JIA YAO HOLDINGS LIMITED
嘉耀控股有限公司

(Incorporated in the Cayman Islands with Limited Liability)
Stock Code : 01626

ANNUAL REPORT 2024

Jia Yao Holdings Limited
Annual Report 2024

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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 annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2024 (the "Year") together with the comparative figures for the corresponding period in 2023.

- Revenue from continuing and discontinued operations of the Company for the year ended 31 December 2024 decreased by approximately 1.4% or RMB20.8 million to approximately RMB1,434.9 million as compared with the same period in 2023.
- Gross profit from continuing and discontinued operations of the Company for the year ended 31 December 2024 decreased by approximately 27.3% or RMB105.6 million to approximately RMB281.9 million as compared with the same period in 2023.
- Gross profit margin from continuing and discontinued operations of the Company for the year ended 31 December 2024 decreased by approximately 7.0% from approximately 26.6% to approximately 19.6% as compared with the same period in 2023.
- Profit attributable to owners of the Company decreased by approximately RMB48.7 million to approximately RMB50.6 million for the year ended 31 December 2024 as compared to for the year ended 31 December 2023.
- Average trade and notes receivable turnover days increased from approximately 68 days for the year ended 31 December 2023 to approximately 74 days for the year ended 31 December 2024.
- Average trade and notes payable turnover days decreased from approximately 202 days for the year ended 31 December 2023 to approximately 124 days for the year ended 31 December 2024.
- Average inventory turnover days decreased from approximately 74 days for the year ended 31 December 2023 to approximately 51 days for the year ended 31 December 2024.
- The Board does not recommend the payment of a final dividend for the year ended 31 December 2024 (for the year ended 31 December 2023: nil).

Notes:

(i) Gross profit margin from continuing and discontinued operations of the Company were calculated based on Gross profit from continuing and discontinued operations of the Company for the year divided by the Revenue from continuing and discontinued operations of the Company for the year.

(ii) Average trade and notes receivable turnover days were calculated as the average of the beginning and ending of trade and notes receivable balance of the year end divided by the Revenue from continuing and discontinued operations of the Company for the year and multiplied by the number of days for the year (366 days for the year ended 31 December 2024 (for the year ended 31 December 2023: 365 days)).

(iii) Average trade and notes payable turnover days were calculated as the average of the beginning and ending of trade and notes payable balance of the year end divided by the Cost of sales from continuing and discontinued operations of the Company for the year and multiplied by the number of days for the year (366 days for the year ended 31 December 2024 (for the year ended 31 December 2023: 365 days)).

(iv) Average inventory turnover days were calculated as the average of the beginning and ending of inventories balance of the year end divided by the Cost of sales from continuing and discontinued operations of the Company for the year and multiplied by the number of days for the year (366 days for the year ended 31 December 2024 (for the year ended 31 December 2023: 365 days)).

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. Wang Ping
Ms. Guo Wei

Company Secretary
Mr. Wu Hung Wai (HKICPA)

Registered Office
P.O. Box 31119 Grand Pavilion, Hibiscus Way,
802 West Bay Road, Grand Cayman, KY1–1205,
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Headquarter and Principal Place of Business in the PRC
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the People's Republic of China

Principal Place of Business in Hong Kong
Suite 2812, 28/F., Tower Two, Times Square
No. 1 Matheson Street, Causeway Bay
Hong Kong

Audit Committee
Mr. Wang Ping *(Chairman)*
Mr. Gong Jinjun
Ms. Guo Wei

Remuneration Committee
Mr. Gong Jinjun *(Chairman)*
Mr. Yang Fan
Mr. Wang Ping

Nomination Committee
Mr. Yang Yoong An *(Chairman)*
Mr. Gong Jinjun
Ms. Guo Wei

Corporate Website
www.jiayaoholdings.com

Authorised Representatives
Mr. Yang Fan
Mr. Wu Hung Wai

Principal Bankers
China Merchants Bank Shenzhen Branch
Bank of China (Hong Kong) Limited

Principal Share Registrar and Transfer Office
Vistra (Cayman) Limited
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802 West Bay Road, Grand Cayman, KY1–1205,
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 Building
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 annual report of the Company for the year ended 31 December 2024.

The global economy demonstrated remarkable resilience in 2024, achieving a 3.1% growth rate despite complex challenges that included geopolitical uncertainties, persistent supply chain disruptions and ongoing disinflation pressures. Although European markets and certain Asian economies grew on moderate trajectories, China emerged as a notable performer, achieving a robust 5% expansion. This growth was underpinned by strategic policy implementations and a strong export performance, even as the country grappled with demographic headwinds. The global economy's adaptability became evident through its successful transition toward a more sustainable and balanced growth model, emphasising stability and long-term viability. In this dynamic environment, the Asia-Pacific region has emerged as a pivotal market for the electronic cigarette industry, and it presented compelling growth opportunities throughout 2024.

The Asia-Pacific region's momentum is propelled by a convergence of key factors: well-calibrated regulatory frameworks that balance innovation with consumer protection, sustained increases in disposable income levels across key markets, and heightened consumer awareness of product alternatives. The evolution of consumption patterns across diverse demographic segments further reinforces the region's growth potential, with younger, tech-savvy consumers in particular demonstrating strong adoption rates and brand engagement. The region's distinctive characteristics, combining progressive regulations, increasing consumer affluence and changing lifestyle preferences, create an optimal environment for sustained industry growth. Through the careful implementation of our growth initiatives and our unwavering commitment to operational excellence, we are well-positioned to generate enduring stakeholder value while contributing to the industry's development in this vital region.

During the reporting year, Jia Yao undertook a strategic transformation, focusing exclusively on the electronic cigarette sector, marking a pivotal shift from its previous diversified operations. This strategic realignment was completed in October 2024 with the divestment of our stake in Giant Harmony Limited, underscoring our dedicated focus on electronic cigarette design, manufacturing and marketing. In a landmark achievement, the Group successfully established a presence in the Europe market as part of a strategic expansion of our international operations. This milestone demonstrates our proficiency in navigating complex global markets while advancing our geographical diversification objectives. Through strategic alliances and flexible business strategies, we have built a strong regional foundation, effectively managing regulatory requirements and supply chain variabilities. The Europe market entry serves as a cornerstone of our global expansion strategy, unlocking new market opportunities and revenue channels. Our systematic approach to market development has substantially strengthened our competitive position and reinforced our status as a leading industry player.

Our international market expansion strategy yielded remarkable results during the reporting year. This success can be attributed to our comprehensive approach to market penetration, which combines deep local market understanding with global operational excellence. In the Americas, we have established strong distribution networks and strategic partnerships that have facilitated rapid market take-up of our products. Similarly, our presence in Middle Eastern market has grown significantly, supported by tailored product offerings that address specific regional preferences and requirements.

I would like to take this opportunity to express my gratitude for the continuous support of all our shareholders, investors and customers. The Group's management team and all staff members will continue to make every effort to deliver a sustainable business performance and maximise shareholder returns.

YANG Yoong An
Chairman of the Board and Executive Director

Hong Kong, 28 March 2025

Market Review

The electronic cigarette industry witnessed extraordinary market momentum in 2024, achieving a noteworthy market capitalisation of US$24.6 billion. This remarkable financial milestone underscores a sophisticated convergence of multiple market forces, including dynamic shifts in consumer behaviour, technological breakthroughs and evolving regulatory frameworks in key global markets. The sector's impressive trajectory reflects its maturation from an emerging industry to a significant feature of the global consumer goods landscape, characterised by increasing sophistication in both product offerings and market dynamics. The market's robust performance can be attributed to several key drivers, first and foremost an increasing awareness of the health risks associated with traditional tobacco products that has prompted consumers to seek potentially less harmful alternatives. The behavioural shift has been particularly pronounced among consumers in younger demographics, who demonstrate greater receptivity to emerging nicotine delivery technologies. Technological advances in electronic cigarette devices have further catalysed market growth, with improvements in battery longevity, temperature control systems and user interface design enhancing the overall consumer experience. Regional market dynamics reveal a nuanced picture of growth opportunities, with Europe maintaining its position as a mature market characterised by sophisticated regulatory frameworks and established consumer bases. The United Kingdom and Germany, in particular, have emerged as key markets, driven by supportive regulatory environments and strong public health initiatives promoting harm reduction strategies. The Asia-Pacific region represents the market's most promising growth frontier, with China playing a dual role as both a dominant manufacturer and an expanding consumer market. Chinese manufacturers have established themselves as global leaders in electronic cigarette production, leveraging advanced manufacturing capabilities and robust supply chain networks. The region's growth potential is further amplified by increasing disposable income levels, growing health consciousness among urban populations, rapid technological adoption rates, expanding distribution networks and strategic industry partnerships and investments.

