounted to approximately RMB2.9 million (for the six months ended 30 June 2016: RMB0.5 million).

The Group continues to place great emphasis on strengthening sophisticated internal management, strictly controlling the production and operating costs, with a view to enhancing our overall competence. While striving for greater market share in existing markets, we plan to upgrade our product variety by strategically participating in different tenders. For new growth points of sales, our research and development team will endeavour to develop new products that cater for the market needs and trends. With the pricing right of launching new products, we aim to further improve the margin and product portfolio. To prolong our leading role in the cigarette packaging industry, stepped up efforts will be implemented in Jiangsu, Guangdong, Guangxi and other markets in China to strive for more tenders. We would consistently carry out the internal control measures to ensure the reliability of the operation systems, the effectiveness of the production and the prudence of expenditures.

For the second half of 2017, the management is confident about our business performance and that we are capable to achieve the annual sales target in 2017. It is expected that there will be several festive peak seasons in the tobacco industry of China and the Group will be able to capture the business opportunities by leveraging our years of experience and reputation. Following the close of the mandatory unconditional cash offer by China Civil Aviation (Cayman) Investment Group Limited to acquire all the issued shares in the share capital of the Company on 17 March 2017, and the subsequent change in ownership of the Company, the management is optimistic about achieving the sales target with the assistance of strong support and resources of our controlling shareholder, along with several growing drives in the coming year. Extra growth will be realised with new market entry, new product launch and gaining popularity of handmade cigarette gifts boxes.

The management has recently conducted a review on the business operations and financial position of the Group for the purposes of formulating business plans and strategies for the future business development of the Group. After taking into account the current market conditions and the experience of the new management, the Group intends to expand into new areas including asset management and hospitality related businesses. The Group will actively explore and identify any such investment and business opportunities in the near future and its business scope will soon be more diversified.

I would like to express my gratitude for the continued support of all our shareholders, investors, suppliers and customers. As always, our management team and employees will align and leverage all resources available towards maximizing returns for our shareholders.

Li Tie
Chairman of the Board and Executive Director

Hong Kong, 29 August 2017

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

China's GDP growth was recorded as approximately 6.9% for the first half of 2017, which beats analysts' expectations of a 6.8% expansion. During the first half of 2017, sales and total taxable profits of cigarettes projected satisfactory progress as the accumulative sales of cigarettes of approximately 24.75 million boxes reached more than 50% of the annual sales target and the total taxable profits of approximately RMB592.9 billion was more than half of the total taxable profits target. The sales performance of the tobacco industry in China so far aligns with the expectation of the State Tobacco Monopoly Administration of the PRC ("STMA").

Destocking continues to be the key tasks of the industry and slim cigarettes gain increasing popularity. Many new products were launched in the market in the first half year and it affected the sales of traditional brands. With diverse product portfolio and extensive market footholds, the Group enjoys competitive advantages in product development, recording solid business performance in the first half of 2017.

Business Review

The Group is principally engaged in the design, printing and distribution of paper cigarette packages in China and to a lesser extent, social product paper packages in the PRC. Hubei Golden Three Gorges Printing Industry Co., Ltd* (湖北金三峽印務有限公司) ("Hubei Golden Three Gorges"), the Group's primary 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 STMA, including, among others, Pride (嬌子), Haomao (好貓) and Double Happiness (雙喜). The Group has also diversified its business to social product paper packages such as packaging for medicines, wines, food and other consumer goods by leveraging its extensive experience and know-how 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. As at 30 June 2017, the Group's clients included 12 provincial tobacco industrial companies and 8 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 in China. For those existing clients, the Group will strive, by taking advantage of its current status as an approved supplier, to expand to 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 promote the Group's business strategy, the Group intends to set up sales offices in cities where these major customers are located if there appears to be significant business potential. Setting up sales offices near the Group's major customers will enable the Group to maintain a good relationships with them and improve the Group's after-sales service to enhance customer satisfaction.

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.

* *For identification purpose only*

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 its 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 production 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 raw materials for paper packaging in the industry and the Group and, in order to keep the fluctuations in the prices of packaging raw materials under effective control, the Group 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.

The Group prepares the budget at the beginning of each year based on the sales forecast, perform evaluation with reference to budget targets, determines standard costs of products based on the actual costs, and formulate applicable procedures and workflows for regulation purposes in order to implement cost control.

