

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



Jia Yao Holdings Limited

嘉耀控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01626)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024

FINANCIAL HIGHLIGHTS

- Revenue for the six months ended 30 June 2024 increased by approximately 41.1% or RMB216.2 million to approximately RMB742.8 million as compared with the corresponding period in 2023.
- Gross profit for the six months ended 30 June 2024 increased by approximately 28.9% or RMB34.5 million to approximately RMB153.6 million as compared with the corresponding period in 2023.
- Gross profit margin for the six months ended 30 June 2024 decreased by approximately 1.9% from approximately 22.6% to approximately 20.7% as compared with the corresponding period in 2023.
- Profit attributable to owners of the Company decreased by approximately 29.8% or RMB6.3 million to approximately RMB14.8 million as compared with the corresponding period in 2023.
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2024 (for the six months ended 30 June 2023: nil).

The board (the “**Board**”) of directors (the “**Directors**”) of Jia Yao Holdings Limited (the “**Company**” or “**Jia Yao**”) 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 2024 together with the comparative figures for the corresponding period in 2023.

Unless otherwise stated, the financial information of the Company in this announcement was stated in Renminbi (“**RMB**”).

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	<i>Note</i>	Six Months ended 30 June	
		2024	2023
		Unaudited	Unaudited
		RMB’000	RMB’000
Revenue	3	742,765	526,571
Cost of sales	4	(589,157)	(407,434)
Gross profit		153,608	119,137
Distribution costs		(48,008)	(24,862)
Administrative expenses	4	(76,337)	(59,293)
Net impairment losses on financial assets	4	(1,880)	(3,509)
Other income		6,703	3,595
Other gains — net		3,349	213
Operating profit		37,435	35,281
Finance income		2,293	3,722
Finance costs		(2,615)	(1,338)
Finance (costs)/income — net		(322)	2,384
Profit before income tax		37,113	37,665
Income tax expenses	5	(9,866)	(6,166)
Profit for the period		27,247	31,499

		Six Months ended 30 June	
		2024	2023
		Unaudited	Unaudited
<i>Note</i>		RMB'000	RMB'000
Profit attributable to:			
	— Owners of the Company	14,808	21,094
	— Non-controlling interests	12,439	10,405
		<u><u>14,808</u></u>	<u><u>21,094</u></u>
Other comprehensive income			
	Currency translation differences	<u>11</u>	<u>122</u>
		<u><u>11</u></u>	<u><u>122</u></u>
	Total comprehensive income for the period	<u><u>27,258</u></u>	<u><u>31,621</u></u>
Total comprehensive income for the period attributable to:			
	— Owners of the Company	14,819	21,216
	— Non-controlling interests	12,439	10,405
		<u>14,819</u>	<u>21,216</u>
		<u>12,439</u>	<u>10,405</u>
		<u><u>27,258</u></u>	<u><u>31,621</u></u>
Earnings per share attributable to owners of the Company			
	— Earnings per share	0.025	0.035
	— Diluted earnings per share	0.024	0.034
		<u>0.025</u>	<u>0.035</u>
		<u>0.024</u>	<u>0.034</u>

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2024

	<i>Note</i>	As at 30 June 2024 Unaudited RMB'000	As at 31 December 2023 Audited RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		193,200	156,960
Right-of-use assets		111,003	78,269
Intangible assets		3,736	3,939
Deferred income tax assets		2,328	2,483
Other receivables		6,407	3,045
Prepayment for property, plant and equipment		2,400	2,817
		<u>319,074</u>	<u>247,513</u>
Current assets			
Inventories		184,829	239,040
Trade and other receivables	8	486,363	524,463
Prepaid taxes		4,332	–
Financial assets at fair value through profit or loss		11,000	–
Restricted cash		168,259	143,068
Cash and cash equivalents		254,927	311,156
		<u>1,109,710</u>	<u>1,217,727</u>
Total assets		<u><u>1,428,784</u></u>	<u><u>1,465,240</u></u>
EQUITY			
Equity attributable to the owners of the Company			
Share capital		5,120	5,120
Share premium		152,684	152,684
Other reserves		164,164	162,549
Retained earnings		97,412	82,604
		<u>419,380</u>	<u>402,957</u>
Non-controlling interests		109,131	137,066
Total equity		<u><u>528,511</u></u>	<u><u>540,023</u></u>

