



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

2022



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## FINANCIAL HIGHLIGHTS

The board (the “Board”) of directors (the “Directors”) of Jia Yao Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2022 together with the comparative figures for the corresponding period in 2021.

- Revenue for the six months ended 30 June 2022 increased by approximately 27.5% or RMB88.1 million to approximately RMB409.1 million as compared with the corresponding period in 2021.
- Gross profit for the six months ended 30 June 2022 increased by approximately 25.1% or RMB8.5 million to approximately RMB42.2 million as compared with the corresponding period in 2021.
- Gross profit margin for the six months ended 30 June 2022 decreased by approximately 0.2% from approximately 10.5% to approximately 10.3% as compared with the corresponding period in 2021.
- Profit attributable to owners of the Company was approximately RMB0.5 million for the six months ended 30 June 2022 as compared to loss attributable to owners of the Company of approximately RMB6.5 million for the six months ended 30 June 2021.
- Average trade and note receivables turnover days decreased from approximately 52 days for the year ended 31 December 2021 to approximately 49 days for the six months ended 30 June 2022.
- Average trade and note payables turnover days increased from approximately 184 days for the year ended 31 December 2021 to approximately 240 days for the six months ended 30 June 2022.
- Average inventory turnover days increased from approximately 104 days for the year ended 31 December 2021 to approximately 110 days for the six months ended 30 June 2022.
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (for the six months ended 30 June 2021: nil).

*Notes:*

- (i) Gross profit margin was 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 (365 days for the year ended 31 December 2021 and 181 days for the six months ended 30 June 2022).
- (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 (365 days for the year ended 31 December 2021 and 181 days for the six months ended 30 June 2022).
- (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 (365 days for the year ended 31 December 2021 and 181 days for the six months ended 30 June 2022).

## Board of Directors

### Executive Director

Mr. Yang Yoong An (*Chairman*)

### Non-executive Directors

Mr. Feng Bin

Mr. Yang Fan

### Independent Non-executive Directors

Mr. Gong Jinjun

Mr. Zeng Shiquan

Mr. Wang Ping

## Company Secretary

Mr. Wu Hung Wai (*HKICPA*)

## Registered Office

Second Floor, Century Yard, Cricket Square,

P.O Box 902

Grand Cayman, KY1-1103

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. Yang Fan

Mr. Wang Ping

## Nomination Committee

Mr. Yang Yoong An (*Chairman*)

Mr. Zeng Shiquan

Mr. Gong Jinjun

## Corporate Website

[www.jiayaoholdings.com](http://www.jiayaoholdings.com)

## Authorised Representatives

Mr. Yang Fan

Mr. Wu Hung Wai

## Principal Bankers

China Merchants Bank Yichang Branch

Hubei Bank Corporation Yichang Branch

## Principal Share Registrar and Transfer Office

Tricor Services (Cayman Islands) Limited

Second Floor, Century Yard, Cricket Square,

P.O Box 902

Grand Cayman, KY1-1103

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

Loong & Yeung

Room 1603, 16th Floor, China Buildings

29 Queen's Road Central

Central, Hong Kong

## Auditor

PricewaterhouseCoopers

*Certified Public Accountants and Registered PIE Auditor*

22/F., Prince's Building

Central, Hong Kong



## CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I am pleased to present the interim report of the Company for the six months ended 30 June 2022.

During the first half of 2022, business conditions remained challenging due to the lingering impact of Coronavirus Disease 2019 ("COVID-19" or "the pandemic"), alongside the escalation of geopolitical risks, global supply chain disruptions and stagflation. Despite 4.8% growth in Chinese gross domestic product in the first quarter of 2022, new waves of COVID-19 and consequent widespread lockdowns in the country led to imbalances in its economic growth and increased downside risks. China's GDP growth in the second quarter was 0.4%, the slowest pace since the initial COVID-19 outbreak in 2020. The country's GDP expanded 2.5% year on year in the first half of 2022, according to the National Bureau of Statistics.

The operating environment was marked by challenges and adversity during the review period, yet the tobacco industry achieved sustainable growth, with total profits generated by tobacco enterprises increasing by 7.9% to RMB82.84 billion. Thanks to the Group's holistic strategies, which focus on advances across all facets of its operations, and on-schedule product deliveries despite the difficult circumstances, it recorded an improved performance, with revenue of approximately RMB409.1 million, an increase of 27.5% compared to the same period last year.

It is noteworthy that the Group began to record revenue from its e-cigarette business during the first half of the year following the investment in Shenzhen Haohan Yangtian Technology Co., Ltd. ("Shenzhen Haohan") in December 2021. As at 30 June 2022, the Group enjoyed a healthy financial position, with cash and cash equivalents amounting to approximately RMB79.9 million, compared with RMB65.8 million as at 31 December 2021.

During the period, the Group continued to maintain close, solid and stable business relationships with its customers, and it improved after-sales service to enhance customer satisfaction, achieving an increase in sales orders. In addition to expanding the range of products in its core cigarette packaging business, the Group also increased capital investment in the e-cigarette business during the review period, including investment in research and development of its own-brand products. At the same time, it explored the European market and gradually increased its share of foreign e-cigarette markets. To further expedite the development of the e-cigarette segment, the Group obtained the license for tobacco monopoly production enterprise in July 2022, enabling it to accelerate business development domestically to coincide with the expansion of the market in the segment.

In terms of management, the Group continued to employ lean production strategies during the first half of the year, by such means as adjusting production volumes incrementally and shortening production cycles, in order to achieve its ultimate goal of enhancing operational efficiency, reducing costs, and improving operational effectiveness.

In view of increasing demand for cigarette packaging products and the steady development of the e-cigarette market, the Group will continue investing in equipment and technological improvements, instrument acquisitions and software upgrades. It will devote every effort to product advances and innovation to strengthen its ability to offer one-stop services and to further cultivate its brand identity. It will continue to target the mid-range to high-end cigarette packaging market and focus also on developing upstream and downstream industrial chains. Looking ahead, with the aim of winning more orders, the Group will further enhance its production capacity and the cost competitiveness of its products, and cater for the specific requirements of its customers. The Group will continue to nurture both the cigarette packaging and e-cigarette businesses, with an increased focus on the e-cigarette business in the coming years, given the growth opportunities in the market. It is expected that this segment will expand the Group's income streams and eventually become the core business of the Group in the mid- to long- run. Thanks to the Group's solid foundations, extensive experience and highly developed sales network, we are confident it will maintain its leading position in the industry and ultimately lock in its long-term growth.