Financial Review

Turnover

For the six months ended 30 June 2017, the turnover of the Group was approximately RMB235.2 million, representing an increase of approximately 9.5% over the same period in 2016. Sales in paper cigarette packages segment increased by approximately RMB25.5 million while sales in social product paper packages segment decreased by approximately RMB5.2 million during the period. The increase in sales was primarily attributable to the increase in sales order mainly in the market of Henan and Yunnan due to various newly launched series of sub-brand of the cigarette brand "Huang Jin Ye (黃金葉)" and "Yu Xi (玉溪)" during the period.

The following table sets forth the breakdown of the Group's sales for the six months ended 30 June 2017:

	For the six months ended 30 June		
	2017 **RMB'000** **(Unaudited)**	2016 RMB'000 (Unaudited)	Change (%) (approximate)
Paper cigarette packages segment	**220,730**	195,256	+13.0%
Social product paper packages segment	**14,500**	19,664	–26.3%

Gross Profit

The Group's gross profit increased by approximately 12.3% from approximately RMB48.9 million for the six months ended 30 June 2016 to approximately RMB54.9 million for the six months ended 30 June 2017. The Group's gross profit margin increased by approximately 0.6% from approximately 22.7% to approximately 23.3% as compared with the same period in 2016. The Group recorded a steady increase in both gross profit and gross profit margin during the period.

MANAGEMENT DISCUSSION AND ANALYSIS

Distribution Costs

For the six months ended 30 June 2017, distribution costs comprise: (i) delivery expenses for the transportation of the Group's products to customers; (ii) staff costs and benefits relating to the Group's sales and marketing personnel; (iii) expenses incurred in customer hospitality activities during the Group's normal course of business; (iv) travelling expenses of the staff incurred for the sales and distribution activities; (v) administrative expenses; and (vi) other selling and distribution related expenses. The Group's distribution costs increased by approximately 31.5% from approximately RMB13.6 million for the six months ended 30 June 2016 to approximately RMB17.8 million for the six months ended 30 June 2017. The increase was mainly due to the increase in expenses on customer hospitality activities and business travel of sales representatives for expansion of sales network in China during the period.

Administrative Expenses

For the six months ended 30 June 2017, administrative expenses consist of (i) staff costs and benefits relating to the Group's administrative personnel; (ii) travelling expenses of administrative staff; (iii) depreciation expenses; (iv) entertainment expenses of administrative staff; (v) research and development expenses; (vi) office expenses; (vii) regulatory expenses; and (viii) other expenses incurred in relation to the Group's administrative operations. The expenses increased by approximately 1.3% from approximately RMB26.7 million for the six months ended 30 June 2016 to approximately RMB27.1 million for the six months ended 30 June 2017.

Other Income

For the six months ended 30 June 2017, other income mainly consists of non-recurring government grant. The Group's other income increased by approximately RMB0.15 million to approximately RMB0.3 million during the period.

Other Losses (net)

For the six months ended 30 June 2017, net other losses mainly consists of net losses arising from disposal of property, plant and equipment. The Group's net other losses increased by approximately RMB0.4 million to approximately RMB0.7 million during the period.

Finance Costs (net)

For the six months ended 30 June 2017, net finance costs, primarily consist of interest income on bank deposits, 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 net finance costs decreased by approximately 34.4% from approximately RMB5.2 million for the six months ended 30 June 2016 to approximately RMB3.4 million for the six months ended 30 June 2017. The decrease was mainly due to the decrease of finance costs arising from early redemption of note receivables during the period.

Income Tax Expense

The Group's income tax expense increased by approximately 18.8% from approximately RMB2.8 million for the six months ended 30 June 2016 to approximately RMB3.3 million for the six months ended 30 June 2017. The increase was mainly due to the increase of the Group's profit before income tax for the period.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit/Loss 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 2017 of approximately RMB1.0 million as compared to the loss attributable to owners of the Company of approximately RMB0.3 million for the six months ended 30 June 2016.

Trade and Other Receivables

Trade and other receivables decreased by approximately 7.2% from approximately RMB276.3 million as at 31 December 2016 to approximately RMB256.4 million as at 30 June 2017. The decrease was mainly due to the net effect of: (1) decrease of trade receivables from approximately RMB206.2 million as at 31 December 2016 to approximately RMB177.2 million as at 30 June 2017; (2) increase of note receivables from approximately RMB34.7 million as at 31 December 2016 to approximately RMB50.0 million as at 30 June 2017; and (3) decrease of payments in advance from approximately RMB14.9 million as at 31 December 2016 to approximately RMB6.9 million as at 30 June 2017.