China's manufacturing ecosystem has emerged as the cornerstone of the global electronic cigarette supply chain, leveraging several competitive advantages. These include advanced manufacturing capabilities, established supply chain networks, competitive pricing strategies and rapid product innovation cycles. The country's electronic cigarette manufacturers have successfully positioned themselves as indispensable partners for international brands and distributors, offering everything from basic components to sophisticated finished products. This comprehensive manufacturing capability has enabled Chinese producers to maintain their market leadership, despite increasing regulatory complexity and more demanding quality standards in destination markets.

During the Year, although the operating environment of the electronic cigarette business is constantly changing that affects short-term results of the Group, Jia Yao demonstrated an unwavering commitment to strategically advancing and optimising its electronic cigarette business operations through a multifaceted approach to operational excellence and international market positioning and striving for long-term continuing growth of the Group.

Business Review

In a transformative strategic realignment, Jia Yao has executed a decisive pivot to concentrate exclusively on the electronic cigarette sector, marking a significant evolution from its previous dual-segment operations. This strategic transformation culminated in October 2024 with the complete divestment of its stake in Giant Harmony Limited, definitively signalling the Group's commitment to specialising in electronic cigarette design, manufacturing and marketing. The Group's strategic divestment decision not only streamlines its operational focus, but also demonstrates its commitment to maximising shareholder value through concentrated expertise in the high-growth electronic cigarette sector.

Sales and Distribution

Jia Yao's sustained market leadership is underpinned by three pillars: the perpetual pursuit of technological advances, uncompromising quality standards, and strategic customer relationship management. By using its sophisticated market intelligence and trend analysis capabilities, the Group has been able to maintain its competitive edge and prominent position in the global electronic cigarette export landscape.

The Group has an unwavering dedication to research and development excellence, leveraging cutting-edge technologies in the creation and manufacturing of its proprietary branded portfolio. This commitment to innovation and technological sophistication not only ensures the consistent delivery of premium-quality products, but also engenders enduring strategic partnerships with key stakeholders. The synergistic integration of these core competencies — technological innovation, superior quality and the cultivation of strategic relationships — creates a robust framework for a sustainable competitive advantage. This comprehensive approach enables Jia Yao not only to meet but in fact exceed evolving market requirements, while building and maintaining long-term customer loyalty through value creation and operational excellence.

The Group maintains a strategically focused business model centred on the production and export of electronic cigarette solutions to key international markets. It has established a global footprint with a diversified customer portfolio spanning major economies, including established markets in Europe, the Americas and Southeast Asia. In a significant expansion of its international presence during the reporting year, the Group successfully penetrated the overseas market, further strengthening its geographical diversification strategy and demonstrating its commitment to strategic market expansion. Such a comprehensive global market presence, coupled with targeted regional expansion initiatives, positions the Group advantageously to capitalise on emerging opportunities while maintaining resilience through market diversification.

Product Development and Design

Throughout the years, the Group has 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 year, 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 year, 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 year. 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. Taking into account increases in the prices 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

Revenue

For the year ended 31 December 2024, the revenue from continuing operations (i.e. segments of sales of electronic cigarettes and providing electronic cigarettes ancillary services) and discontinued operations (i.e. segment of paper cigarette packages and other paper packages) of the Company was approximately RMB1,434.9 million, representing a decrease of approximately 1.4% over the same period in 2023. The decrease was mainly due to the drop of revenue from paper cigarette packages and other paper packages segment by approximately 3.3% to RMB664.4 million for the year ended 31 December 2024 because of the drop in unit selling price of sales order in year 2024. Alternatively, 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. Although the operating environment of the electronic cigarette business is constantly changing that affecting short-term results of the Group, the Group will concentrate resources and expertise in the growing electronic cigarette sector by expanding in international markets for long-term development.

The following table sets forth the breakdown of the revenue from continuing and discontinued operations of the Company for the year ended 31 December 2024:

	For the year ended 31 December		
	2024	2023	Change (%)
	RMB'000	RMB'000	(approximate)
Sales of electronic cigarettes and providing electronic cigarettes ancillary services	**770,477**	768,750	+0.2%
Paper cigarette packages and other paper packages	**664,434**	686,913	-3.3%

Gross Profit

The gross profit from continuing and discontinued operations of the Company decreased by approximately 27.3% from approximately RMB387.5 million for the year ended 31 December 2023 to approximately RMB281.9 million for the year ended 31 December 2024. The gross profit margin from continuing and discontinued operations of the Company decreased by approximately 7.0% from approximately 26.6% to approximately 19.6% as compared with the same period in 2023. The decrease was mainly due to the drop in unit selling price of sales order of paper cigarette packages and other paper packages segment because of the fierce competition in the market and combined with the recent trend of "consumption downgrade" (消費降級) in China, which have driven down the general price level of paper cigarette packaging, thereby reducing the profit margin in this segment. The recent fluctuation of global e-cigarette regulation in Southeast Asia especially the change on e-cigarette regulation passed at one of our fast-growing market — Philippines which impacted the profitability of electronic cigarettes and related services segment during the year ended 31 December 2024. Our management believes that the recent fluctuation of global e-cigarette regulation will have a temporary impact on the demands. Due to the global trend and strong demand for e-cigarettes in the market, sales and profitability will be recovered when the market adapted the recent fluctuation of regulation.

Distribution Costs

For the year ended 31 December 2024, distribution costs of continuing and discontinued operations of the Company comprise: (i) delivery expenses for transportation of our products to customers; (ii) staff costs and benefits relating to our Group's sales and marketing personnel; (iii) expenses incurred in customer hospitality activities during our normal course of business; (iv) travelling expenses of our staff incurred for sales and distribution activities; (v) administrative expenses; and (vi) other selling and distribution related expenses. The costs increased by approximately 10.2% from approximately RMB75.6 million for the year ended 31 December 2023 to approximately RMB83.3 million for the year ended 31 December 2024. In order to expand the electronic cigarettes market, the Group increased input on staff costs to expand our sales team and promotion expense on the own developed product of electronic cigarettes during the year ended 31 December 2024.

Administrative Expenses

For the year ended 31 December 2024, administrative expenses of continuing and discontinued operations of the Company consist of (i) staff costs and benefits relating to our Group's administrative personnel; (ii) travelling expenses of administrative staff; (iii) depreciation expenses arising from daily operation; (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 our administrative operations. The expenses increased by approximately 6.6% from approximately RMB146.5 million for the year ended 31 December 2023 to approximately RMB156.2 million for the year ended 31 December 2024. The increase was mainly due to the increase in rental expenses and staff costs especially on recruiting professionals of research and development department during the year ended 31 December 2024.

Other Income

Other income from continuing and discontinued operations of the Company mainly consists non-recurring government grant. The other income increased by approximately RMB0.8 million to approximately RMB10.6 million during the year.

Other Gains/(Losses) — net

For the year ended 31 December 2024, the net other gains/(losses) from continuing and discontinued operations of the Company primarily consist of gains/losses on disposal of subsidiaries. The Group recorded net other gain of approximately RMB25.4 million for the year ended 31 December 2024 as compared to the net other losses of approximately RMB2.7 million for the year ended 31 December 2023. Such increase was mainly due to the recognition of gain on disposal of subsidiaries — Giant Harmony Group during the year ended 31 December 2024.

Finance (Costs)/Income — net

For the year ended 31 December 2024, the net finance (costs)/income of continuing and discontinued operations of the Company primarily consist of interest income on bank deposits, interest payments on interest-bearing obligations and bank charges. The Group recorded net finance costs of approximately RMB2.7 million for the year ended 31 December 2024 as compared to net finance income of approximately RMB3.3 million for the year ended 31 December 2023. The change was mainly due to the increase of interest on bank borrowings during the year ended 31 December 2024.

Income Tax Expense

The income tax expense of continuing and discontinued operations of the Company decreased by approximately RMB14.4 million from approximately RMB31.3 million for the year ended 31 December 2023 to approximately RMB16.9 million for the year ended 31 December 2024. Decrease of income tax expense was mainly due to the decrease of profit during the year ended 31 December 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 RMB48.7 million to approximately RMB50.6 million for the year ended 31 December 2024 as compared with the corresponding period in 2023.

Trade and Other Receivables and Prepayments

Trade and other receivables and prepayments decreased by approximately 31.5% from approximately RMB527.5 million as at 31 December 2023 to approximately RMB361.5 million as at 31 December 2024. The decrease was mainly attributable to (i) the decrease of trade receivables from approximately RMB341.6 million as at 31 December 2023 to approximately RMB195.9 million as at 31 December 2024; and (ii) decrease of notes receivable from approximately RMB22.0 million as at 31 December 2023 to approximately RMB0.6 million as at 31 December 2024.