I would like to take this opportunity to express my most sincere gratitude for the unwavering support of all of the Group's shareholders, investors, business partners and customers. As always, our management team and all staff members remain committed to bolstering our business foundations, and to creating sustainable and substantial returns for all of our shareholders.

**Yang Yoong An**

*Chairman of the Board and Executive Director*

Hong Kong, 30 August 2022



# MANAGEMENT DISCUSSION AND ANALYSIS

## Market Review

In the first half of 2022, amid the ongoing battle against Coronavirus Disease 2019 (“COVID-19” or “pandemic”), a major escalation of the Russo-Ukrainian war added to the headwinds facing the global economic recovery, pushing up food and commodity prices and exacerbating inflationary pressures worldwide. Coupled with factors such as monetary policy tightening by major central banks, new waves of COVID-19 and lockdowns imposed in response, alongside logistics bottlenecks, the world economy was exposed to significant downside risks. Provisional estimates from the Organisation for Economic Co-operation and Development (OECD) showed that gross domestic product (GDP) in the G20 nations rose by 0.7% quarter on quarter during the first quarter of 2022, down from the 1.3% increase recorded in the fourth quarter of 2021.

In China, although GDP grew 4.8% year on year in the first quarter of 2022, the economy began to slow in March as consumption, real estate and exports were hit hard, increasing the risk of a recession. In the second quarter of 2022, the country faced its worst COVID-19 outbreak following the height of the pandemic domestically in early 2020. Widespread lockdowns across major cities in China and prolonged disruptions of business activities hampered national economic growth, leading to GDP growth of just 0.4% in the second quarter, the slowest pace since the initial outbreak in 2020. According to data released by the National Bureau of Statistics (NBS), China’s GDP expanded 2.5% year on year during the first half of 2022.

In China’s tobacco industry, industrial enterprises’ combined operating income continued to grow from January to April 2022, with a 9% year-on-year increase propelling it to RMB565.11 billion, according to Qianzhan Intelligence. Total profits generated by industrial tobacco enterprises amounted to RMB82.84 billion, a year-on-year increase of 7.9% reflecting sustained growth momentum. Meanwhile, the Blue Book of Electronic Cigarette Exports released by the China Electronics Chamber of Commerce predicted that the value of China’s e-cigarette exports would reach approximately US\$27.82 billion in 2022, with the penetration rate of e-cigarettes approaching 30% of the addressable market.

However, with growing ranks of smokers reaching 26.6% of all individuals aged 15 or over in China, Chinese authorities have tightened regulations, stepping up efforts to manage the explosive growth in the e-cigarettes market by drafting a regulatory framework that places e-cigarettes under the jurisdiction of the State Tobacco Monopoly Administration (STMA). The STMA issued a regulation in March 2022 indicating that China would implement a licencing system for e-cigarette production, alongside entities engaged in wholesaling and retailing e-cigarettes from 1 May 2022. The STMA also unveiled new guidelines relating to the sale, distribution and composition of e-cigarettes in April. Nevertheless, the e-cigarette industry is expected to secure a solid foothold in China, even though new regulations may be imposed from time to time. Although the industry is far from a match for its conventional tobacco counterpart, its strong growth momentum indicates enormous future potential. Despite the fact that numerous countries have started to regulate sales of e-cigarettes, the tobacco industry has in recent years emphasised high-quality sustainable development and continuous structural optimisation.

Leveraging its formidable reputation and expertise in the industry, Jia Yao continued to adopt a prudent and pragmatic approach to operating and developing its paper cigarette package and e-cigarette businesses during the period under review. At the same time, the Group also implemented lean production strategies and stringent cost control measures to further improve operational efficiency, and maintained close ties with its existing clients to allow it to seize business opportunities.

## Business Review

The Group's main business involves designing, printing and distributing paper cigarette packages, and it offers paper cigarette packaging services for leading cigarette brands overseen by the STMA. The Group has also diversified into paper packaging for other products, including medicine, wine, food and consumer goods, leveraging its extensive experience and know-how in the cigarette packaging industry. 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 operating in China for more than two decades.

## Sales and Distribution

The Group has always held firm to the belief that maintaining solid, stable business relationships with its customers is the key to excelling in the cigarette packaging industry. It strives to provide customers with high value-added, distinct and differentiated products that make use of advanced technologies, with the aim of becoming a steadfast, long-term partner for its key clients.

In the paper cigarette packaging sector, the Group's clients include major provincial tobacco companies and non-provincial tobacco companies operating under the China Tobacco Industry Development Center\* (中國煙草實業發展中心), with operations spanning China and production centres in Hubei, Sichuan, Yunnan and other provinces. During the period under review, the Group managed to secure orders in highly competitive tendering processes. The Group will continue to maintain close relationships with its customers and improve its after-sales service to enhance customer satisfaction.

In the e-cigarette business, Shenzhen Haohan, which the Group acquired in December 2021, began to contribute revenue to the Group during the review period. The revenue generated from this market segment was derived mainly from overseas sales.

## 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.

## 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.

\* For identification purpose only

# MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

## Cost Control

Due to the impact of the current rising prices of raw materials for paper packaging in the industry, 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, performs evaluation with reference to budget targets, determines standard costs of products based on the actual costs, and formulates applicable procedures and workflows for regulation purposes in order to implement cost control.

## Financial Review

### Turnover

For the six months ended 30 June 2022, the turnover of the Group was approximately RMB409.1 million, representing an increase of approximately 27.5% over the corresponding period in 2021. Revenue from paper cigarette packages segment, social product paper packages segment and electronic cigarettes segment accounted for approximately 85.0%, 0.9% and 14.1%, respectively. The increase in sales was primarily attributable to steady increase in sales order of paper cigarette packages segment and the sales contribution from the new electronic cigarettes segment during the six months ended 30 June 2022.