Trade and Other Payables

Trade and other payables decreased by approximately 9.3% from approximately RMB304.3 million as at 31 December 2016 to approximately RMB276.1 million as at 30 June 2017. The decrease was mainly due to the net effect of: (1) decrease of trade payables from approximately RMB178.0 million as at 31 December 2016 to approximately RMB128.3 million as at 30 June 2017; and (2) increase of note payables from approximately RMB107.6 million as at 31 December 2016 to approximately RMB126.0 million as at 30 June 2017.

Liquidity and Financial Resources

The Group recorded net current assets of approximately RMB50.4 million as at 30 June 2017, compared with net current assets of approximately RMB43.8 million as at 31 December 2016. The Group maintained a healthy liquidity position during the six months ended 30 June 2017. The Group's operations were principally financed by internal resources and bank borrowings during the period.

As at 30 June 2017, the Group's cash and cash equivalents, which were held mainly in Renminbi and Hong Kong dollars, were approximately RMB63.7 million, compared with approximately RMB58.2 million as at 31 December 2016.

Borrowings and Gearing Ratio

The Group's interest-bearing borrowings was approximately RMB160.0 million as at 30 June 2017 (as at 31 December 2016: approximately RMB150.0 million). The gearing ratio (defined as total debt divided by total equity) increased from approximately 65.1% as at 31 December 2016 to approximately 69.3% as at 30 June 2017. The increase in gearing ratio was mainly due to the increase of interest-bearing borrowings as at 30 June 2017. The Group's interest-bearing borrowings were mainly denominated in Renminbi as at 30 June 2017 and 31 December 2016. All borrowings were repayable within 1 year. Further details on borrowings of the Company are set out in Note 17 of the condensed consolidated interim financial information in this interim report for the six months ended 30 June 2017.

It is the policy of the Group to adopt a consistently prudent financial management strategy, hence 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 2017, the Group's total capital expenditure amounted to approximately RMB5.7 million (for the six months ended 30 June 2016: RMB5.4 million), which was mainly used in purchase of plant and machineries.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

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 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Land use rights	**21,796**	22,098
Property, plant and equipment	**125,256**	132,026
Trade receivables	**137,695**	139,795
Pledged bank deposits	**63,004**	54,013
	347,751	347,932

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 2017.

Future plans for material investment or capital assets

The Group is actively exploring investment and business opportunities in the future in order to expand from the cigarette industry into new areas including asset management and hospitality related business, thereby diversifying its business risks and enhancing returns to its Shareholders. The sources of funding in the coming year would involve fund raising or loans, and its internal resources of the Group. Save as disclosed in this interim report, there was no plan authorized by the Board for material investments or additions of capital assets as at the date of this interim report.

Contingent Liabilities

As at 30 June 2017, the Group did not have any significant contingent liabilities (as at 31 December 2016: 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 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Human Resources and Remuneration

As at 30 June 2017, the Group's employed 796 employees (as compared with 850 employees as at 31 December 2016) with total staff cost of approximately RMB49.6 million incurred for the six months ended 30 June 2017 (as compared with approximately RMB50.1 million for the same period of 2016). The Group's remuneration packages are generally structured with reference to market terms and individual performance. The Company adopted a share option scheme as incentive to its Directors and eligible employees, details of the scheme are set out in the paragraph headed "Share Option Scheme" in the interim report for the six months ended 30 June 2017. In relation to staff training, the Group also provides different types of programs for staff to improve their skills, develop their respective expertise and showcase their potentials.

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2017 (for the six months ended 30 June 2016: Nil).

Future Outlook

Leveraging on the synergies with the major shareholder of the Company, the Group is optimistic to the development of the cigarette industry in the second half of 2017. With consumption of the stock in the first half of 2017, greater demand for cigarettes in the next half year of 2017 due to Chinese traditional festivals will boost the sales of cigarette in the coming half year.

Following the change in ownership of the Company as a result of the mandatory unconditional Cash offer by China Civil Aviation (Cayman) Investment Group Limited, the financial scale of the Company has been strengthened and the Group intends to expand and diversify its business scope. In the future, the Group will upgrade cigarette product portfolio and expand its market share in existing markets through participating in more tender processes. At the same time, the Group will seek improvement in production capacity on new products, creating new growth points by expanding market share and upgrading product variety with new pricing of new products. The Group will step up the promotion and marketing efforts in Jiangsu, Guangdong, Guangxi and other markets to strive for more tenders. Internal efficiency control will continue to be exercised in order to lower the production costs as well as to enhance production efficiency.

Furthermore, benefitting from the resources of its controlling shareholder, the Group's business will also gradually expand from the cigarette industry into new areas including asset management and hospitality related businesses. The Group will actively explore any such investment and business opportunities in the future, thereby diversifying its business risks and enhancing returns to its Shareholders.