Trade and Other Payables

Trade and other payables decreased by approximately 73.0% from approximately RMB785.0 million as at 31 December 2023 to approximately RMB211.9 million as at 31 December 2024. The decrease was mainly attributable to (i) the decrease of trade payables from approximately RMB425.7 million as at 31 December 2023 to approximately RMB128.8 million as at 31 December 2024; and (ii) decrease of notes payable from approximately RMB216.3 million as at 31 December 2023 to approximately RMB14.9 million as at 31 December 2024.

Liquidity and Financial Resources

The Group recorded net current assets of approximately RMB407.7 million as at 31 December 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 year ended 31 December 2023. The Group's operations were principally financed by internal resources and interest-bearing borrowings during the year.

As at 31 December 2024, the Group's cash and cash equivalents, which were held mainly in Renminbi and Hong Kong dollars, were approximately RMB275.1 million, compared with approximately RMB311.2 million as at 31 December 2023.

Borrowings and Gearing Ratio

The Group's interest-bearing borrowings was approximately RMB62.8 million as at 31 December 2024 (as at 31 December 2023: approximately RMB61.5 million). The Group's interest-bearing borrowings were mainly denominated in Renminbi. The Group's interest-bearing borrowings was repayable within 1 year. This ratio is calculated as net debt divided by total capital. The gearing ratios are as follows:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Total borrowings	**62,750**	61,500
Less: cash and cash equivalents	**275,136**	311,156
Net cash	**212,386**	249,656
Total equity	**492,296**	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. 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 year ended 31 December 2024, the Group's total capital expenditure for the continuing operation amounted to approximately RMB26.2 million (2023: approximately RMB37.0 million), which was mainly used in purchase of 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.

Assets pledged as security

The carrying amounts of assets pledged as security for notes payable and borrowings are as follows:

	2024 RMB'000	2023 RMB'000
Land use rights	–	11,027
Property, plant and equipment	–	54,850
Restricted cash	13,019	143,068
	13,019	208,945

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

On 22 December 2023, the Company entered into a sale and purchase agreement with Master Bliss Holdings Limited, Mr. Zhu Chunlin, and Hubei Golden Three Gorges, pursuant to which the Company agreed to sell 30% of the issued share capital of Giant Harmony Limited (the "Target Company") at a consideration of HK$47,465,971. On 30 December 2023, the Company disposed 30% equity interests of the Target Company to Master Bliss Holdings Limited (an independent third party), and the Company shall continue to be the legal and beneficial owner of 70% of the entire issued share capital of the Target Company. For more details, please refer to the announcements of the Company dated 22 December 2023 and 10 January 2024.

On 6 September 2024, the Company, Master Bliss Holdings Limited (the "Purchaser") and Mr. Zhu Chunlin (the "Guarantor") entered into a sale and purchase agreement, pursuant to which the Company conditionally agreed to sell and the Purchaser conditionally agreed to purchase, 14,000 shares of the Target Company, representing 70% of the issued share capital of the Target Company at the consideration of RMB115,000,000. The disposal was completed on 25 October 2024, therefore the paper cigarette and other paper packages segment is regarded as a discontinued operation. For details, please refer to the announcement of the Company dated 6 September 2024 and the circular of the Company dated 14 October 2024.

Save as disclosed above, there are no significant investments, material acquisition and disposal of subsidiaries, associates and joint ventures by the Group for the year ended 31 December 2024 and 2023.

Contingent Liabilities

As at 31 December 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 year ended 31 December 2024.

Human Resources and Remuneration

As at 31 December 2024, the Group employed 825 employees (as compared with 1,656 employees as at 31 December 2023, number of employees as at 31 December 2024 was significantly decreased due to the disposal of subsidiaries — Giant Harmony Group in October 2024) with total staff cost of approximately RMB208.7 million incurred for the year ended 31 December 2024 (as compared with approximately RMB232.9 million for the year ended 31 December 2023). The Group's remuneration packages are generally structured with reference to market terms and individual merits.

Adequacy of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Group maintained adequate public float throughout the year ended 31 December 2024.

Future Outlook

The International Monetary Fund's latest economic outlook offers a measured perspective on the global economy, projecting a growth rate of 3.3% for both 2025 and 2026. Although this forecast falls marginally below historical averages, it signals notable stability in the world economy despite current challenges. This steady growth trajectory, although modest, demonstrates the global system's resilience in navigating complex macroeconomic conditions. The ongoing global disinflation narrative continues to unfold, albeit with significant regional variations in pace and intensity. Advanced economies are experiencing more pronounced disinflationary trends, while emerging markets and developing economies show more diverse patterns, reflecting their unique monetary policies, structural characteristics and economic fundamentals. This heterogeneous landscape necessitates carefully calibrated policy responses tailored to specific regional contexts.

The global economic outlook is marked by multiple interconnected challenges that warrant careful consideration. Geopolitical tensions, particularly in strategic regions, continue to lead to uncertainty in international markets and trade relationships. The evolution of global trade patterns, influenced by supply chain reorganisations and technological advances, is reshaping traditional economic partnerships and creating new opportunities, while also presenting novel challenges.

China's economic trajectory presents a nuanced outlook, with projections indicating a growth rate of 4.6% in 2025, moderating slightly to 4.5% in 2026. This forecast reflects a measured pace of expansion for the world's second-largest economy as it navigates various structural adjustments and external challenges. The anticipated growth rates, while robust by global standards, represent a "new normal" for China's economic development pattern, marking a transition from the double-digit growth rates of previous decades to a more sustainable, quality-focused expansion. In response to challenges such as potential escalations in Sino-U.S. trade tensions and ongoing challenges in the real estate sector, the Chinese government is orchestrating a comprehensive stimulus strategy that balances short-term stability with long-term sustainability goals.

The global electronic cigarette industry shows exceptional market resilience and expansion potential, navigating a complex regulatory environment that continuously influences market dynamics and accessibility. Research and Markets' E-cigarettes Global Market Report 2025 reveals an impressive growth trajectory, with market valuations anticipated to reach US$26.42 billion in 2025, demonstrating a robust compound annual growth rate (CAGR) of 11.7%. The sector's momentum is expected to intensify, with its market value reaching US$42.8 billion by 2029, supported by an accelerated CAGR of 12.8%. Regional market dynamics present a diverse landscape of opportunities, shaped by varying regulatory environments and stages of market development. The Asia-Pacific region stands out as an emerging powerhouse in the sector, characterised by balanced regulatory frameworks and substantial market potential. This geographical segment presents significant growth opportunities, supported by rising disposable income levels, heightened consumer awareness and shifting consumption patterns across its diverse demographic base. Established markets in Americas and Europe demonstrate a distinctive shift toward premium market positioning and technological advances. These mature regions feature an intensified emphasis on innovation, market differentiation and high-end product development. Industry leaders are channelling substantial investment into research and development initiatives, focusing on technological sophistication, user experience optimisation and enhanced safety measures to maintain market leadership and address evolving consumer demand.

The strategic enhancement of the Group's electronic cigarette division is a primary objective, underpinned by targeted capital allocation and an intensified focus on research and development. This investment strategy reflects a comprehensive approach to strengthening the Group's market position and technological capabilities within the industry. The Group's expansion strategy demonstrates a deliberate international focus, acknowledging the significant growth potential and competitive dynamics in overseas markets. This strategic orientation positions the Group to capitalise on emerging global opportunities while maintaining adaptability in an increasingly competitive landscape. In pursuit of sustainable competitive advantages, the Group maintains vigilant market intelligence operations to identify and respond to emerging industry trends. This proactive stance is complemented by sustained investments in research and development capabilities, fostering a culture of innovation and enabling rapid cycles of product development. Concurrent with these initiatives, the Group is systematically expanding its distribution infrastructure to ensure comprehensive market coverage and enhanced product accessibility.

Looking ahead, the Group's strategic framework will continue to emphasise prudent resource allocation while maintaining an innovative approach. This balanced strategy involves new product development initiatives and the cultivation of strategic partnerships with established industry players. The Group's dual focus on innovation and collaboration positions it advantageously for sustainable growth in the evolving market landscape. Leveraging its formidable financial resources and well-established operational framework, Jia Yao is exceptionally strategically positioned for the acceleration of its core business objectives. The Group has carefully crafted a targeted approach within the electronic cigarette sector, anchored by three strategic imperatives: the acceleration of dynamic product innovation, comprehensive portfolio optimisation and methodical market penetration initiatives. This comprehensive approach underscores Jia Yao's commitment to capturing increased market share in the electronic cigarette industry as it maintains a disciplined focus on maximising shareholder value through the pursuit of long-term continuing growth opportunities. Although the operating environment of the electronic cigarette business is constantly changing that affecting short-term results of the Group, the Group will concentrate resources and expertise on innovation of own branded electronic cigarette products to cater the needs of various international markets and expanding sales network by cooperating with global distributors in overseas market.