The following table sets forth the breakdown of the Group's sales for the six months ended 30 June 2022:

	For the six months ended 30 June		Change (%) (approximate)
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	
Paper cigarette packages segment	347,549	318,144	+9.2%
Social product paper packages segment	3,927	2,815	+39.5%
Electronic cigarettes segment	57,608	-	N/A

### Gross Profit

The Group's gross profit increased by approximately 25.1% from approximately RMB33.7 million for the six months ended 30 June 2021 to approximately RMB42.2 million for the six months ended 30 June 2022. The Group's gross profit margin decreased by approximately 0.2% from approximately 10.5% to approximately 10.3% as compared with the corresponding period in 2021. The increase in gross profit was mainly attributed from the new electronic cigarettes segment during the six months ended 30 June 2022.

### Distribution Costs

For the six months ended 30 June 2022, 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 12.5% from approximately RMB12.2 million for the six months ended 30 June 2021 to approximately RMB13.8 million for the six months ended 30 June 2022. The increase was mainly due to the increase in staff costs during the six months ended 30 June 2022.

## Administrative Expenses

For the six months ended 30 June 2022, 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 15.1% from approximately RMB24.4 million for the six months ended 30 June 2021 to approximately RMB28.1 million for the six months ended 30 June 2022. The increase was mainly due to the increase in staff costs and research and development costs during the six months ended 30 June 2022.

## Other Income

For the six months ended 30 June 2022, other income consists of government grants and gain on disposal of raw materials. The Group's other income increased by approximately RMB1.2 million to approximately RMB1.8 million for the six months ended 30 June 2022 mainly due to the increase of government grants and gain on disposal of raw materials during the six months ended 30 June 2022.

## Other Losses

For the six months ended 30 June 2022, other losses consists of losses on disposal of property, plant and equipment. The Group's other losses decreased by approximately RMB2.7 million to approximately RMB0.5 million during the six months ended 30 June 2022 mainly due to no loss on disposal of raw materials during the six months ended 30 June 2022 (loss on disposal of raw materials during the six months ended 30 June 2021: RMB2.6 million).

## Finance Costs, net

For the six months ended 30 June 2022, net finance costs primarily consist of interest income on bank deposits, interest payments on interest-bearing obligations and bank charges. The net finance costs decreased by approximately RMB2.2 million from approximately RMB3.2 million for the six months ended 30 June 2021 to approximately RMB1.0 million for the six months ended 30 June 2022. Decrease of the net finance costs was mainly due to decrease of interest on bank borrowings because of the decrease of bank borrowings during the six months ended 30 June 2022.

## Income Tax Credit

The income tax credit was approximately RMB0.1 million for the six months ended 30 June 2022 as compared to the income tax credit of approximately RMB1.6 million for the six months ended 30 June 2021. Decrease of income tax credits was mainly due to the decrease of net loss incurred by a subsidiary in China.

## Profit Attributable to Owners of the Company

As a result of the foregoing, the Group's profit attributable to owners of the Company was approximately RMB0.5 million for the six months ended 30 June 2022 as compared to the Group's loss attributable to owners of the Company of approximately RMB6.5 million for the six months ended 30 June 2021.

## Trade and Other Receivables

Trade and other receivables increased by approximately 19.3% from approximately RMB122.3 million as at 31 December 2021 to approximately RMB145.9 million as at 30 June 2022. The increase was mainly due to the net effect of: (i) increase of trade receivables from approximately RMB92.1 million as at 31 December 2021 to approximately RMB112.4 million as at 30 June 2022; (ii) decrease of notes receivables from approximately RMB12.3 million as at 31 December 2021 to approximately RMB4.0 million as at 30 June 2022; and (iii) increase of payments in advance from approximately RMB2.4 million as at 31 December 2021 to approximately RMB13.4 million as at 30 June 2022.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Trade and Other Payables

Trade and other payables increased by approximately 33.6% from approximately RMB434.5 million as at 31 December 2021 to approximately RMB580.6 million as at 30 June 2022. The increase was mainly due to (i) the increase of trade payables from approximately RMB238.9 million as at 31 December 2021 to approximately RMB264.2 million as at 30 June 2022; and (ii) the increase of notes payables from approximately RMB173.6 million as at 31 December 2021 to approximately RMB294.9 million as at 30 June 2022.

### Liquidity And Financial Resources

The Group recorded net current assets of approximately RMB16.6 million as at 30 June 2022, compared with net current assets of approximately RMB12.7 million as at 31 December 2021. The Group maintained a healthy liquidity position during the six months ended 30 June 2022. The Group's operations were principally financed by internal resources and interest-bearing borrowings during the period under review.

As at 30 June 2022, the Group's cash and cash equivalents, which were held mainly in Renminbi and Hong Kong dollars, were approximately RMB79.9 million, compared with approximately RMB65.8 million as at 31 December 2021.

### Borrowings and Gearing Ratio

The Group's interest-bearing borrowings were RMB50.0 million as at 30 June 2022 (as at 31 December 2021: approximately RMB101.1 million). The Group's interest-bearing borrowings were mainly denominated in Renminbi as at 30 June 2022 and 31 December 2021. The Group's interest-bearing borrowings was repayable within one year. This ratio is calculated as net debt divided by total capital. The gearing ratios are as follows:

	<b>As at 30 June 2022 RMB'000 (Unaudited)</b>	As at 31 December 2021 RMB'000 (Audited)
Total borrowings	<b>50,000</b>	101,080
Less: cash and cash equivalents	<b>(79,946)</b>	(65,844)
Net debt	<b>(29,946)</b>	35,236
Total equity	<b>207,685</b>	206,340
Total capital	<b>177,739</b>	241,576
Gearing ratio (%)	<b>N/A</b>	15%

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.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Capital Expenditure

During the six months ended 30 June 2022, the Group's total capital expenditure amounted to approximately RMB4.8 million (for the six months ended 30 June 2021: RMB13.8 million), which was mainly used in purchase of plant and machineries.

### Treasury Policies

The Group adopted a prudent strategy towards the treasury and funding policies, and attached high importance to the risk control and transactions directly related to the Group's principal business. Funds, primarily denominated in Renminbi and Hong Kong dollars, are normally placed with banks in short or medium term deposits for working capital of the Group.