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 2017, 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 its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Cap. 571 of the laws of Hong Kong (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	Approximate percentage of shareholding (Note 2)
Mr. Yang Yoong An ("Mr. Yang")	Interest of a controlled corporation (Note 1)	29,398,000	9.80%

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

Name	Name of associated corporation	Capacity/Nature of interest	No. of ordinary shares held	Approximate percentage of shareholding
Mr. Yang [1]	Spearhead Leader Limited ("Spearhead Leader")	Beneficial owner	1	100%

Note:

1. Mr. Yang beneficially owns the entire issued share capital of Spearhead Leader. Therefore, Mr. Yang is deemed, or taken to be, interested in 29,398,000 Shares held by Spearhead Leader for the purpose of the SFO. Mr. Yang is the sole director of Spearhead Leader.

2. Calculated on the basis of 300,000,000 Shares in issue as at 30 June 2017.

Other members of our Group

Name of subsidiary	Name of shareholder	Approximate percentage of shareholding
Hubei Golden Three Gorges Printing Industry Co., Ltd.	Hubei Three Gorges Tabacco Co., Ltd.	17.14%

CORPORATE GOVERNANCE AND OTHER INFORMATION

Save as disclosed herein, as at 30 June 2017, none of the Directors and chief executives of the Company, or their respective associates, had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV 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 notified to the Company and the Stock Exchange.

Interests of Substantial Shareholders in Shares and Underlying Shares of the Company

So far as is known to the Directors, as at 30 June 2017, 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	Approximate percentage of shareholding (Note 3)
Spearhead Leader	Beneficial owner	29,398,000	9.80%
Ms. Cai Yaohui ("Ms. Cai")	Interest of spouse (Note 1)	29,398,000	9.80%
China Civil Aviation (Cayman) Investment Group Limited ("CCA")	Beneficial owner (Note 2)	195,602,000	65.20%
Hainan Province Cihang Foundation (海南省慈航公益基金會) ("Cihang Foundation")	Interest of controlled corporations (Note 2)	195,602,000	65.20%
Hainan Traffic Administration Holding Co. Ltd. (海南交管控股有限公司) ("Hainan Traffic")	Interest of controlled corporations (Note 2)	195,602,000	65.20%
HNA Group Co., Ltd. (海航集團有限公司) ("HNA Group")	Interest of controlled corporations (Note 2)	195,602,000	65.20%
Tang Dynasty Development (Yangpu) Company Limited (盛唐發展（洋浦）有限公司) ("TD Development")	Interest of controlled corporations (Note 2)	195,602,000	65.20%
HNA Aviation Co., Ltd.* (海航航空集團有限公司) ("HNA Aviation")	Interest of controlled corporations (Note 2)	195,602,000	65.20%

* *For identification purpose only*

CORPORATE GOVERNANCE AND OTHER INFORMATION

Notes:

1. 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.

2. As at 30 June 2017, CCA beneficially holds 195,602,000 ordinary Shares. Each of Cihang Foundation, Hainan Traffic, HNA Group, TD Development and HNA Aviation is interested in the Shares of the Company held by CCA by reason of interests of controlled corporations within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of The laws of Hong Kong).

3. Calculated on the basis of 300,000,000 Shares in issue as at 30 June 2017.

Save as disclosed above, as at 30 June 2017, 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 and the Stock Exchange 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 Scheme

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 of the Company (ie. 27 June 2014), 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.

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 during the period under review and up to the date of this report.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 throughout the six months ended 30 June 2017.

Corporate Governance

The Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. The Company has adopted the Corporate Governance Code contained in Appendix 14 of the Listing Rules (the "Corporate Governance Code) as its own code on corporate governance and had complied with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2017.

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 enquiries 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 2017.

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 primary duties of reviewing and providing supervision on the financial reporting process, internal controls and risk management systems of the Company. The Audit Committee consists of three independent non-executive Directors, namely Mr. Wang Ping (as Chairman), Mr. Zeng Shiquan and Mr. Gong Jinjun.