Executive Director

Mr. Yang Yoong An (楊詠安) (formerly known as **Yang An (楊安)**), aged 62, was first appointed as a Director on 5 August 2013, and was redesignated as our executive Director from 24 March 2014 to 17 March 2017, as a non-executive Director from 17 March 2017 to 18 February 2019, and as an executive Director since 18 February 2019. Mr. Yang was the Chairman of our Company up to 17 March 2017 and has been the Chairman of our Company again since 18 February 2019. Mr. Yang is primarily responsible for overall management and formulation of business strategy of our Group. From 2022, the newly formed e-cigarette management team, under the leadership of Mr. Yang, began to vigorously develop the new e-cigarette business.

Mr. Yang had engaged in various businesses since the 1980s such as trading of fishery products and cigarette-related accessories products. Since 2012, Mr. Yang Yoong An has been the vice president of the Hubei Province Guangdong Chamber of Commerce (湖北省廣東商會). Mr. Yang Yoong An has brought over 10 years of extensive business and management experience in commercial business to the management team of the Company. He currently serves as a director of the subsidiaries of the Company including Creative Data Limited, Flying Success Global Limited and King Gather Limited. Mr. Yang Yoong An is the father of Mr. Yang Fan, a non-executive Director of the Company.

As at the date of this annual report, Mr. Yang is the beneficial owner of the entire issued capital of Spearhead Leader Limited, which in turn holds 418,724,000 shares representing approximately 69.79% of the issued share capital of the Company.

Non-executive Directors

Mr. Feng Bin (豐斌), aged 54, was appointed as an executive Director of the Company on 24 March 2014 and resigned on 17 March 2017. On 18 February 2019, Mr. Feng Bin was appointed as a non-executive Director of the Company. Mr. Feng Bin is primarily responsible for overseeing the general corporate, financial and compliance affairs of the Group.

Mr. Feng Bin graduated from the Southwestern University of Finance and Economics (西南財經大學) majoring in accounting in June 1992 through higher education self-taught examination. An accountant qualification was conferred on him by Ministry of Finance of the PRC in October 1994. In June 2008, Mr. Feng obtained a self-study undergraduate certificate (Adult Higher Education) in accounting from the Zhongnan University of Economics and Law (中南財經政法大學). In January 2011, Mr. Feng obtained a part-time master degree (professional degree) in executive management business administration from the Tsinghua University (清華大學). Mr. Feng has more than 15 years of experience in the cigarette packaging trading field. From June 1996 to February 2001, Mr. Feng worked at 四川省德昌縣菸葉複烤廠 (Sichuan Dechang Tobacco Redrying Factory*) as a factory manager. From October 2005 to June 2008, Mr. Feng served as deputy general manager of 成都今辰科技發展有限公司 (Chengdu Jinchen Sci-Tech. Development Co., Ltd.*). Mr. Feng joined Hubei Golden Three Gorges in March 2001 and was appointed as the chief financial officer and was the deputy general manager when he left Hubei Golden Three Gorges in 2005. Mr. Feng re-joined Hubei Golden Three Gorges in July 2008 as the deputy general manager and has been the general manager of Hubei Golden Three Gorges from February 2012 to December 2016.

* *For identification purpose only*

Mr. Yang Fan (楊帆), aged 38, was appointed as a non-executive Director of the Company on 24 March 2014 and resigned on 17 March 2017. On 18 February 2019, Mr. Yang Fan was appointed as a non-executive Director of the Company. Mr. Yang Fan is primarily responsible for overseeing the general corporate, financial and compliance affairs of the Group.

Mr. Yang Fan obtained a Bachelor of Arts degree in economics from the University of Cambridge in June 2012. In August 2013, he obtained a Master of Science degree in financial economics from the University of Oxford.

Mr. Yang Fan is the son of Mr. Yang Yoong An, the executive director of the Company. He currently serves as a director of the subsidiaries of the Company including Summer Day Developments Limited, Silver Knight Group Limited, Vape Brands Management Limited, Jia Jing Limited, Jia Wai Limited, Mark Bell Limited and a non-executive director of Tian Yuan Group Holdings Limited (Stock Code: 6119).

Independent non-executive Directors

Mr. Gong Jinjun (龔進軍), aged 68, was appointed as an independent non-executive Director on 5 June 2014, a member of the audit committee on 17 March 2017, the chairman of the remuneration committee and a member of the nomination committee on 6 June 2014. Mr. Gong is primarily responsible for overseeing the management independently.

Mr. Gong obtained a bachelor degree in economics and geography from Peking University (北京大學) in July 1982. He was accredited as an engineer by 中華人民共和國建設部 (The Ministry of Construction of People's Republic of China*) in March 1988. He was also accredited as a senior architectural engineer by 廣東省深圳建築工程技術人員高級職務評審委員會 (Constructional Engineering Technician Senior Title Evaluating Committee of Shenzhen, Guangdong Province*) in December 1994. In April 2001, Mr. Gong received the second class prize of the 廣東省科學技術獎勵 (Guangdong Province Science and Technology Achievements Award*) presented by the 廣東省人民政府 (People's Government of Guangdong Province*).

Prior to joining our Group, Mr. Gong was a civil servant of the PRC. He was appointed as an engineer by 中華人民共和國建設部 (The Ministry of Construction of People's Republic of China*) from March 1988 to December 1989. He was then appointed as a researcher of 深圳市規化與國土資源局地質礦產處 (Shenzhen Municipality Geology and Mineral Resources Department*) in August 2003 and was then appointed as a researcher of 深圳市國土資源和房產管理局物業監管處 (Shenzhen Municipality Land Resources and Housing Administrative Bureau*) in June 2004. Mr. Gong retired in 2006.

Ms. Guo Wei (郭瑋), aged 41, was appointed as an independent non-executive Director and a member of the audit and nomination committees on 16 June 2023. Ms. Guo is primarily responsible for overseeing the management independently.

Ms. Guo received a bachelor's degree in business administration from Nankai University (南開大學) through the completion of the administration program for Upgrade of Junior College Students to Undergraduate Students (專升本) in July 2020.

Ms. Guo is currently the deputy general manager of the general office of Shenzhen Pengrui Development Holding Group Co., Ltd. (深圳市鵬瑞發展控股集團有限公司). Prior to joining Shenzhen Pengrui Development Holding Group Co., Ltd., Ms. Guo served as a director of branding department and director of operation of Block Sixteen Creative Park of Shenzhen Yingzhi Future Cultural and Creative Management Co., Ltd.* (深圳市盈致未來文創管理有限公司) from November 2017 to August 2019, and a director of operations and associate director of membership management of Shenzhen Overseas Chinese Town Entertainment Investment Company Limited (深圳華僑城都市娛樂投資公司) from September 2014 to November 2017.

* *For identification purpose only*

Mr. Wang Ping (王平), aged 54, was appointed as our independent non-executive Director on 5 June 2014, the chairman of the audit committee and a member of the remuneration committee on 6 June 2014. Mr. Wang is primarily responsible for overseeing the management independently.

Mr. Wang has about 30 years of experience in corporate finance, audit and accounting and financial management. From February 2004 to March 2007, Mr. Wang was employed by China Jishan Holdings Limited, a company listed on the main board of the Singapore Stock Exchange (stock code: J18), as its chief financial officer. From May 2007 to March 2010, Mr. Wang worked as the vice president of EV Capital Pte Ltd., a corporate finance advisory company engaging in corporate advisory services, and was responsible for providing advisory services in accounting and finance. From March 2012 to December 2015 and from March 2014 to December 2015, Mr. Wang served as the chief financial officer and executive director of China First Capital Group Limited (formerly known as China Vehicle Components Technology Holdings Limited) (stock code: 1269). Mr. Wang was appointed as a Director in October 2019 and re-designated as a non-executive Director on 11 June 2020 of Sanergy Group Limited (stock code: 2459) and Mr. Wang is primarily responsible for providing advice on business strategy development and financial planning for the Group.

Mr. Wang was an independent non-executive director for the past three years (i) China Tianrui Group Cement Company Limited (stock code: 1252) from December 2012 to September 2024; and (ii) Shenzhen Fuanna Bedding and Furnishing Co., Ltd., a company listed on the Shenzhen Stock Exchange (SZSE: 002327) from October 2021 to December 2024.