### 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):

	<b>As at 30 June 2022 RMB'000 (Unaudited)</b>	As at 31 December 2021 RMB'000 (Audited)
Land use rights	11,185	12,131
Investment properties	6,800	6,933
Property, plant and equipment	41,215	22,599
Trade receivables	72,799	39,905
Restricted cash	210,389	148,717
	<b>342,388</b>	230,285

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

There are no significant investments, material acquisition and disposal of subsidiaries and associated companies by the Group for the six months ended 30 June 2022.

### Contingent Liabilities

As at 30 June 2022, the Group did not have any significant contingent liabilities (as at 31 December 2021: nil).



## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Foreign Exchange Risks

The Group's transactions were mainly conducted in Renminbi, and the major receivables and payables are denominated in Renminbi. Following the launch of international trading operation in 2019, the Group has a relatively small exposure in US dollar.

The Group's exposure to foreign currency risk related primarily to certain bank balances and cash, trade and other receivables and trade and other payables maintained in Hong Kong Dollars and US 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 2022. However, the Directors will continue to monitor foreign exchange risks and will take prudent measure to minimise the same. The Group will consider hedging significant foreign currency exposure when the need arises.

### Human Resources And Remuneration

As at 30 June 2022, the Group employed 1,158 employees (as compared with 750 employees as at 31 December 2021) with total staff cost of approximately RMB40.8 million incurred for the six months ended 30 June 2022 (as compared with approximately RMB28.3 million for the same period of 2021). 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. 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 2022 (for the six months ended 30 June 2021: nil).

### Future Outlook

The COVID-19 resurgence across the globe, alongside the downside risks posed by accelerating inflation and the Russo-Ukrainian War have pushed the global economy towards recession. The World Bank forecasts that global growth will slump from 5.7% in 2021 to 2.9% in 2022, significantly lower than the 4.1% that was anticipated in January.

In China, despite a strong start in early 2022, the largest COVID-19 outbreak in the country to date, and prolonged lockdowns in some major cities, may disrupt growth momentum, and the country's economy is projected to slow over the full-year period. Nevertheless, as the Chinese government rolls out aggressive policy stimulus to mitigate effects of the economic downturn, growth momentum in China is expected to rebound starting in the second half of the year.

As for the tobacco industry, earlier figures have projected that total profits in the Chinese tobacco market will reach RMB117 billion and that the cigarette label printing market will be worth approximately RMB50 billion in 2023, indicating tremendous potential in the industry. The Group remains cautiously optimistic about both China's economy and the tobacco industry. To strengthen its foothold in the paper cigarette packaging market, the Group will continue to step up its product development efforts and demonstrate its capability to offer one-stop services to meet the specific requirements of its customers. An intensified focus will be brought to acquiring new equipment in order to upgrade its technologies, and additional resources allocated to, expanding its sales and marketing capabilities, primarily to strengthen ties and collaboration with existing customers and developing business relationships with new potential clients. The Group will also adjust its tendering approach strategically to focus on mid-range to high-end cigarette packaging in order to win projects with higher margins to protect its profitability.

From its position of strength in the tobacco packaging industry, the Group remains committed to expanding its footprint to new markets in other Chinese cities and capturing forthcoming opportunities.

According to Statista, the Chinese e-cigarette market grew to RMB116 billion in 2021, and it is expected to double in size before the end of 2023. The Group believes that the official release of national standards for e-cigarettes by the Chinese government marks an important milestone for the e-cigarette industry's development in the country, ushering in market access thresholds and national mandatory standards for quality. In addition, since the implementation of China's E-cigarette Management Measures in May 2022, the State Council's administrative department for tobacco monopoly has established a unified national e-cigarette trading management platform, meaning that e-cigarette products that have not passed technical reviews will not be listed for sale in a move that will help the industry develop in an orderly manner. The Group will continue to devote resources to product upgrades and innovation, with the aim of strengthening its unique brand identity, while at the same time adhering strictly to national regulations for the manufacture of e-cigarette products as it seeks sustainable, long-term development.

In view of the growing market potential of the e-cigarette industry, the Group will continue to seize suitable opportunities and accelerate the expansion of this business segment in order to enhance its market penetration. Following its acquisition of a licence to operate as a tobacco monopoly enterprise, the Group will redouble its efforts to develop its e-cigarette business and strive to enhance productivity and overseas sales. The Group will also seek to further explore the Chinese e-cigarettes market and develop e-cigarette peripheral products.

With its proven track record, years of experience in the cigarette packaging industry and market reputation, the Group is confident of maintaining its market leadership and of achieving sustainable, long-term value for 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 2022, 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 of Hong Kong Limited (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 (the "Model Code") 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 (the "Shares")

Name	Capacity/Nature of interest	No. of ordinary shares held	Approximate percentage of shareholding (Note 3)
Mr. Yang Yoong An ("Mr. Yang")	Interest of a controlled corporation (Note 1)	209,362,000	69.79%
Mr. Feng Bin ("Mr. Feng")	Interest of a controlled corporation (Note 2)	15,638,000	5.21%

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

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

#### Notes:

1. Mr. Yang beneficially owns the entire issued share capital of Spearhead Leader. Therefore, Mr. Yang is deemed, or taken to be, interested in 209,362,000 shares of the Company held by Spearhead Leader for the purpose of the SFO. Mr. Yang is the sole director of Spearhead Leader.
2. Mr. Feng beneficially owns the entire issued share capital of Star Glide Limited. Therefore, Mr. Feng is deemed, or taken to be, interested in 15,638,000 Shares held by Star Glide Limited for the purpose of the SFO. Mr. Feng is the sole director of Star Glide Limited.
3. Calculated on the basis of 300,000,000 Shares in issue as at 30 June 2022.