The interim financial results of the Group for the six months ended 30 June 2017 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 the auditors of the Company, PricewaterhouseCoopers 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 INFORMATION

TO THE BOARD OF DIRECTORS OF JIA YAO HOLDINGS LIMITED
(Incorporated in Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated interim financial information set out on pages 16 to 32, which comprises the condensed consolidated balance sheet of Jia Yao Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2017 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other 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 HKICPA. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim financial reporting" ("HKAS 34"). Our responsibility is to express a conclusion on this interim financial information 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 interim financial information 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 interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim financial reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 August 2017

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Note	Six months ended 30 June 2017 Unaudited RMB'000	2016 Unaudited RMB'000
Revenue	6	235,230	214,920
Cost of sales		(180,329)	(166,027)
Gross profit		54,901	48,893
Distribution costs		(17,824)	(13,550)
Administrative expenses		(27,059)	(26,715)
Other income		337	192
Other losses (net)	7	(746)	(342)
Operating profit		9,609	8,478
Finance income		450	869
Finance costs		(3,834)	(6,028)
Finance costs (net)		(3,384)	(5,159)
Profit before income tax		6,225	3,319
Income tax expense	9	(3,337)	(2,808)
Profit for the period		2,888	511
Profit/(loss) attributable to:			
— Owners of the Company		952	(291)
— Non-controlling interests		1,936	802
Profit for the period		2,888	511
Items that may be reclassified to profit or loss			
Currency translation differences		(286)	976
Total comprehensive income for the period		2,602	1,487
Total comprehensive income for the period attributable to:			
— Owners of the Company		666	685
— Non-controlling interests		1,936	802
		2,602	1,487
Earnings/(loss) per share attributable to owners of the Company			
— Basic and diluted earnings/(loss) per share	10	0.003	(0.001)

The notes on pages 20 to 32 are an integral part of these condensed consolidated interim financial information.

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2017

	Note	As at 30 June 2017 Unaudited RMB'000	As at 31 December 2016 Audited RMB'000
ASSETS			
Non-current assets			
Land use rights	12	21,796	22,098
Property, plant and equipment	12	161,875	167,241
Deferred income tax assets		3,218	1,501
		186,889	190,840
Current assets			
Inventories	14	103,276	109,559
Trade and other receivables	13	256,444	276,313
Restricted cash	15	63,004	54,013
Cash and cash equivalents	15	63,714	58,199
		486,438	498,084
Total assets		673,327	688,924
EQUITY			
Equity attributable to the owners of the Company			
Share capital	16	2,382	2,382
Other reserves		160,186	160,472
Retained profits		29,924	28,972
		192,492	191,826
Non-controlling interests		38,416	38,764
Total equity		230,908	230,590
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		6,373	4,043
Current liabilities			
Trade and other payables	18	276,056	304,291
Borrowings	17	159,990	150,000
		436,046	454,291
Total liabilities		442,419	458,334
Total equity and liabilities		673,327	688,924

The notes on pages 20 to 32 are an integral part of these condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Unaudited					
	Attributable to the owners of the Company					
	Share capital RMB'000	Other reserves RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2017	**2,382**	**160,472**	**28,972**	**191,826**	**38,764**	**230,590**
Profit for the period	**–**	**–**	**952**	**952**	**1,936**	**2,888**
Other comprehensive loss	**–**	**(286)**	**–**	**(286)**	**–**	**(286)**
Dividend declared by a subsidiary	**–**	**–**	**–**	**–**	**(2,284)**	**(2,284)**
Balance at 30 June 2017	**2,382**	**160,186**	**29,924**	**192,492**	**38,416**	**230,908**
Balance at 1 January 2016	2,382	158,600	28,176	189,158	36,686	225,844
(Loss)/profit for the period	–	–	(291)	(291)	802	511
Other comprehensive income	–	976	–	976	–	976
Balance at 30 June 2016	2,382	159,576	27,885	189,843	37,488	227,331

The notes on pages 20 to 32 are an integral part of these condensed consolidated interim financial information.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2017

	Note	Six months ended 30 June 2017 Unaudited RMB'000	2016 Unaudited RMB'000
Cash flows from operating activities			
Cash generated from/(used in) operations		12,036	(49,427)
Interest paid		(3,327)	(5,872)
Income tax paid		(4,496)	(1,684)
Net cash generated from/(used in) operating activities		4,213	(56,983)
Cash flows from investing activities			
Purchase of property, plant and equipment		(778)	(6,177)
Proceeds from disposal of property, plant and equipment		343	55
Interest received		308	869
Net cash used in investing activities		(127)	(5,253)
Cash flows from financing activities			
Proceeds from borrowings		149,990	140,000
Repayments of borrowings		(140,000)	(123,500)
Changes in restricted cash pledged for borrowings		(8,991)	12,683
Other finance cash flows — net		–	(156)
Net cash generated from financing activities		999	29,027
Net increase/(decrease) in cash and cash equivalents		5,085	(33,209)
Effect of foreign exchange rate changes		430	974
Cash and cash equivalents at beginning of the period		58,199	55,194
Cash and cash equivalents at end of the period	15	63,714	22,959

The notes on pages 20 to 32 are an integral part of these condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

1 General information

Jia Yao Holdings Limited (the "Company") and its subsidiaries (together, the "Group") are engaged in the design, printing and sales of paper cigarette packages and social product paper packages in Hubei Province, the People's Republic of China (the "PRC" or "China").