Mr. Wang is currently an independent non-executive director of (i) China Hanking Holdings Limited (stock code: 3788) since February 2011; and (ii) Chongyi Zhangyuan Tungsten Co., Ltd, a company listed on the Shenzhen Stock Exchange (SZSE: 002378) since May 2023.

Mr. Wang was admitted as a member of the Chinese Institute of Certified Public Accountants in December 1996 and a non-practicing member of the Shanghai Institute of Certified Public Accountants in September 2002. Mr. Wang graduated from Nanjing University, the PRC majoring in economics and management in December 1993 and obtained a master's degree in business administration from Sun Yat-Sen University, the PRC, in June 2004.

Senior Management

Mr. Li Shaoan (李少安), aged 51, was the finance director of Hubei Golden Three Gorges Printing Co., Ltd. and he is currently the finance director of Shenzhen Jiayao Biotechnology Co., Ltd. since October 2024 who is responsible for overall financial management. Mr. Li graduated from Hubei College of Finance and Economics (湖北財經高等專科學校, formerly known as 中南財經大學湖北財政分校) majoring in taxation in July 1994. Mr. Li completed the Global Capital Operation Programme held by School of Continuing Education, Tsinghua University (清華大學繼續教育學院) in December 2008. In July 2009, Mr. Li obtained a graduation certificate in accounting from Dongbei University of Finance and Economics (東北財經大學) through online course. Mr. Li became a PRC certified tax agent in November 2008 and a non-practising member of Hubei Institute of Certified Public Accountants (湖北省註冊會計師協會) in December 2009. Mr. Li has over 10 years of experience in the printing industry. Before joining our Group, Mr. Li worked at the finance department of Yichang Xiarun Cooperation Co. Ltd. (宜昌峽潤合作有限公司) from October 1998 to June 2004.

Mr. Wu Hung Wai (吳鴻偉), aged 43, has been the chief financial officer and company secretary of our Company since June 2014, responsible for compliance and financial management of the Group. Mr. Wu obtained a bachelor degree in business from the University of Technology, Sydney in October 2003. Mr. Wu is a member of Hong Kong Institute of Certified Public Accountants. Mr. Wu has over 15 years of experience in auditing, management accounting, financial reporting and company secretarial management.

* *For identification purpose only*

Overview

Our Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. The corporate governance duties of the Board have been set out in the terms of reference of the Board on corporate governance functions which are available on the website of the Company. We have complied with the Corporate Governance Code (the "Code") as set out in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"). The Board considered that the Company had complied with all the applicable code provisions of the Code for the year ended 31 December 2024.

The Group strives to maintain high standards of business ethics and corporate governance across all our activities and operations. The Directors, management and staff are all required to act lawfully, ethically and responsibly, and the required standards and norms are explicitly set out in the training materials for all new staff and embedded in various policies such as the Group's employee handbook (including therein the Group's code of conduct), the anti-corruption policy and the whistleblowing policy of the Group. Trainings are conducted from time to time to reinforce the required standards in respect of ethics and integrity. The Group believes that the culture of commitment to workforce development, workplace safety and health, diversity, and sustainability is one where people have a feeling of commitment and emotional engagement with the Group's mission. This sets the tone for a strong, productive workforce that attracts, develops, and retains the best talent and produces the highest quality work. Moreover, the Company's strategy in the business development and management are to achieve long-term, steady and sustainable growth, while having due considerations from environment, social and governance aspects.

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 enquiry 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 year ended 31 December 2024.

The Board of Directors

As at the date of this annual report, the Board consists of six Directors, comprising one executive Director, two non-executive Directors and three independent non-executive Directors. The following table sets forth certain information relating to our Directors during the reporting period and up to the date of this annual report:

Name	Age	Position	Date of appointment as Director	Date of resignation/ redesignation	Roles and responsibilities	Relationship with the other Directors
Executive Director						
Mr. Yang Yoong An (楊詠安) *(Note 1)*	62	Chairman and executive Director	N/A	Re-designated as executive Director on 18 February 2019	Serves on the nomination committee; overall management and formulation of business strategy of our Group	Father of Mr. Yang Fan

Name	Age	Position	Date of appointment as Director	Date of resignation/ redesignation	Roles and responsibilities	Relationship with the other Directors
Non-executive Directors						
Mr. Feng Bin (豐斌)	54	Non-executive Director	18 February 2019	N/A	Overseeing the general corporate, financial and compliance affairs of the Group	N/A
Mr. Yang Fan (楊帆)	38	Non-executive Director	18 February 2019	N/A	Serves on the remuneration committee; overseeing the general corporate, financial and compliance affairs of the Group	Son of Mr. Yang Yoong An
Independent non-executive Directors						
Mr. Gong Jinjun (龔進軍)	68	Independent non-executive Director	5 June 2014	N/A	Serves on the audit, remuneration and nomination committees; responsible for overseeing the management independently	N/A
Ms. Guo Wei (郭瑋)	41	Independent non-executive Director	16 June 2023	N/A	Serves on the audit and nomination committees; responsible for overseeing the management independently	N/A
Mr. Wang Ping (王平)	54	Independent non-executive Director	5 June 2014	N/A	Serves on the audit and remuneration committees; responsible for overseeing the management independently	N/A

Note:

1. Mr. Yang Yoong An redesignated from a non-executive Director to an executive Director, and appointed as the chairman of the Company with effect from 18 February 2019.

The biographical details of the Directors are set out in the section entitled "Biographies of Directors and Senior Management" in this annual report. Mr. Yang Fan is the son of Mr. Yang Yoong An, save as disclosed above, there are no relationship (including financial, business, family or other material/relevant relationship(s)) among members of the Board.

The term of appointment of the non-executive Director is three years commencing from his date of appointment and thereafter may be extended for such period as the Company and he agrees in writing.

Mr. Feng Bin and Mr. Gong Jinjun will retire from office as Directors at the forthcoming annual general meeting (the "AGM") of the Company to be held on 20 June 2025, being eligible, offer themselves for re-election pursuant to the articles of association of the Company (the "Articles of Association").

In compliance with Rule 3.10(1) of the Listing Rules, the Board currently comprises three independent non-executive Directors representing more than one-third of the Board. Each of the independent non-executive Directors has confirmed by annual confirmation that he has complied with the independence criteria set out in Rule 3.13 of the Listing Rules. The Directors consider that all three independent non-executive Directors are independent under these independence criteria and are capable to effectively exercise independent judgement. Amongst the three independent non-executive Directors, Mr. Wang Ping has the appropriate professional qualifications and accounting and related financial management expertise required under Rule 3.10(2) of the Listing Rules.

The Board is responsible for the leadership and control of the Company and overseeing the Group's businesses, strategic decisions and performance. The day-to-day management, administration and operation of the Company are delegated to the senior management of the Company. The delegated functions and work tasks are periodically reviewed. Approvals must be obtained from the Board prior to any significant transactions entered into by the aforesaid officers.

The Board is responsible for performing the corporate governance functions set out in code provision A2.1 of the Code. As at the date of this annual report, the Board has reviewed and monitored: (a) the Company's corporate governance policies and practices, (b) training and continuous professional development of directors and senior management, (c) the Company's policies and practices on compliance with legal and regulatory requirements, (d) the Company's code of conduct and (e) the Company's compliance with the Code disclosures requirements.

The Board has delegated various responsibilities to the Board committees including the audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee") and the nomination committee (the "Nomination Committee") (collectively, the "Board Committees"). Further details of these committees are set out below.

The Chairman also held an annual meeting with the Independent Non-executive Directors without the presence of other Directors.

Continuous Professional Development

Newly appointed Directors will receive a comprehensive, formal and tailored induction on the first occasion of their appointment so as to ensure that they have appropriate understanding of the business of the Company and the obligation and responsibility of being a director. Directors' training is an ongoing process. During the Year, Directors received regular updates and presentations on changes and developments to the Group's business and to the legislative and regulatory environments in which the Group operates. All Directors are also encouraged to attend relevant training courses at the Company's expenses.

Below is a summary of the training the Directors had received during the year under review:

Name of Directors	Type of trainings
Mr. Yang Yoong An	A & B
Mr. Feng Bin	A & B
Mr. Yang Fan	A & B
Ms. Guo Wei (appointed on 16 June 2023)	A & B
Mr. Gong Jinjun	A & B
Mr. Wang Ping	A & B
Mr. Zeng Shiquan (retired on 16 June 2023)	A & B

A: attending seminars/workshops/forums

B: reading newspapers, journals and updates relating to the economy, tobacco industry or director's duties and responsibilities etc.

Board Meetings

7 Board meetings were held during the year ended 31 December 2024. Ad hoc meetings will also be convened if necessary to discuss the overall strategy as well as the operation and financial performance of the Group. Notice of Board meeting was sent to all Directors at least 14 days prior to a regular Board meeting. Reasonable notices will be given to the Directors for ad hoc Board meetings. Directors may participate either in person or through electronic means of communications.