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

So far as is known to the Directors, as at 30 June 2022, 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 <i>(Note 3)</i>
Spearhead Leader	Beneficial owner	209,362,000	69.79%
Star Glide Limited	Beneficial owner	15,638,000	5.21%
Ms. Cai Yaohui ("Ms. Cai")	Interest of spouse <i>(Note 1)</i>	209,362,000	69.79%
Ms. Zhao Yi ("Ms. Zhao")	Interest of spouse <i>(Note 2)</i>	15,638,000	5.21%

*Notes:*

- Ms. Cai is the spouse of Mr. Yang. Accordingly, Ms. Cai is deemed, or taken to be, interested in all Shares and underlying Shares in which Mr. Yang is interested in for the purpose of the SFO.
- Ms. Zhao is the spouse of Mr. Feng. Accordingly Ms. Zhao is deemed, or taken to be, interested in all shares of the Company in which Mr. Feng is interested in for the purpose of the SFO.
- Calculated on the basis of 300,000,000 Shares in issue as at 30 June 2022.

Save as disclosed above, as at 30 June 2022, 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 purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or services providers of the Group and to promote the success of the business of the Group. 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 as at the date of this interim report, 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. An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HKD1. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

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 is engaged in any business which competes or is likely to compete with the business of the Group, and none of them has any other conflicts of interests with the Group.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company throughout the six months ended 30 June 2022.

## **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 the Listing Rules (the "Corporate Governance Code") as its own code on corporate governance and had complied with the Corporate Governance Code for the six months ended 30 June 2022.

## **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 2022.

## **Audit Committee and Review of Interim Results**

The Company has established 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 2022 have not been reviewed by the Company's auditor, but have been reviewed by the Company's 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.

## **Changes of Information of Directors**

There is no change in Directors' information that is required to be disclosed in accordance with Rule 13.51B(1) of the Listing Rules since the publication of the annual report for the year ended 31 December 2021 of the Company and up to the date of this report.

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Note	Six Months ended 30 June	
		2022 Unaudited RMB'000	2021 Unaudited RMB'000
Revenue	5	409,084	320,959
Cost of sales	9	(366,897)	(287,234)
<b>Gross profit</b>		<b>42,187</b>	33,725
Distribution costs	9	(13,756)	(12,226)
Administrative expenses	9	(28,065)	(24,388)
Other income	6	1,755	508
Other losses	7	(539)	(3,245)
<b>Operating profit/(loss)</b>		<b>1,582</b>	(5,626)
Finance income	8	576	1,011
Finance costs	8	(1,570)	(4,220)
Finance costs, net	8	(994)	(3,209)
<b>Profit/(loss) before income tax</b>		<b>588</b>	(8,835)
Income tax credit	10	114	1,632
<b>Profit/(loss) for the period</b>		<b>702</b>	(7,203)
<b>Profit/(loss) attributable to:</b>			
— Owners of the Company		512	(6,499)
— Non-controlling interests		190	(704)
<b>Profit/(loss) for the period</b>		<b>702</b>	(7,203)
<b>Other comprehensive income</b>			
Currency translation differences		643	1,031
<b>Other comprehensive income, net of tax</b>		<b>643</b>	1,031
<b>Total comprehensive profit/(loss) for the period</b>		<b>1,345</b>	(6,172)
<b>Total comprehensive profit/(loss) for the period attributable to:</b>			
— Owners of the Company		1,155	(5,468)
— Non-controlling interests		190	(704)
<b>Total comprehensive profit/(loss) for the period</b>		<b>1,345</b>	(6,172)
<b>Profit/(loss) per share from operations attributable to owners of the Company</b>			
— Profit/(loss) per share	11	0.002	(0.022)
— Diluted profit/(loss) per share	11	0.002	(0.022)

The notes on pages 23 to 38 are an integral part of these condensed consolidated interim financial information.

# CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2022

	Note	As at 30 June 2022 Unaudited RMB'000	As at 31 December 2021 Audited RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	117,328	117,194
Intangible assets		4,610	4,852
Right-of-use assets	13	49,375	48,778
Investment properties	13	8,175	8,421
Deferred income tax assets		4,148	4,148
Prepayment for property, plant and equipment	14	10,913	12,535
		<b>194,549</b>	195,928
<b>Current assets</b>			
Inventories	16	222,766	222,985
Trade and other receivables	15	145,935	122,342
Restricted cash	17	210,389	148,884
Cash and cash equivalents	17	79,946	65,844
		<b>659,036</b>	560,055
<b>Total assets</b>		<b>853,585</b>	755,983
<b>EQUITY</b>			
<b>Equity attributable to the owners of the Company</b>			
Share capital	18	2,382	2,382
Other reserves		170,554	169,911
Accumulated losses		(11,370)	(11,882)
		<b>161,566</b>	160,411
Non-controlling interests		46,119	45,929
<b>Total equity</b>		<b>207,685</b>	206,340

# CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

As at 30 June 2022

	<i>Note</i>	<b>As at 30 June 2022 Unaudited RMB'000</b>	As at 31 December 2021 Audited RMB'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities, non-current		2,277	1,114
Deferred income tax liabilities		1,152	1,213
		<b>3,429</b>	2,327
<b>Current liabilities</b>			
Trade and other payables	20	580,597	434,486
Contract liabilities		8,179	8,530
Income tax payable		1,895	1,895
Borrowings	19	50,000	101,080
Lease liabilities, current		1,800	1,325
		<b>642,471</b>	547,316
<b>Total liabilities</b>		<b>645,900</b>	549,643
<b>Total equity and liabilities</b>		<b>853,585</b>	755,983

The notes on pages 23 to 38 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 2022

	Unaudited					
	Attributable to the owners of the Company					
	Share capital	Other reserves	(Accumulated loss)/ retained profits	Total	Non-controlling interests	Total equity
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<b>Six months ended 30 June 2022</b>						
Balance at 1 January 2022	2,382	169,911	(11,882)	160,411	45,929	206,340
Profit for the period	-	-	512	512	190	702
Other comprehensive gain	-	643	-	643	-	643
<b>Balance at 30 June 2022</b>	<b>2,382</b>	<b>170,554</b>	<b>(11,370)</b>	<b>161,566</b>	<b>46,119</b>	<b>207,685</b>
<b>Six months ended 30 June 2021</b>						
Balance at 1 January 2021	2,382	169,422	14,341	186,145	43,275	229,420
Loss for the period	-	-	(6,499)	(6,499)	(704)	(7,203)
Other comprehensive gain	-	1,031	-	1,031	-	1,031
<b>Balance at 30 June 2021</b>	<b>2,382</b>	<b>170,453</b>	<b>7,842</b>	<b>180,677</b>	<b>42,571</b>	<b>223,248</b>