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. The Company's controlling shareholder is China Civil Aviation (Cayman) Investment Group Limited, which acquired 65.20% shares of the Company in issue on 30 December 2016. The Company's ultimate holding company is HNA Group Co., Ltd. The Company's registered office 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 PRC.

The Company's ordinary shares was listed on the main board of The Stock Exchange of Hong Kong Limited on 27 June 2014.

This condensed consolidated interim financial information is presented in Renminbi ("RMB"), rounded to the nearest thousand, unless otherwise stated.

This condensed consolidated interim financial information has not been audited.

2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2017 has been prepared in accordance with HKAS 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial information for the year ended 31 December 2016, which have been prepared in accordance with HKFRSs.

The comparative condensed consolidated financial information as at 31 December 2016 has been audited by the predecessor auditor.

3 Accounting policies

The accounting policies applied are consistent with those of the annual consolidated financial information for the year ended 31 December 2016, as described in those annual consolidated financial information, Taxes on income in the six months ended 30 June 2017 and 2016 are accrued using the tax rate that would be applicable to expected total annual profit.

(a) Amendments to HKFRSs effective for the financial year ending 31 December 2017 do not have a material impact on the Group.

(b) Impact of standards issued but not yet applied by the Group.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

3 Accounting policies *(Continued)*

(i) HKFRS 9 Financial instruments

HKFRS 9 Financial Instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has decided not to adopt HKFRS 9 until it becomes mandatory on 1 January 2018.

The Group has not determined to what extent the new requirement will result in the recognition of financial instruments and how this will affect the Group's profit and classification of cash flows.

(ii) HKFRS 15 Revenue from contracts with customers

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers revenue arising from the sale of goods and the rendering of services and HKAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. The new standard is effective for first interim periods within annual reporting periods beginning on or after 1 January 2018. The Group will adopt the new standard from 1 January 2018.

The Group has not yet determined to what extent the new requirement will result in the recognition of revenue and how this will affect the Group's profit and classification of cash flows.

(iii) HKFRS 16 Leases

HKFRS 16 was issued in January 2016. It will results in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB 512,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

4 Estimates

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements for the year ended 31 December 2016.

5 Financial risk management and financial instruments

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

The condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2016.

There have been no changes in the risk management policies since year end.

5.2 Liquidity risk

Compared to 2016 year end, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

6 Revenue and segment information

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)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

6 Revenue and segment information *(Continued)*

Segment information *(Continued)*

Revenue

Revenue of the Group consists of the following revenues for the six months ended 30 June 2017 and 2016. All revenues are derived from external customers.

The segment results for the six months ended 30 June 2017:

	Six months ended 30 June 2017		
	Paper cigarette packages Unaudited RMB'000	Social product paper packages Unaudited RMB'000	Total Unaudited RMB'000
Segment revenue	**220,730**	**14,500**	**235,230**
Segment profit	**36,652**	**425**	**37,077**
Unallocated expenses			**(27,059)**
Other income			**337**
Other losses (net)			**(746)**
Finance costs (net)			**(3,384)**
Profit before income tax			**6,225**

The segment results for the six months ended 30 June 2016:

	Six months ended 30 June 2016		
	Paper cigarette packages Unaudited RMB'000	Social product paper packages Unaudited RMB'000	Total Unaudited RMB'000
Segment revenue	195,256	19,664	214,920
Segment profit	34,164	1,179	35,343
Unallocated expenses			(26,715)
Other income			192
Other losses (net)			(342)
Finance costs (net)			(5,159)
Profit before income tax			3,319

Segment assets and liabilities

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

6 Revenue and segment information *(Continued)*

Segment information *(Continued)*

Geographical information

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

7 Other losses (net)

	Six months ended 30 June	
	2017	2016
	Unaudited	Unaudited
	RMB'000	RMB'000
Losses on disposal of property, plant and equipment, net	**766**	346
Others	**(20)**	(4)
	746	342