All relevant materials were sent to all the Directors relating to the matters brought before the meetings. All the Directors have been provided with sufficient resources to discharge their duties, and, upon reasonable request, the Directors will be able to seek independent professional advice in appropriate circumstances, at the Company's expenses. All Directors will have the opportunity to include matters in the agenda for Board meetings.

The members and attendance of the Board meeting are as follows:

	Attendance/Board meetings held during the year ended 31 December 2024
Mr. Yang Yoong An	7/7
Mr. Feng Bin	7/7
Mr. Yang Fan	7/7
Ms. Guo Wei	7/7
Mr. Gong Jinjun	7/7
Mr. Wang Ping	7/7

One general meeting, being the annual general meeting was held during the year ended 31 December 2024. The members and attendance of the general meeting are as follows:

	Attendance/General meeting held during the year ended 31 December 2024
Mr. Yang Yoong An	1/1
Mr. Feng Bin	1/1
Mr. Yang Fan	1/1
Ms. Guo Wei	1/1
Mr. Gong Jinjun	1/1
Mr. Wang Ping	1/1

The forthcoming annual general meeting will be held on 20 June 2025.

Directors' Service Contract

The executive Director has entered into a service agreement with the Company for a term of three years commencing from 18 February 2025, subject to the termination provision therein. The executive Director or the Company may terminate the appointment by giving the other party not less than two months' prior notice in writing.

Each of the non-executive Directors has entered into a service agreement with the Company for a term of three years commencing from 18 February 2025, subject to the termination provision therein. Each of the non-executive Directors or the Company may terminate the appointment by giving the other party not less than two months' prior notice in writing.

Each of the independent non-executive Directors has renewed the service agreement with the Company as an independent non-executive Director for a term commencing on 7 June 2024 and ending on the conclusion of the 2024 annual general meeting of the Company to be held in 2025. Each of the independent non-executive Directors or the Company may terminate the appointment by giving the other party not less than two months' prior notice in writing.

No Director has entered into any service agreement with any member of the Group which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

Remuneration of Directors and Senior Management

Particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix D2 to the Listing Rules are set out in Note 31 and Note 10 to the consolidated financial statements in this annual report.

Board Committees

The Board has established (i) Audit Committee, (ii) Remuneration Committee, and (iii) Nomination Committee with defined terms of reference. The terms of reference of the Board Committees, which explain their respective role and the authority delegated to them by the Board, are available on the websites of the Company and the Stock Exchange. The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice and other assistance under appropriate circumstances, at the Company's expenses.

Audit Committee

The Company has established the Audit Committee on 6 June 2014 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3 of the Code on Corporate Governance Practices as set out in Appendix C1 to the Listing Rules. As at the date of this annual report, the Audit Committee consists of three independent non-executive Directors, namely Mr. Wang Ping (as Chairman), Ms. Guo Wei and Mr. Gong Jinjun. The primary duties of the Audit Committee are, inter alia, to assist the Board in providing an independent view of the effectiveness of the financial reporting system, internal control procedures and risk management system, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board.

During the year ended 31 December 2024, the Audit Committee mainly performed the following duties:

— reviewed the Group's audited final results for the year ended 31 December 2023, unaudited interim results for the six months ended 30 June 2024, met with the external auditor to discuss such results without the presence of the Company's management, and was of the opinion that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

— reviewed the appropriateness and effectiveness of the risk management and internal control systems of the Group and made recommendations to the Board on the improvement of internal control, credit control and risk management of the Group.

During the year ended 31 December 2024, two meetings were held by the Audit Committee. The attendance record of each member of the Audit Committee at the meeting of the Audit Committee is set out below:

Name of Director	Attendance/Number of Audit Committee meeting(s)
Mr. Wang Ping	2/2
Ms. Guo Wei	2/2
Mr. Gong Jinjun	2/2

There had been no disagreement between the Board and the Audit Committee during the year ended 31 December 2024.

Remuneration Committee

The Company has established the Remuneration Committee on 6 June 2014 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph E.1 of the Code on Corporate Governance Practices as set out in Appendix C1 to the Listing Rules. As at the date of this annual report, the Remuneration Committee consists of two independent non-executive Directors, namely Mr. Gong Jinjun (as Chairman) and Mr. Wang Ping, and one non-executive Director, namely Mr. Yang Fan. The primary duties of the Remuneration Committee are, inter alia, (1) to determine the remuneration policy of all Directors, to assess the performance of the Directors, to approve the terms of service contracts of the Directors, to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives, to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management, to make recommendations to the Board on the remuneration of the non-executive Director(s), (2) consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the group to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure they are consistent with relevant contractual terms and are otherwise reasonable and appropriate, (3) to review and approve compensation payable to executive Director and senior management for any loss or termination of office or appointment to ensure that it is consistent with contracted terms and is otherwise fair and not excessive, (4) to ensure that no Director or any of his associates is involved in deciding his own remuneration, and (5) reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules.

During the year ended 31 December 2024, one meeting was held by the Remuneration Committee. The attendance record of each member of the Remuneration Committee is set out below:

Name of Director	Attendance/ Number of Remuneration Committee meeting(s)
Mr. Gong Jinjun	1/1
Mr. Wang Ping	1/1
Mr. Yang Fan	1/1

During the year ended 31 December 2024, the Remuneration Committee mainly performed works including reviewing and making recommendation to the Board regarding of the Directors' remuneration for the year ending 31 December 2024 and assessing performance of executive directors.

There had been no disagreement between the Board and the Remuneration Committee during the year ended 31 December 2024.

Nomination Committee

The Company has established the Nomination Committee on 6 June 2014 with written terms of reference in compliance with paragraph B.3 of the Code on Corporate Governance Practices as set out in Appendix C1 to the Listing Rules. As at the date of this annual report, the Nomination Committee consists of two independent non-executive Directors, namely Ms. Guo Wei and Mr. Gong Jinjun, and one executive Director, Mr. Yang Yoong An (as Chairman). The primary functions of the nomination committee are, inter alia, to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy, to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships, to assess the independence of independent non-executive Directors, and to make recommendations to the Board on the appointment or re-appointment of Directors in particular the chairman and the chief executive officer and succession planning for Directors.

During the year ended 31 December 2024, one meeting was held by the Nomination Committee. The attendance record of each member of the Nomination Committee is set out below:

Name of Director	Attendance/ Number of Nomination Committee meeting(s)
Mr. Yang Yoong An	1/1
Ms. Guo Wei	1/1
Mr. Gong Jinjun	1/1

There had been no disagreement between the Board and the Nomination Committee during the year ended 31 December 2024. During the year ended 31 December 2024, the Nomination Committee mainly performed works including:

— identified suitable candidates for directorships and made recommendations to the Board;

— assessed the independence of independent non-executive Directors;

— made recommendations to the Board on the appointment or re-appointment of Directors; and

— reviewed and assessed the implementation of the diversity policy of the Company.

Board Diversity Policy

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance and hence the purpose of the Board Diversity Policy aims to build and maintain a Board with a diversity of directors, in terms of skills, experience, knowledge, expertise, culture, independence, age and gender. These differences will be taken into account in determining the optimum composition of the Board. The Nomination Committee will discuss the measurable objectives for implementing diversity on the Board from time to time and recommend them to the Board for adoption. The Nomination Committee will report annually on the composition of the Board under diversified perspectives, and monitor the implementation of this policy to ensure the effectiveness of this policy. It will also discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

During the Year and at the date of this report, the Board has six Directors, one of which is a female. The Board determines that gender diversity has been achieved in respect of the Board. As at 31 December 2024, the Group hired a total of approximately 825 employees, of whom 50.3% (2023: 51.2%) were male and 49.7% (2023: 48.8%) were female. The Board believes that the proportion has reached the target of gender diversity in terms of overall workforce, and the Group will maintain a similar proportion in the foreseeable future. As for the senior management members of the Group for the Year, namely Mr. Li Shaoan and Mr. Wu Hung Wai, all of whom are male. Since there are only two senior management members, the Board believes that it will be difficult to achieve a certain proportion of female in the short term in light of fewer senior management members, but the Board will still actively consider to include female as senior management members in the future. The Board reviews the implementation and effectiveness of the board diversity policy on an annual basis. The diversity policy formally recognises the practice of ensuring that independent views and input are made available to the Board.