The notes on pages 23 to 38 are an integral part of these condensed consolidated interim financial information.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Note	Six Months ended 30 June	
		2022 Unaudited RMB'000	2021 Unaudited RMB'000
<b>Cash flows from operating activities</b>			
Cash generated from operations		70,376	24,033
Interest received		576	1,011
Interest paid		(1,353)	(2,979)
Income tax paid		-	(40)
Net cash generated from operating activities		69,599	22,025
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(4,837)	(13,823)
Proceeds from disposal of property, plant and equipment		243	286
Net cash used in investing activities		(4,594)	(13,537)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		-	89,000
Repayments of borrowings		(51,080)	(110,000)
Repayments of lease liabilities		(403)	(337)
Dividends paid to non-controlling interests in subsidiaries		(21)	-
Changes in restricted cash pledged for notes payable		-	(440)
Net cash used in financing activities		(51,504)	(21,777)
<b>Net increase/(decrease) in cash and cash equivalents</b>			
Effect of foreign exchange rate changes		601	889
Cash and cash equivalents at beginning of the period		65,844	70,182
<b>Cash and cash equivalents at end of the period</b>	17	<b>79,946</b>	57,782

The notes on pages 23 to 38 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 2022

## 1 General information

Jia Yao Holdings Limited (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 and its subsidiaries (together, the “Group”) are engaged in the design, production and sales of paper cigarette packages, social product paper packages, electronic cigarettes, and other electronic products in Hubei and Guangdong Province, the People’s Republic of China (the “PRC”).

The Company’s registered office is located at Second Floor, Century Yard, Cricket Square, P.O Box 902, Grand Cayman, KY1-1103, 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 were 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 set out on pages 18 to 38 has been approved for issue by the Company’s board of directors (the “Board”) on 30 August 2022.

This condensed consolidated interim financial information has not been audited.

## 2 Basis of preparation and accounting policies

This interim financial information for the six months ended 30 June 2022 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”. The interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The accounting policies applied are consistent with those in the preparation of the Group’s financial statements for the year ended 31 December 2021, except for adoption of new and amended standards as set out below:

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2022

## 2 Basis of preparation and accounting policies (Continued)

### (a) The following amendments to existing standards and interpretation are mandatory for adoption for the financial year beginning 1 January 2022 for the Group:

HKFRS 3 (Amendments)	Reference to the Conceptual Framework
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before Intended Use
HKAS 37 (Amendments)	Onerous Contracts — Cost of Fulfilling a Contract
Annual improvements to HKFRS standards 2018-2020	Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41
Revised Accounting Guideline 5	Merger Accounting for Common Control Combination

The standards, amendments and interpretation did not have a material impact or are not relevant to the Group.

### (b) New and amended standards and interpretation not yet adopted by the Group

Certain new and amended standards have been issued and are not effective for financial year beginning 1 January 2022 and have not been early adopted by the Group. None of these is expected to have a significant effect on the Group.

		<b>Effective for accounting periods beginning on or after</b>
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendments)	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2022

## 3 Critical accounting estimates and judgements

The preparation of 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 expense. Actual results may differ from these estimates.

In preparing this 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 consolidated financial statements for the year ended 31 December 2021.

## 4 Financial risk management and financial instruments

### 4.1 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 does 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 2021.

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

### 4.2 Liquidity risk

Compared to 2021 year end, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

## 5 Segment information

### (a) Description of segments and principal activities

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 (including packages for alcohol, medicines and food)
Electronic cigarettes	—	technology research and development, production and sales of e-cigarettes, e-cigarettes vaping devices and other electronic products

### (b) Segment revenue

Sales between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties is measured in the same way as in the condensed consolidated statement of comprehensive income.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2022

## 5 Segment information (Continued)

### (b) Segment revenue (Continued)

The segment results for the six months ended 30 June 2022:

	Six Months ended 30 June 2022			
	Paper cigarette packages Unaudited RMB'000	Social product paper packages Unaudited RMB'000	Electronic cigarettes Unaudited RMB'000	Total Unaudited RMB'000
Revenue	347,549	3,927	57,608	409,084
Gross profit	33,651	314	8,222	42,187
Distribution costs	(12,235)	(89)	(1,432)	(13,756)
Segment results	21,416	225	6,790	28,431
Administrative expenses				(28,065)
Other income				1,755
Other losses				(539)
Finance costs, net				(994)
Profit before income tax				588

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 June 2022

## 5 Segment information *(Continued)*

### (b) Segment revenue *(Continued)*

The segment results for the six months ended 30 June 2021:

	Six Months ended 30 June 2021			Total Unaudited RMB'000
	Paper cigarette packages Unaudited RMB'000	Social product paper packages Unaudited RMB'000	Electronic cigarettes Unaudited RMB'000	
Revenue	318,144	2,815	–	320,959
Gross profit	33,529	196	–	33,725
Distribution costs	(11,977)	(249)	–	(12,226)
Segment results	21,552	(53)	–	21,499
Administrative expenses				(24,388)
Other income				508
Other losses				(3,245)
Finance costs, net				(3,209)
Loss before income tax				(8,835)

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2022

## 5 Segment information (Continued)

### (c) Segment assets by location

The total of non-current assets other than financial instruments and deferred tax assets, broken down by location of the assets, is shown as follows:

	<b>As at 30 June 2022 Unaudited RMB'000</b>	As at 31 December 2021 Audited RMB'000
Mainland China	190,401	191,780
Hong Kong	-	-
	<b>190,401</b>	191,780

## 6 Other income

	<b>Six Months ended 30 June 2022 Unaudited RMB'000</b>	2021 Unaudited RMB'000
Government grants	1,202	508
Gain on disposal of raw materials	553	-
	<b>1,755</b>	508

## 7 Other losses

	<b>Six Months ended 30 June 2022 Unaudited RMB'000</b>	2021 Unaudited RMB'000
Loss on disposal of property, plant and equipment	539	670
Loss on disposal of raw materials	-	2,571
Others	-	4
	<b>539</b>	3,245