8 Expense by nature

	Six months ended 30 June	
	2017	2016
	Unaudited	Unaudited
	RMB'000	RMB'000
Operating profit for the period has been arrived at after charging:		
Staff costs:		
Directors' emoluments	**580**	385
Salaries and other benefits	**43,162**	44,193
Contributions to retirement benefits scheme, excluding those of Directors	**5,812**	5,508
	49,554	50,086
Cost of inventories	**139,446**	123,870
Depreciation of property, plant and equipment	**9,937**	10,420
Transportation cost	**8,135**	9,414
Energy and water expense	**4,437**	4,023
Professional service expense	**1,649**	1,186
Maintenance expense	**1,459**	765
Operating lease rentals in respect of rented premises	**1,187**	961
Amortisation of land use rights	**302**	291
Other operating expenses	**9,106**	5,276
	175,658	156,206
Total expense and losses	**225,212**	206,292

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

9 Income tax expense

	Six months ended 30 June	
	2017	2016
	Unaudited	Unaudited
	RMB'000	RMB'000
Current income tax		
— PRC corporate income tax (note i)	1,207	1,468
Deferred income tax		
— Deferred tax assets	(1,717)	1,500
— Deferred tax liabilities	3,847	(160)
Income tax expense	3,337	2,808

(i) PRC corporate income tax ("CIT")

For the six months ended 30 June 2017 and 2016, CIT is provided at the rate of 15% and 25% on the assessable income of entities within the Group incorporated in mainland China.

(ii) PRC withholding income tax

According to the CIT Law, starting from 1 January 2008, a 10% withholding tax will be levied on the immediate holding companies established outside the PRC when their PRC subsidiaries declare dividends out of their profits earned after 1 January 2008.

10 Earnings/(loss) per share

(a) Basic

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2017	2016
	Unaudited	Unaudited
Profit/ (loss) attributable to the owners of the Company (RMB'000)	952	(291)
Weighted average number of ordinary shares in issue ('000)	300,000	300,000
Basic earnings/(loss) per share (RMB)	0.003	(0.001)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

10 Earnings/(loss) per share *(Continued)*

(b) Diluted

Diluted earnings/(loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

As at 30 June 2017 and 2016, no new shares issued during the period. As a result, diluted earnings/(loss) per share is the same as basic earnings/(loss) per share.

11 Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2017 (for the six months ended 30 June 2016: Nil).

12 Land use rights and property, plant and equipment

	Land use rights RMB'000	Property, plant and equipment RMB'000
Six months ended 30 June 2017 (unaudited)		
Net book value		
Opening net book amount as at 1 January 2017	22,098	167,241
Additions	–	5,678
Disposals	–	(1,107)
Depreciation and amortisation	(302)	(9,937)
Closing net book amount as at 30 June 2017	21,796	161,875
Six months ended 30 June 2016 (unaudited)		
Net book value		
Opening net book amount as at 1 January 2016	22,959	182,807
Additions	–	5,426
Disposals	(267)	(558)
Depreciation and amortisation	(291)	(10,420)
Closing net book amount as at 30 June 2016	22,401	177,255

As at 30 June 2017, land use rights and plant and equipment with net book value of RMB147,052,000 (as at 31 December 2016: RMB154,124,000)(Note 19) have been pledged as securities for bank borrowings of the Group amounting to RMB159,990,000 (as at 31 December 2016: RMB150,000,000)(Note 17).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

13 Trade and other receivables

	As at 30 June 2017 Unaudited RMB'000	As at 31 December 2016 Audited RMB'000
Trade receivables	177,846	206,356
Less: allowance for doubtful debts	(646)	(146)
	177,200	206,210
Note receivables	50,000	34,726
Advance to employees	15,248	9,789
Payments in advance	6,859	14,874
Deposits paid	7,063	9,856
Others	74	858
	79,244	70,103
Total of trade and other receivables	256,444	276,313

As at 30 June 2017, trade receivables with net book value of RMB137,695,000 (as at 31 December 2016: RMB139,795,000)(Note 19) have been pledged as securities for bank borrowings of the Group amounting to RMB159,990,000 (as at 31 December 2016: RMB150,000,000)(Note 17).

The ageing analysis of the trade receivables based on invoice date is as follows:

	As at 30 June 2017 Unaudited RMB'000	As at 31 December 2016 Audited RMB'000
0 to 90 days	138,572	142,243
91 to 180 days	35,041	56,294
181 to 360 days	2,553	4,089
Over 360 days	1,680	3,730
	177,846	206,356

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

14 Inventories

	As at 30 June 2017 Unaudited RMB'000	As at 31 December 2016 Audited RMB'000
Raw materials and packaging materials	51,802	53,912
Finished goods	43,918	40,531
Work in progress	7,858	15,418
Provision for Inventory	(302)	(302)
	103,276	109,559

15 Cash and cash equivalents and restricted cash

	As at 30 June 2017 Unaudited RMB'000	As at 31 December 2016 Audited RMB'000
Cash at bank and on hand	126,718	112,212
Less: Restricted cash	(63,004)	(54,013)
Cash and cash equivalents	63,714	58,199