Nomination Policy

The objectives of the Policy are to provide formal, clear and transparent procedures, process and criteria for the Nomination Committee to nominate and recommend a suitable candidate to the Board of the Company either to fill a causal vacancy or as an addition to the Board; or stand for election by shareholders at the general meetings of the Company and to ensure the Board has a balance of skill, experience and diversity of perspectives appropriate to the requirements of the Company's businesses.

The Board is responsible for approving the Policy and any subsequent changes proposed to be made thereto. Nomination Committee is responsible for monitoring and reviewing the Policy and recommend any changes thereto to the Board for its adoption as and when necessary in order to ensure that the Policy remains relevant to the Company's needs and reflects both current regulatory requirements and good corporate governance practice. The ultimate responsibility for selection and appointment of directors rests with the Board.

Nomination Committee and the Board may consider the following factors, which are neither exhaustive nor decisive, when assessing the suitability of a proposed candidate: (1) personal ethics, reputation and integrity; (2) professional qualifications, skills, knowledge and experience that are relevant to the Company's businesses and corporate development and strategy; (3) willingness and ability to devote adequate time to discharge the duties as a director and to make required commitments; (4) the "Board Diversity Policy" adopted by the Company for achieving diversity on the Board with reference to the Company's business model and specific needs, including but not limited to gender, age, educational background and work — profile; and (5) applicable legal and regulatory requirements.

For filling a causal vacancy or appointing an additional director to the Board in accordance with the Articles of Association of the Company, Nomination Committee shall make recommendation for the Board's consideration and approval. For proposing candidates to stand for election at a general meeting, Nomination Committee shall make recommendation to the Board for consideration and approval. Shareholder(s) may nominate a candidate to stand for election as a director at a general meeting. The nomination proposal should include the candidate's biographical information and other information as required to be disclosed under the Listing Rules and the candidate's signed written consent to be appointed as a director and to the publication of his/her personal data on any documents or the relevant websites for the purpose of or in relation to their standing for election as a director. If considered necessary, Nomination Committee may request the candidate to provide additional information and documents. Nomination Committee shall consider the nomination proposal, evaluate such candidate based on the selection criteria and review the structure, size and diversity of the Board to determine whether such candidate is suitable for recommending to the Board. A circular with the candidate information such as the name, brief biography (including qualifications and relevant experience), proposed remuneration, independence and any other information, as required pursuant to the applicable laws, rules and regulations will be provided to shareholders before the general meeting and within the prescribed period as required under Listing Rules. The Board shall have the final decision on all matters relating to the recommendation of a candidate to stand for election at a general meeting.

Dividend Policy

This policy aims to provide shareholders of the Company with stable dividends and sets out the guidelines for the Board of the Company to determine whether dividends are to be declared and paid, and the level of dividend to be paid to the shareholders of the Company.

It is the policy of the Company to allow its shareholders to participate in the Company's profits whilst to retain adequate reserves for future growth. Normally, the Company pays dividends twice a year, which are the interim dividend and final dividend. The Board may declare special dividends in addition to such dividends as it considers appropriate.

In determining the frequency, amount and form of any dividend in any financial year/period, the Board shall consider the following factors: (1) the actual and expected financial results of the Company and its subsidiaries (the "Group"); (2) economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group; (3) the Group's business strategies, including future cash commitments and investment needs to sustain the long — term growth aspect of the business; (4) the current and future operations, liquidity position and capital requirements of the Group; and (5) any other factors that the Board deems appropriate. The dividend payout ratio will vary from year to year. There is no assurance that dividends will be paid in any particular amount for any given period.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation of the financial statements which give a true and fair view of the state of affairs of the Group, in accordance with accounting principles generally accepted in Hong Kong. The statement by the auditor of the Company about their responsibilities for the financial statements is set out in the independent auditor's report contained in this annual report.

External Auditor's Remuneration

The Company engaged PricewaterhouseCoopers as its external auditor for the year ended 31 December 2024. There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditor. The audit fees paid/payable to PricewaterhouseCoopers during the year are RMB2,200,000. There were no significant non-audit service assignments performed by the auditor of the Group.

Risk Management and Internal Controls

The Board is responsible for the risk management and internal control of the Group and for reviewing their effectiveness. Procedures have been designed to ensure maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, ensure compliance of applicable laws, rules and regulations. The risk management and internal control systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage rather than eliminate risks of failure in the Group's operational systems and in the achievement of the Group's business objectives.

Procedures have been set up for safeguarding assets against unauthorized use or disposition, controlling over capital expenditure, maintaining proper accounting records and ensuring the reliability of financial information used for business and publication. Qualified management of the Group maintains and monitors the risk management and internal control systems on an ongoing basis. The Board has conducted a review of the effectiveness of the risk management and internal control system of the Group and is satisfied that the Group has fully complied with the Code in respect of risk management and internal controls during the year ended 31 December 2024.

The procedures of the Group's risk management and internal control systems are as follows:

For risk management:

- Identification: Identify ownership of risks, business objectives and risks that could affect the achievement of objectives.
- Evaluation: Analyze the likelihood and impact of risks and evaluate the risk portfolio accordingly.
- Management: Consider the risk responses, ensure effective communication to the Board and on-going monitor the residual risks.

For internal control:

- Control Environment: A set of standards, processes and structures that provide the basis for carrying out internal control across the Group.
- Risk Assessment: A dynamic and iterative process for identifying and analyzing risks to achieve the Group's objectives, forming a basis for determining how risks should be managed.
- Control Activities: Action established by policies and procedures to help ensure that management directives to mitigate risks to the achievement of objectives are carried out.
- Information and Communication: Internal and external communication to provide the Group with the information needed to carry out day-to-day controls.
- Monitoring: Ongoing and separate evaluations to ascertain whether each component of internal control is present and functioning.

Regarding the code provision on internal audit function which took effect in January 2016, the Company has internal audit function which has been revised and monitored by the Audit Committee as to its effectiveness during the Year.

The Company has its inside information policy and dissemination procedure has regularly reminded its Directors and employees about due compliance with all policies regarding the inside information. Pursuant to the relevant procedures, after an employee is aware of any information which may constitute an inside information, he/she should report to his/her department head or the management of the Group. Upon the Directors and management of the Group having confirmed such information is an inside information, they shall ensure such inside information be kept confidential until the disclosure of such information is appropriately approved, and the dissemination of such information should be efficiently and consistently made. The Company keeps its Directors and employees appraised of the latest regulatory updates in order to ensure the compliance with the regulatory requirements.

The principal risks and uncertainties for the Group can be found in the section entitled "Management Discussion and Analysis" and Note 3 to the consolidated financial statements in this annual report.

Anti-Corruption and Whistle-Blowing Policies

The Group has established anti-corruption and whistle-blowing policies, to provide guidance on identifying relevant breaches or improper behavior, reporting procedures and consequences of violations of such policies.

Employees could whistle-blow to the supervisor for the suspected bribery, extortion, fraud and money laundering issues. Any convicted cases will be reported to the Board. For details of anti-corruption policy, please refer to the "environmental, social and governance report" section.

Company Secretary

The company secretary of the Company is Mr. Wu Hung Wai, whose biography details are set out in the section headed "Biographies of Directors and Senior Management" in this annual report.

Mr. Wu Hung Wai has been informed of the requirement of the Rule 3.29 of the Listing Rules, and he confirmed that he had attained no less than 15 hours of relevant professional training during the year ended 31 December 2024.

Constitutional Documents

There was no change in the constitutional documents of the Company during the year ended 31 December 2024.

Procedures by which Enquiries may be Put to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the company secretary of the Company by mail at Suite 2812, 28/F., Tower Two, Times Square, no. 1 Matheson Street, Causeway Bay, Hong Kong. The company secretary of the Company is responsible for forwarding communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions and inquiries, to the chief executive officer of the Company.

Procedures for Convening General Meetings by Shareholders

Pursuant to Article 64 of the Articles of Association, the Board may whenever it thinks fit call extraordinary general meetings. Extraordinary general meetings shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary of the Company by mail at Suite 2812, 28/F., Tower Two, Times Square, no. 1 Matheson Street, Causeway Bay, Hong Kong for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for Putting Forward Proposals at Shareholders' Meeting

Shareholders are requested to follow Article 64 of the Articles of Association for including a resolution at an extraordinary general meeting. The requirements and procedures are set out above in the paragraph headed "Procedures for convening general meetings by shareholders".

Pursuant to Article 113 of the Articles of Association, no person (other than a retiring Director) shall be eligible for election to the office of Director at any general meeting unless a notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the Head Office or at the Registration Office no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days.

Communication with Shareholders

The Company has established several channels to communicate with the shareholders: (i) corporate communications such as annual reports, interim reports and circulars are issued in printed form and are available on the Stock Exchange's website at www.hkexnews.hk and the Company's website; (ii) periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company; (iii) corporate information is made available on the Company's website; (iv) annual and extraordinary general meetings provide a forum for the shareholders to make comments and exchange views with the Directors and senior management; and (v) the Hong Kong branch share registrar of the Company serves the shareholders in respect of share registration, dividend payment and related matters.