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2022

## 8 Finance costs (net)

	Six Months ended 30 June	
	2022	2021
	Unaudited	Unaudited
	RMB'000	RMB'000
Interest income on bank deposits	(576)	(1,011)
Interest on bank borrowings	1,426	2,979
Other bank charges	144	1,241
	994	3,209

## 9 Expenses by nature

	Six Months ended 30 June	
	2022	2021
	Unaudited	Unaudited
	RMB'000	RMB'000
Operating loss for the period has been arrived at after charging:		
Staff costs:		
Wages and salaries (excluding directors' emoluments)	36,045	24,199
Directors' emoluments	720	725
Welfare, medical and other expenses	4,034	3,395
	40,799	28,319
Cost of inventories	337,199	265,172
Depreciation	6,456	5,899
Transportation cost	5,765	7,381
Energy and water expense	6,358	6,795
Social entertainment expense	4,200	4,965
Real estate tax, stamp duties and other taxes	1,523	994
Professional service expense	358	289
Office expense	728	466
Operating lease rentals in respect of rented premises	1,468	1,203
Auditor's remuneration	500	500
Amortisation	597	778
Other operating expenses	2,767	1,087
	367,919	295,529
Total expense and losses	408,718	323,848

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2022

## 10 Income tax credit

	Six Months ended 30 June	
	2022	2021
	Unaudited	Unaudited
	RMB'000	RMB'000
Current income tax		
— PRC corporate income tax <i>(i)</i>	(6)	–
Deferred income tax		
— Deferred tax assets	120	1,632
Income tax credit	114	1,632

### (i) PRC corporate income tax (“CIT”)

The Company is not subject to any taxation in the Cayman Islands.

The subsidiaries incorporated in Hong Kong are subject to Hong Kong profits tax at the rate of 16.5% (2021: 16.5%). Hong Kong profits tax has not been provided as these subsidiaries did not have estimated assessable profit for the period (2021: none).

Hubei Golden Three Gorges Printing Industry Co., Ltd.\* (湖北金三峡印務有限公司) (“Hubei Golden Three Gorges”) has been qualified as a High New Tech Enterprises according to the Corporate Income Tax Law of the PRC and subject to a reduced corporate income tax (“CIT”) rate of 15% in 2022 (2021: 15%).

The remaining subsidiaries established in the PRC are subject to the PRC CIT rate of 25% (2021: 25%).

### (ii) PRC withholding income tax

Under relevant tax laws and regulations, dividends distributed from the Company’s subsidiaries established in the PRC (the “PRC subsidiaries”) to non-PRC tax resident Group entities shall be subject to the withholding income tax at 10%. The Group plans to use the unremitted earnings of the PRC subsidiaries up to 30 June 2022 and 2021 for reinvestment. No PRC withholding income tax was provided for unremitted earnings of the PRC subsidiaries as at 30 June 2022 and 2021.

\* for identification purpose only

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2022

## 11 Profit/(loss) per share

### (a) Basic profit/(loss) per share

Basic profit/(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	
	2022	2021
	Unaudited	Unaudited
Profit/(loss) attributable to the owners of the Company (RMB'000)	512	(6,499)
Weighted average number of ordinary shares in issue ('000)	300,000	300,000
Basic profit/(loss) per share (RMB)	0.002	(0.022)

### (b) Diluted profit/(loss) per share

Diluted profit/(loss) per share for the six months ended 30 June 2022 is the same as the basic profit/(loss) per share.

## 12 Dividend

The Board of the Company did not recommend the payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: none).

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2022

## 13 Property, plant and equipment, right-of-use assets and investment properties

	Property, plant and equipment RMB'000	Right-of-use assets RMB'000	Investment properties RMB'000
<b>Six months ended 30 June 2022 (unaudited)</b>			
<b>Net book value</b>	<b>117,194</b>	<b>48,778</b>	<b>8,421</b>
<b>Opening net book amount as at 1 January 2022</b>			
Additions	7,735	1,194	-
Disposals	(1,145)	-	-
Depreciation and amortisation	(6,456)	(597)	(246)
<b>Closing net book amount as at 30 June 2022</b>	<b>117,328</b>	<b>49,375</b>	<b>8,175</b>
<b>Six months ended 30 June 2021 (unaudited)</b>			
<b>Net book value</b>	110,384	48,126	9,097
<b>Opening net book amount as at 1 January 2021</b>			
Additions	6,982	-	-
Disposals	(2,175)	-	-
Depreciation and amortisation	(5,899)	(778)	(430)
<b>Closing net book amount as at 30 June 2021</b>	<b>109,292</b>	<b>47,348</b>	<b>8,667</b>

As at 30 June 2022, plant and equipment, right-of-use assets and investment properties with net book value of RMB59,200,000 (31 December 2021: RMB41,663,000) (Note 21) have been pledged as securities for the bank borrowings of the Group.

## 14 Prepayment for property, plant and equipment

Prepayment for property, plant and equipment represents the prepayments for production equipment.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2022

## 15 Trade and other receivables

### (a) Trade and other receivables

	<b>As at 30 June 2022 Unaudited RMB'000</b>	As at 31 December 2021 Audited RMB'000
Trade receivables	113,571	93,253
Less: allowance for doubtful debts	(1,153)	(1,153)
	<b>112,418</b>	92,100
Notes receivables	4,027	12,251
Deposits paid	9,880	9,756
Advance to employees	4,935	1,747
Payments in advance	13,362	2,401
Others	1,313	4,087
	<b>33,517</b>	30,242
Total of trade and other receivables	<b>145,935</b>	122,342

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

	<b>As at 30 June 2022 Unaudited RMB'000</b>	As at 31 December 2021 Audited RMB'000
0 to 90 days	112,078	90,389
91 to 180 days	1,159	2,340
181 to 360 days	-	1
Over 360 days	334	523
	<b>113,571</b>	93,253

### (b) Trade receivables pledged

As at 30 June 2022, the trade receivables amounting to RMB72,799,000 (31 December 2021: RMB39,905,000) (Note 21) have been pledged as securities for the bank borrowings of the Group.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2022

## 16 Inventories

	<b>As at 30 June 2022 Unaudited RMB'000</b>	As at 31 December 2021 Audited RMB'000
Raw materials and packaging materials	72,074	62,976
Finished goods	132,860	136,616
Work in progress	17,832	23,393
	<b>222,766</b>	222,985

## 17 Cash and cash equivalents and restricted cash

	<b>As at 30 June 2022 Unaudited RMB'000</b>	As at 31 December 2021 Audited RMB'000
Cash at bank and on hand	290,335	214,728
Less: restricted cash	<b>(210,389)</b>	(148,884)
Cash and cash equivalents	<b>79,946</b>	65,844

As at 30 June 2022, Hubei Golden Three Gorges, a subsidiary of the Group, pledged deposits of RMB210,389,000 (31 December 2021: RMB148,717,000) at bank as collateral for issuance of notes payables (Note 21).