As at 30 June 2017, Hubei Golden Three Gorges Printing Industry Co., Ltd, a subsidiary of the Group, pledged deposits of RMB63,004,000 (as at 31 December 2016: RMB54,013,000) as collateral for issuance of note payables amounting to RMB125,990,000 (as at 31 December 2016: RMB107,600,000)(Note 18).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

16 Share capital

Ordinary shares, issued and fully paid:

	Number of shares	Share capital HKD'000
Authorised:		
Ordinary shares of HK$0.01 each		
As at 31 December 2016 and 30 June 2017	2,000,000,000	20,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
As at 31 December 2016 and 30 June 2017	300,000,000	3,000

Issued and fully paid:

	As at 30 June 2017 Unaudited RMB'000	As at 31 December 2016 Audited RMB'000
Share capital	**2,382**	2,382

17 Borrowings

	As at 30 June 2017 Unaudited RMB'000	As at 31 December 2016 Audited RMB'000
Secured short-term bank borrowings	**159,990**	150,000

As at 30 June 2017, short-term bank borrowings of RMB159,990,000 (as at 31 December 2016: RMB150,000,000) of the Group are secured by the pledge of the trade receivables (Note 13), land use rights and property, plant and equipment (Note 12) of the Group.

	As at 30 June 2017 Unaudited	As at 31 December 2016 Audited
Fixed-rate borrowings	**4.758%-5.220%**	4.758%-5.220%

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

18 Trade and other payables

	As at 30 June 2017 Unaudited RMB'000	As at 31 December 2016 Audited RMB'000
Trade payables	128,265	177,968
Note payables (Note 15)	125,990	107,600
Salary payables	6,423	7,807
Tax payables	4,454	6,268
Dividend payables to non-controlling interests	2,284	–
Other payables-due to related party (Note21(b))	1,704	–
Others	6,936	4,648
	147,791	126,323
Total trade and other payables	276,056	304,291

The ageing analysis of trade payables based on invoice date is as follows:

	As at 30 June 2017 Unaudited RMB'000	As at 31 December 2016 Audited RMB'000
Up to 6 months	120,139	167,647
6 months to 1 year	5,806	6,644
1 year to 2 years	2,320	3,677
	128,265	177,968

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

19 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):

	Note	As at 30 June 2017 Unaudited RMB'000	As at 31 December 2016 Audited RMB'000
Land use rights	12	**21,796**	22,098
Property, plant and equipment	12	**125,256**	132,026
Trade receivables	13	**137,695**	139,795
Pledged bank deposits	15	**63,004**	54,013
		347,751	347,932

20 Commitment

(a) Operating lease commitments — the Group as lessee

	As at 30 June 2017 Unaudited RMB'000	As at 31 December 2016 Audited RMB'000
Within one year	**512**	740
Later than 1 year and no later than 5 years	**–**	365
Later than 5 years	**–**	38
	512	1,143

(b) Capital commitment

	As at 30 June 2017 Unaudited RMB'000	As at 31 December 2016 Audited RMB'000
Property, plant and equipment	**–**	2,900

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

21 Related–party transactions

The Company's immediately holding company is China Civil Aviation (Cayman) Investment Group Limited, which acquired 65.20% shares of the Company in issue on 30 December 2016 and its ultimate holding company is HNA Group Co., Ltd. The non-controlling interests is Hubei Three Gorges Tobacco Co., Ltd., which holds 17.14% shares of Hubei Golden Three Gorges Printing Industry Co., Ltd., a subsidiary of the Company.

In addition to the related party information and transactions disclosed elsewhere in the condensed consolidated interim financial information, the following is a summary of significant related party transactions entered into the ordinary course of business between the Group and its related parties.

Name of related party	Relation
China Civil Aviation (Cayman) Investment Group Limited	Immediately holding company
Hubei Three Gorges Tobacco Co., Ltd.	Non-controlling interests

(a) Transactions with related parties

The following transactions are carried out by the Group with related parties:

(i) Key management compensation

	Six months ended 30 June	
	2017	2016
	Unaudited	Unaudited
	RMB'000	RMB'000
Key management compensation	**580**	385

(b) Balances with related parties

The Group has the following balances with its related parties as at 30 June 2017 and 31 December 2016:

(i) Due to related parties (Note 18)

	As at 30 June 2017	As at 31 December 2016
	Unaudited	Audited
	RMB'000	RMB'000
China Civil Aviation (Cayman) Investment Group Limited	**1,704**	–

The payables bear no interest and are repayable on demand.