		As at 30 June 2024 Unaudited <i>RMB'000</i>	As at 31 December 2023 Audited <i>RMB'000</i>
	<i>Note</i>		
LIABILITIES			
Non-current liabilities			
Lease liabilities		45,365	20,178
Deferred income tax liabilities		1,044	1,684
		<u>46,409</u>	<u>21,862</u>
Current liabilities			
Trade and other payables	9	675,538	785,014
Contract liabilities		22,229	22,676
Income tax payable		21,720	23,066
Borrowings		114,800	61,500
Lease liabilities		19,577	11,099
		<u>853,864</u>	<u>903,355</u>
Total liabilities		<u>900,273</u>	<u>925,217</u>
Total equity and liabilities		<u><u>1,428,784</u></u>	<u><u>1,465,240</u></u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2024

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 the People’s Republic of China (the “**PRC**”).

The Company’s registered office is located at Third Floor, Century Yard, Cricket Square, P.O Box 902, Grand Cayman, KY1-1103, Cayman Islands.

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 has been approved for issue by the Company’s board of directors (the “**Board**”) on 16 August 2024.

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 2024 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 2023, 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 2023, except for adoption of new and amended standards as set out below:

(a) The following new and amended standards are mandatory for adoption for the financial year beginning 1 January 2024 for the Group:

HKAS 1	Classification of Liabilities as Current or Non-current
HKAS 1 (Amendments)	Non-current liabilities with covenants
HKFRS 16 (Amendments)	Lease liability in a Sale and Leaseback
HKAS 7 (Amendments) and HKFRS 7	Supplier finance arrangements
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The standards and amendments 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 amendments to existing standards and interpretation have been issued and are not effective for financial year beginning 1 January 2024 and have not been early adopted by the Group. None of these is expected to have a significant effect on the Group.

**Effective for
accounting periods
beginning on or after**

HKAS 21 (Amendments) Lack of Exchangeability 1 January 2025

3 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:

Electronic cigarettes	—	technology research and development, production and sales of e-cigarettes, e-cigarettes vaping devices and other electronic products
Paper cigarette packages and other paper packages	—	paper cigarette packages: design, printing and sales of paper cigarette packages; other paper packages: design, printing and sales of social product paper packages (e.g. packages for alcohol, medicines and food)

(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.

The segment results for the six months ended 30 June 2024:

	Six Months ended 30 June 2024		
	Electronic	Paper cigarette	
	cigarettes	packages and	
	Unaudited	other paper	Total
	Unaudited	packages	Unaudited
	RMB'000	Unaudited	Unaudited
	RMB'000	RMB'000	RMB'000
Revenue	412,623	330,142	742,765
Gross profit	118,679	34,929	153,608
Distribution costs	<u>(31,668)</u>	<u>(16,340)</u>	<u>(48,008)</u>
Segment results	87,011	18,589	105,600
Administrative expenses			(76,337)
Net impairment losses on financial assets			(1,880)
Other income			6,703
Other gains			3,349
Finance costs — net			<u>(322)</u>
Profit before income tax			<u><u>37,113</u></u>

The segment results for the six months ended 30 June 2023:

	Six Months ended 30 June 2023		
	Electronic cigarettes Unaudited <i>RMB'000</i>	Paper cigarette packages and other paper packages Unaudited <i>RMB'000</i>	Total Unaudited <i>RMB'000</i>
Revenue	275,054	251,517	526,571
Gross profit	76,722	42,415	119,137
Distribution costs	<u>(12,536)</u>	<u>(12,326)</u>	<u>(24,862)</u>
Segment results	64,186	30,089	94,275
Administrative expenses			(59,293)
Net impairment losses on financial assets			(3,509)
Other income			3,595
Other gains			213
Finance income — net			<u>2,384</u>
Profit before income tax			<u><u>37,665</u></u>

(c) **Segment assets by location**

The total of non-current assets other than deferred income tax assets, a breakdown by location of the assets, is shown as follows:

	As at 30 June 2024 Unaudited <i>RMB'000</i>	As at 31 December 2023 Audited <i>RMB'000</i>
Mainland China	316,701	243,907
Hong Kong	<u>45</u>	<u>1,123</u>
	<u>316,746</u>	<u>245,030</u>

4 EXPENSES BY NATURE

	Six Months ended 30 June	
	2024	2023
	Unaudited RMB'000	Unaudited RMB'000
Operating profit for the period has been arrived at after charging:		
Raw materials and consumables used	517,290	332,734
Changes in inventories of finished goods and work in progress	(27)	(1,069)
Employee benefits expenses	116,560	103,833
Transportation cost	17,432	12,494
Social promotion expense	16,539	9,584
Energy and water expense	10,300	8,484
Depreciation	12,416	8,367
Amortisation	9,894	2,819
Real estate tax, stamp duties and other taxes	4,264	3,327
Professional service expense	3,336	1,257
Office expense	2,794	1,890
Operating lease rentals in respect of rented premises	1,845	1,040
Provision of inventories	(55)	2,392
Other operating expenses	914	4,437
	<u>713,502</u>	<u>491,589</u>
Total cost of sales, distribution costs and administrative expenses	<u>713,502</u>	<u>491,589</u>

5 INCOME TAX EXPENSES

	Six Months ended 30 June	
	2024	2023
	Unaudited RMB'000	Unaudited RMB'000
Current income tax		
— PRC corporate income tax (i)	(6,717)	(6,636)
— Withholding income tax (ii)	(6,629)	—
— Hong Kong profits tax	—	—
	<u>—</u>	<u>—</u>
Deferred income tax		
— Deferred tax assets	3,479	470
	<u>3,479</u>	<u>470</u>
Income tax expenses	<u>(9,866)</u>	<u>(6,166)</u>

(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% (2023: 16.5%). Hong Kong profits tax has not been provided as these subsidiaries did not have estimated assessable profit for the period (2023: none).

Hubei Golden Three Gorges Printing Industry Co., Ltd.* (“**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 2024 (2023: 15%).

Shenzhen Haohan Yangtian Technology Co., Ltd. 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 2024 (2023: 25%).

The remaining subsidiaries established in the PRC are subject to the PRC CIT rate of 25% (2023: 25%).

(ii) **PRC withholding income tax**

PRC withholding income tax of 10% shall be levied on the dividends declared by companies established in the PRC to their foreign investors out of their profits earned after 1 January 2008. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%. The Group used 5% as its withholding tax rate for certain Hong Kong intermediate holding companies since they had fulfilled the aforesaid conditions.

6 EARNINGS PER SHARE

(a) **Basic earnings per share**

Basic earnings per share is calculated by dividing the profit 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	
	2024	2023
	Unaudited	Unaudited
	RMB'000	RMB'000
Profit attributable to the owners of the Company (RMB'000)	14,808	21,094
Number of ordinary shares as at 1 January ('000)	600,000	600,000
Effect of the rights issue	–	–
Weighted average number of ordinary shares in issue ('000)	600,000	600,000
Basic earnings per share (RMB)	0.025	0.035

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares consist of share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Six Months ended 30 June	
	2024	2023
	Unaudited	Unaudited
	RMB'000	RMB'000
Profit attributable to the owners of the Company (RMB'000)	<u>14,808</u>	<u>21,094</u>
Weighted average number of ordinary shares ('000)	600,000	600,000
Adjustment for share options (i)	<u>21,558</u>	<u>19,429</u>
Weighted average number of ordinary shares for diluted earnings per share ('000)	<u>621,558</u>	<u>619,429</u>
Diluted earnings per share (RMB)	<u>0.024</u>	<u>0.034</u>

- (i) The share options granted and remained unexercised are included in the calculation of diluted earnings per share because they are antidilutive for the six months ended 30 June 2024.