## 18 Share capital

Ordinary shares, issued and fully paid:

	<b>Number of shares</b>	<b>Share capital</b>	
		<b>HKD'000</b>	<b>RMB'000</b>
<b>Authorised:</b>			
Ordinary shares of HK\$0.01 each			
As at 30 June 2022 and 31 December 2021	2,000,000,000	20,000	15,880
<b>Issued and fully paid:</b>			
Ordinary shares of HK\$0.01 each			
As at 30 June 2022 and 31 December 2021	300,000,000	3,000	2,382

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2022

## 19 Borrowings

	<b>As at 30 June 2022 Unaudited RMB'000</b>	As at 31 December 2021 Audited RMB'000
Short-term bank borrowings secured	<b>50,000</b>	101,080

As at 30 June 2022, short-term bank borrowings of RMB50,000,000 (as at 31 December 2021: RMB99,000,000) of the Group were secured by pledging trade receivables (Note 15), right-of-use assets and property, plant and equipment (Note 13) of the Group.

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

	<b>As at 30 June 2022 Unaudited</b>	As at 31 December 2021 Audited
Fixed-rate borrowings	<b>4.85%</b>	5.01%

## 20 Trade and other payables

	<b>As at 30 June 2022 Unaudited RMB'000</b>	As at 31 December 2021 Audited RMB'000
Trade payables – due to third parties	<b>264,239</b>	238,875
Notes payables	<b>294,920</b>	173,590
Salary payables	<b>9,058</b>	10,950
Tax payables	<b>1,839</b>	192
Others	<b>10,541</b>	10,879
Total trade and other payables	<b>580,597</b>	434,486

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2022

## 20 Trade and other payables (Continued)

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

	<b>As at 30 June 2022 Unaudited RMB'000</b>	As at 31 December 2021 Audited RMB'000
Up to 6 months	178,147	236,630
6 months to 1 year	85,127	1,107
1 year to 2 years	965	1,138
	<b>264,239</b>	238,875

## 21 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):

	<i>Note</i>	<b>As at 30 June 2022 Unaudited RMB'000</b>	As at 31 December 2021 Audited RMB'000
Property, plant and equipment	13	41,215	22,599
Restricted cash	17	210,389	148,717
Trade receivables	15	72,799	39,905
Land use rights	13	11,185	12,131
Investment properties	13	6,800	6,933
		<b>342,388</b>	230,285

## 22 Capital Commitment

	<b>As at 30 June 2022 Unaudited RMB'000</b>	As at 31 December 2021 Audited RMB'000
Property, plant and equipment	-	3,562

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2022

## 23 Related-party transactions

As at 30 June 2022, the Company's immediate holding company is Spearhead Leader Limited, which held 69.79% shares of the Company in issue and is wholly owned by Mr. Yang Yoong An.

The non-controlling interests of the Group are as below:

Yichang High-tech Urban and Rural Development Investment Co., Ltd., which holds 17.14% share of Hubei Golden Three Gorges, a subsidiary of the Company.

Mr. Zhan Xingyu and Mr. Kong Lei, who hold 20% and 10% of the equity interests in the Shenzhen Haohan Yangtian Technology Co., Ltd. respectively, a subsidiary of the Company.

In addition to the related party information and transactions disclosed elsewhere in the consolidated financial statements, 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	Relationship
Spearhead Leader Limited	The Company's immediate holding company
Hubei China Tobacco Industry Co., Ltd.	The former non-controlling interests of Hubei Golden Three Gorges
Mr. Zhan Xingyu	The non-controlling interests of Shenzhen Haohan Yangtian Technology Co., Ltd.
Mr. Kong Lei	The non-controlling interests of Shenzhen Haohan Yangtian Technology Co., Ltd.

### (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	
	2022 Unaudited RMB'000	2021 Unaudited RMB'000
Key management compensation	720	725

#### (ii) Balance due to the immediate holding company

	As at 30 June 2022 Unaudited RMB'000	As at 31 December 2021 Audited RMB'000
	Spearhead Leader Limited	4,779

Balance with related parties was unsecured, interest free and repayable in accordance with agreed terms with related parties.



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2022

## 24 Retirement Benefits Schemes

The Group operates a MPF Scheme under rules and regulations of Mandatory Provident Fund Schemes Ordinance for all its employees in Hong Kong. All the employees of the Group in Hong Kong are required to join the MPF Scheme. Contributions are made based on a percentage of the Employees' salaries and are charged to consolidated statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the Employees when contributed into the MPF Scheme. No forfeited contribution is available to reduce the contribution payable in the future years as at 30 June 2022 and 2021.

The Group's subsidiaries in the PRC, in compliance with the applicable regulations of the PRC, participate in a state-managed retirement benefits scheme operated by the local government. The subsidiaries are required to contribute a specific percentage of their payroll costs to the retirement benefits scheme. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

During the six months ended 30 June 2022, the total amounts of RMB3,288,000 (for the six months ended 30 June 2021: RMB2,690,000; for the year ended 31 December 2021: RMB5,452,000) contributed by the Group to the schemes and cost charged to the condensed consolidated statement of comprehensive income represents contribution payable to the schemes by the Group at rates specified in the rules of the schemes.

For the six months ended 30 June 2022 and 30 June 2021 and for the year ended 31 December 2021, no COVID-19 related government grants/assistance have been offset against retirement benefits scheme contribution.

## 25 Subsequent events

As from 30 June 2022 to the date of this report, save as disclosed in this report, the Board is not aware of any significant events requiring disclosure that have occurred.