7 DIVIDEND

	Six Months ended 30 June	
	2024	2023
	Unaudited	Unaudited
	RMB'000	RMB'000
Dividends provided for or paid	<u>-</u>	<u>30,634</u>

8 TRADE AND OTHER RECEIVABLES

	As at 30 June 2024 Unaudited RMB'000	As at 31 December 2023 Audited RMB'000
Trade receivables	268,646	351,617
Less: loss allowance for trade receivables	<u>(10,884)</u>	<u>(10,000)</u>
	<u>257,762</u>	<u>341,617</u>
Note receivable	46,520	21,988
Deposits	94,839	73,379
Advance to employees	8,741	3,342
Other receivables due from non-controlling interests	24,273	26,127
Other receivables due from disposal of subsidiaries	9,599	17,599
Other receivables related to Value-Added Tax	4,357	13,563
Interests receivable	5,105	6,286
Others	759	1,787
Less: loss allowance for other receivables	<u>(4,596)</u>	<u>(3,629)</u>
	143,076	138,454
Prepayments	39,005	22,404
Total current portion	486,363	524,463
Add: non-current portion of other receivables	<u>6,407</u>	<u>3,045</u>
Total	<u>492,770</u>	<u>527,508</u>

The Group's credit sales to customers are mainly entered into on credit terms of not more than 90 days.

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

	As at 30 June 2024 Unaudited RMB'000	As at 31 December 2023 Audited RMB'000
0 to 90 days	192,729	336,377
91 to 180 days	52,368	10,157
181 to 360 days	16,908	4,679
Over 360 days	6,641	404
	<u>268,646</u>	<u>351,617</u>

9 TRADE AND OTHER PAYABLES

	As at 30 June 2024 Unaudited RMB'000	As at 31 December 2023 Audited RMB'000
Trade payables — due to third parties	320,001	425,748
Notes payables	203,154	216,344
Dividends payables	27,424	3,000
Salary payables	19,743	26,439
Other tax payables	2,521	16,244
Other payables relating to government grants	79,580	74,580
Others	23,115	22,659
	<u>675,538</u>	<u>785,014</u>
Total trade and other payables	<u>675,538</u>	<u>785,014</u>

As at 30 June 2024, the carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

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

	As at 30 June 2024 Unaudited RMB'000	As at 31 December 2023 Audited RMB'000
Up to 6 months	314,643	424,445
6 months to 1 year	4,247	927
1 year to 2 years	1,111	376
	<u>320,001</u>	<u>425,748</u>

10 SUBSEQUENT EVENTS

As from 30 June 2024 to the date of this announcement, save as disclosed in this announcement, the Board is not aware of any significant events requiring disclosure that have occurred.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

China's gross domestic product (GDP) grew at a stable pace of 5% year on year during the period, marked by steady performance in investment and exports, and accelerated industrial production.

The electronic cigarette sector has witnessed significant expansion on a global scale over the past decade, with a rapid annual growth rate, led by Americas and Europe as primary consumer markets. Chinese manufacturers strive to develop more affordable and better-designed electronic cigarette products.

Global conventional tobacco enterprises lack the technological capabilities for of electronic devices production, thereby manufacturing predominantly occurs in China, where infrastructure is well-developed. Currently, China is recognised as the world's largest manufacturer and exporter of electronic cigarettes. The intensifying competition within the Chinese market, coupled with more rigorous regulatory frameworks, have driven many electronic cigarette enterprises to target overseas markets, which present substantial opportunities. Consequently, China's electronic cigarette exports are poised for rapid growth.

During the period under review, Jia Yao is committed to actively pursuing the operation and advancement of its core businesses, with a particular focus on the electronic cigarette industry. The Group aims to enhance efficiency, implement lean production strategies, and adopt prudent cost-reduction measures while nurturing strong, collaborative relationships with its current clients. These collective endeavours are set to empower the Group to seize favourable business opportunities and maximise its growth potential.

BUSINESS REVIEW

Jia Yao is primarily engaged in the design, production and sales of electronic cigarettes and paper cigarette packages. For the electronic cigarettes segment, the Group increased its investment in production and the development of own branded product in order to grasp the opportunity of rapid growth of electronic cigarette market in recent years. In additions to the production and development of own branded product, the Group also focused to develop the business to the OEM and ODM production of e-cigarette related products with comprehensive e-cigarette supply chain for several international e-cigarette brands. It is foreseeable that the electronic cigarettes segment will become the major revenue and profit growth drivers of the Group in the future. For the paper cigarette packages segment, the Group is providing paper cigarette packaging services for key cigarette brands designated by the STMA.

Sales and Distribution

Jia Yao's core success over the years has relied on its commitment to technological advances, superb product quality and strong business ties with its customers. Seeking to surpass its competitors in the cigarette industry, the Group offers its customers value-added, distinctive products by deploying cutting-edge technologies to foster dedicated and enduring business partnerships with customers.

The Group's key focus in the electronic cigarette segment is the manufacturing of electronic cigarettes and tobacco related products for export. Its clientele in the segment has comprised customers from markets including major countries in Europe, Americas and Southeast Asia. The Group's international customer base also expanded to countries in Middle East during the reporting period.

During the reporting period, the Group implemented a strategic approach to enhance its own branded products presence in the electronic cigarette market by further increasing its market share globally but also honing its research and development capabilities. This focused effort has yielded positive results, with the segment generating revenue of RMB412.6 million during the reporting period. This achievement demonstrates the Group's commitment to pursuing growth opportunities and maximising its performance in the industry.

Product Development and Design

The Group had invested approximately RMB50.1 million (six months ended 30 June 2023: approximately RMB9.6 million) on improvement and development of production facilities and product design in order to consistently driven itself to innovate. Capitalising on its technological expertise and development, including its advanced production lines and state-of-the-art production facilities, the Group has aimed to fully utilise its capacity to manufacture mid-range and high-end products, enabling it to maintain its status as a market leader.

In order to further improve the efficiency of the production lines of electronic cigarette, it is necessary to consider the needs of automated production prior to the product design stage. During the reporting period, the Group reviewed the product development technology, which fully considers the requirements of product manufacturing and importing automation equipment at the stage of product design and improves the manufacturability and automation feasibility of products.

Technology Development and Quality Control

Advocating the concept of “management innovation, system leadership”, the Group has always adhered to a policy of pursuing refinement, specialisation and standardisation to bolster its solid reputation for quality products. During the reporting period, the Group continued to step up efforts in the research and development of core technologies and the improvement of management capability. The Group launched its own branded electronic cigarette to the markets with high safety performance and better user experience, which has been recognized by numerous clients in a fast manner and achieved outstanding sales growth during the reporting period. The Group has also taken a proactive approach to environmental protection. It implements strict environmental protection metrics, controlling inputs of all raw and auxiliary materials, and manufacturing processes to provide customers with high-quality, safe, environment-friendly products.

Cost Control

The Group has always sought to consolidate its core business and maximise efforts to control costs. In order to improve the cost management of raw materials which have been a major factor affecting manufacturing industries, the Group adopted a series of measures during the reporting year to reduce those costs.

It introduced strategies including process and materials optimisation, productivity enhancement, and the introduction of new suppliers and competitive negotiations. The Group also strengthened its control of production processes through measures such as rolling stock preparation, consolidating production orders to increase lot sizes, reducing manufacturing costs and preventing inefficiencies brought about by secondary loading due to insufficient deliveries. These strategies achieved remarkable results, yielding an improvement in gross profit margin on the previous year.

FINANCIAL REVIEW

Turnover

For the six months ended 30 June 2024, the turnover of the Group was approximately RMB742.8 million, representing an increase of approximately 41.1% over the corresponding period in 2023. Revenue from electronic cigarettes segment and paper cigarette packages and social product paper packages segment accounted for approximately 55.6% and 44.4%, respectively. The increase in sales was primarily attributable to the outstanding contribution to the Group's revenue from the electronic cigarettes segment with rapid growth rate of approximately 50.0% to approximately RMB412.6 million during the six months ended 30 June 2024.

The following table sets forth the breakdown of the Group's sales for the six months ended 30 June 2024:

	For the six months ended 30 June		
	2024 <i>RMB'000</i> (Unaudited)	2023 <i>RMB'000</i> (Unaudited)	Change (%) (approximate)
Electronic cigarettes segment	412,623	275,054	+50.0%
Paper cigarette packages and social product paper packages segment	330,142	251,517	+31.3%

Gross Profit

The Group's gross profit increased by approximately 28.9% from approximately RMB119.1 million for the six months ended 30 June 2023 to approximately RMB153.6 million for the six months ended 30 June 2024. The Group's gross profit margin decreased by approximately 1.9% from approximately 22.6% to approximately 20.7% as compared with the corresponding period in 2023. Although the gross profit margin of the electronic cigarettes segment continued to grow, the paper cigarettes packaging segment recorded a significant decrease of gross profit margin due to drop on unit selling price of sales order, which negatively impacted the group's overall profitability during the six months ended 30 June 2024.

Distribution Costs

For the six months ended 30 June 2024, 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 93.1% from approximately RMB24.9 million for the six months ended 30 June 2023 to approximately RMB48.0 million for the six months ended 30 June 2024. The increase was mainly due to the increase in staff costs and promotion expense on the own developed product of electronic cigarettes during the six months ended 30 June 2024.

Administrative Expenses

For the six months ended 30 June 2024, 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 28.7% from approximately RMB59.3 million for the six months ended 30 June 2023 to approximately RMB76.3 million for the six months ended 30 June 2024. The increase was mainly due to the increase in staff costs and costs on innovation and development of the own branded product of electronic cigarettes during the six months ended 30 June 2024.

Other Income

For the six months ended 30 June 2024, other income mainly consists of non-recurring government grant and tax incentives from government and it increased by approximately RMB3.1 million to approximately RMB6.7 million for the six months ended 30 June 2024. Increase of other income was mainly due to the tax incentives received by PRC subsidiaries during the six months ended 30 June 2024.

Other Gains, net

For the six months ended 30 June 2024, net other gains consists of gains on disposal of subsidiaries and raw materials. The Group recorded net other gains of approximately RMB3.3 million for the six months ended 30 June 2024.

Finance (Costs)/Income, net

For the six months ended 30 June 2024, net finance income was primarily consist of interest income on bank deposits and interest payment on bank and other borrowings. The Group recorded net finance costs of approximately RMB0.3 million for the six months ended 30 June 2024 as compared with the net finance income of approximately RMB2.4 million for the six months ended 30 June 2023.

Income Tax Expenses

The income tax expenses increased by approximately RMB3.7 million to approximately RMB9.9 million as compared with the corresponding period in 2023. Increase of income tax expenses was mainly due to the withholding income tax incurred during the six months ended 30 June 2024.

Profit Attributable to Owners of the Company

As a result of the foregoing, the Group's profit attributable to owners of the Company decreased by approximately 29.8% or RMB6.3 million to approximately RMB14.8 million as compared with the corresponding period in 2023.

Trade and Other Receivables

Trade and other receivables decreased by approximately 6.6% from approximately RMB527.5 million as at 31 December 2023 to approximately RMB492.8 million as at 30 June 2024. The decrease was mainly due to the decrease of trade receivables from approximately RMB341.6 million as at 31 December 2023 to approximately RMB257.8 million as at 30 June 2024.

Trade and Other Payables

Trade and other payables decreased by approximately 13.9% from approximately RMB785.0 million as at 31 December 2023 to approximately RMB675.5 million as at 30 June 2024. The decrease was mainly due to the decrease of trade payables from approximately RMB425.7 million as at 31 December 2023 to approximately RMB320.0 million as at 30 June 2024.

LIQUIDITY AND FINANCIAL RESOURCES

The Group recorded net current assets of approximately RMB255.8 million as at 30 June 2024, compared with net current assets of approximately RMB314.4 million as at 31 December 2023. The Group maintained a healthy liquidity position during the six months ended 30 June 2024. The Group's operations were principally financed by internal resources and interest-bearing borrowings during the period under review.

As at 30 June 2024, the Group's cash and cash equivalents, which were held mainly in Renminbi and Hong Kong dollars, were approximately RMB254.9 million, compared with approximately RMB311.2 million as at 31 December 2023.

Borrowings and Gearing Ratio

The Group's interest-bearing borrowings were RMB114.8 million as at 30 June 2024 (as at 31 December 2023: approximately RMB61.5 million). The Group's interest-bearing borrowings were mainly denominated in Renminbi as at 30 June 2024 and 31 December 2023. 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:

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Total borrowings	114,800	61,500
Less: cash and cash equivalents	(254,927)	(311,156)
Net cash	(140,127)	(249,656)
Total equity	(528,511)	(540,023)
Total capital	N/A	N/A
Gearing ratio (%)	N/A	N/A

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 2024, the Group's total capital expenditure amounted to approximately RMB50.1 million (for the six months ended 30 June 2023: RMB9.6 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.

Pledge 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 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
Land use rights	10,554	11,027
Property, plant and equipment	52,110	54,850
Trade receivables	38,698	–
Restricted cash	168,259	143,068
	<u>269,621</u>	<u>208,945</u>

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 2024.

Contingent Liabilities

As at 30 June 2024, the Group did not have any significant contingent liabilities (as at 31 December 2023: nil).

Foreign Exchange Risks

The Group's transactions were mainly conducted in RMB, the functional currency of the Group, and the major receivables and payables are denominated in RMB. The Group's exposure to foreign currency risk related primarily to certain bank balances and cash, trade receivables, contract liabilities and other payables maintained in Hong Kong Dollars and United States 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 2024.

HUMAN RESOURCES AND REMUNERATION

As at 30 June 2024, the Group employed 1,432 employees (as compared with 1,656 employees as at 31 December 2023) with total staff cost of approximately RMB116.6 million incurred for the six months ended 30 June 2024 (as compared with approximately RMB103.8 million for the same period of 2023). 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 2024 (for the six months ended 30 June 2023: nil).

FUTURE OUTLOOK

The International Monetary Fund (IMF) forecasts that global growth will remain steady and resilient, with a projected expansion of around 3.2% in 2024 and 3.3% in 2025. China's economy is expected to expand by 5% in 2024, marking an increase of 0.4% from the previous forecast in April 2024. Asia's emerging economies, with China at the forefront, remain the primary drivers of the global economy.

The global electronic cigarette market is undergoing consistent expansion. However, the intensification of regulatory measures is expected to cause fluctuation in growth. This dynamic will likely persist until products comply with the requisite standards for market entry. Electronic cigarettes featuring displays and eco-friendly, biodegradable packaging are poised to become a new trend and gain popularity in international markets, especially in Europe and the Americas.

The Group is dedicated to expanding its electronic cigarette market share by enhancing its core competitiveness to become a one-stop company with own branded electronic cigarette products. Additionally, the Group is seeking to boost the contribution of the tobacco related business to its overall performance by prioritising the development of business in the related area.

The future development of the Group's electronic cigarette business is focused mainly on overseas markets, where both demand and competition are expected to increase. To capitalise on the potential of these markets, the Group will remain abreast of emerging tobacco trends, bolstering its research and development capabilities to promote innovation and expanding distribution channels globally. In recognition of the rapidly evolving market landscape, the Group will continue to aggressively develop new products and collaborate with high-profile corporate partners to solidify its market-leading position and promote the sustainable growth.

Supported by robust finances and strong business fundamentals, Jia Yao will continue to develop its core businesses. The Group expects to place an increased emphasis on the electronic cigarette sector and is dedicated to refining its product development capabilities, broadening its product assortment, and enhancing its presence in new markets, maximising its returns to shareholders.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 2024.

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 C1 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 2024.

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 C3 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 2024.

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 C1 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), Ms. Guo Wei and Mr. Gong Jinjun.

The interim financial results of the Group for the six months ended 30 June 2024 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 announcement.

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 2023 of the Company and up to the date of this announcement.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.jiayaoholdings.com). The Company's interim report for the six months ended 30 June 2024 will be despatched to the shareholders of the Company and published at the aforementioned websites in due course.

By Order of the Board
Jia Yao Holdings Limited
Yang Yoong An

Chairman of the Board and Executive Director

Hong Kong, 16 August 2024

As at the date of this announcement, the Board comprises Mr. Yang Yoong An as executive Director (Chairman), Mr. Feng Bin and Mr. Yang Fan as non-executive Directors and Mr. Gong Jinjun, Ms. Guo Wei and Mr. Wang Ping as independent non-executive Directors.

If there is any inconsistency between the Chinese names of the entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail.

* *For identification purposes only*