After taking into account that the shareholders have multiple channels to communicate their views as mentioned above as well as the steps taken by the Board to solicit and understand the views of shareholders and stakeholders during the year ended 31 December 2024, the Board's review of the implementation and effectiveness of the shareholders' communication policy was found to be sound and adequate. The Company will continue to maintain an open and effective investor communication policy and to update investors on relevant information on the Group's business in a timely manner, subject to relevant regulatory requirement.

REPORTING SCOPE, MATERIALITY AND PERIOD

This Environmental, Social and Governance ("ESG") report ("ESG Report") is prepared by the Company. This ESG Report is published in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") as set out in Appendix C2 to the Listing Rules and the "comply or explain" provisions contained therein. The reporting period of the information contained in this ESG Report is from 1 January 2024 to 31 December 2024 ("the Reporting Period").

Publication Cycle and Versions of and Access to the Report

This ESG Report is an annual report, which is available in both English and traditional Chinese. An electronic version of the Report can be downloaded from the website of the Stock Exchange as well as the official website of the Group (www.jiayaoholdings.com). In the event of any conflicts or inconsistencies between the English and Chinese versions, the English version shall prevail.

Contact Us

The Group welcomes and values opinions from every stakeholder. We promise to adopt their opinions as appropriate to promote sustainable development. Should you have any opinions regarding this ESG Report or ESG approach and performance of the Group, please contact us through email to jiayao@lynco.com.hk.

Reporting Principle and Scope

This ESG Report covers our strategies, accomplishments and ongoing measures to enhance our ESG performance, while identifying ESG risks and challenges that induce significant impacts to our operations and are of the greatest interest or concern to stakeholders. In this regard, this ESG report contains qualitative and quantitative information about our approaches, initiatives and priorities in achieving our ESG objectives and managing relevant risks.

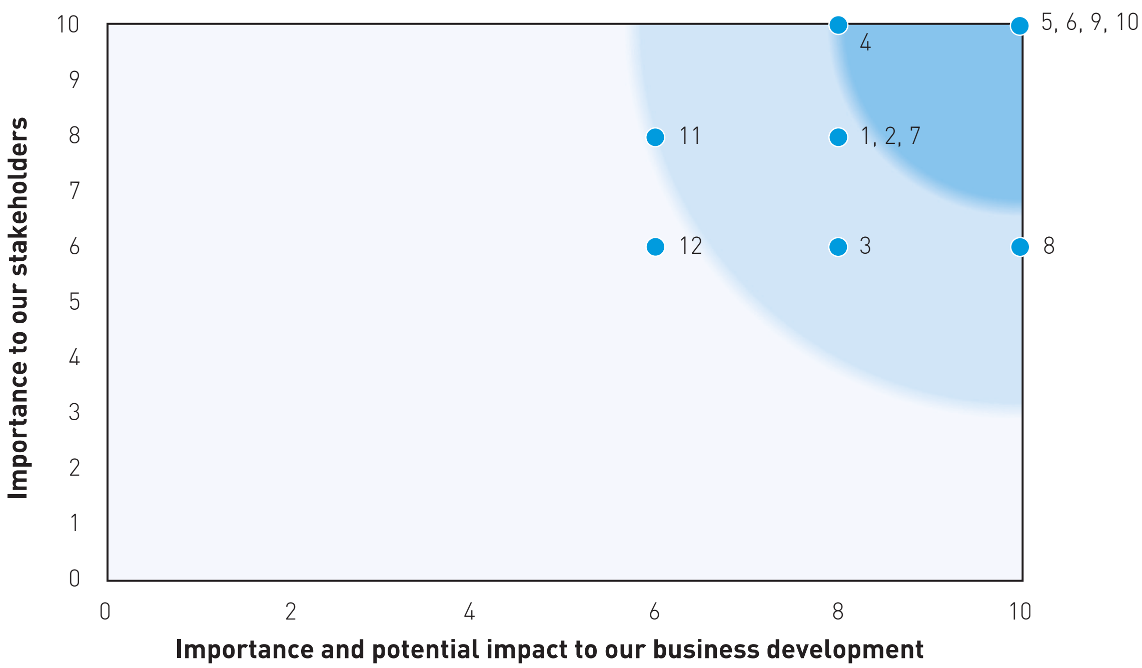
This qualitative and quantitative information covers mainly the Group's principal business operations of manufacture of paper cigarette and social product paper packages and manufacture of electronic cigarettes during the Reporting Period. These businesses are mainly operated in the Group's headquarters and production facility for cigarette packaging products in Hubei Province, the production facility and offices in Guangdong Province and Hong Kong office. This ESG Report was prepared by the management and employees of the Group. All information contained herein comes from official documents or statistical reports of the Group. This report has been reviewed and approved by the Board of Directors.

Regarding the corporate governance structure of the Group and other relevant information, please refer to the Corporate Governance Report on page 18 to 30 in this annual report.

Materiality Assessment

This ESG report serves as an important channel to communicate our ESG approaches with our stakeholders. Hence, we have conducted a materiality assessment which examines the importance of various issues to our stakeholders as well as the potential impact to our business development. The findings and results of the materiality assessment were set out below in the materiality matrix:

		Stakeholders	Company
1	Employee development	8	8
2	Reward to employee	8	8
3	Employee rights and equal opportunities	6	8
4	Occupational health and safety	10	8
5	Corporate governance	10	10
6	Product and service quality	10	10
7	Supply chain management	8	8
8	Financial performance	6	10
9	Customer privacy/intellectual property rights	10	10
10	Business ethics and anti-corruption	10	10
11	Environmental policy and impact	8	6
12	Community investment	6	6



Issues that are of most critical and material to our stakeholders and with greatest impact on our business success

Issues that are important to both our stakeholders and our business development

Issues that are relatively less important to both our stakeholders and our business development

Stakeholder Groups, Their Concerns and How We Engage with Them

We understand that stakeholder engagement plays a pivotal role to our continuous effort in improving our ESG standard. Therefore, we have built and maintained for our shareholders, customers, employees, suppliers, other stakeholders and all interested parties various communication channels. We also endeavour to provide our stakeholders with clear information about our approaches to business operation and ESG issues. These include, but are not limited to, statutory announcements, circulars, financial reports, shareholders' meetings, corporate websites and electronic correspondence.

Stakeholder groups	Key topics of interest	How we engage
Employees	Labour rights; Employee engagement; Promotion and development opportunities; Health and safety	Staff newsletter; Staff training; Staff appraisal and survey
Shareholders and investors	Financial performance; Corporate governance; Compliance and ESG performance	Results announcement and financial reports; Shareholders' meeting/investor meeting
Customers	Quality and pricing of services and products; Protection of data privacy and intellectual property	After-sales survey and follow-up communication; Promotional and marketing materials
Suppliers/business partners	Responsible supply chains; Business continuity and conduct; Product specifications and quality expectations	Supplier visits and meeting; Feedback on service and products
Governments and regulators	Governance; Relevant regulated information; Labour rights; Economic contributions; Environmental impact and compliance	Financial reports; Disclosure in accordance with relevant regulations
Non-government organisations and local communities	Environmental protection commitment; Community support and engagement	Meeting and call with relevant organisations

ENVIRONMENTAL ASPECTS

The Group understands and has always been aware of the increasing awareness of environmental protection from both the government and the customers and therefore pays close attention to ensure that operations comply with the environmental protection laws and regulations in the PRC. The Directors are also of the view that our production process does not generate hazardous wastes that will cause any significant adverse impact on the environment. The Group also endeavours to implement more cost-effective and environmentally friendly printing technology and to comply with the environmental protection laws and regulation. During the Reporting Period, the Group has complied with the relevant laws and regulations relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous wastes that have a significant impact on the Company in all material respects.

Emission

During the Reporting Period, the Group has complied with relevant laws and regulations that have significant impacts on the Group relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. These laws and regulations include, but not limited to, the Environmental Protection Law of the People's Republic of China《中華人民共和國環境保護法》, Law of the People's Republic of China on Prevention and Control of Pollution From Environmental Noise《中華人民共和國環境噪聲污染防治法》, Law of the People's Republic of China on Appraising of Environment Impacts《中華人民共和國環境影響評價法》, Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes《中華人民共和國固體廢物污染環境防治法》 and Decision of the State Council on Several Issues Concerning Environmental Protection《國務院關於環境保護若干問題的決定》.

Greenhouse Gas and Exhaust Gas Emissions

The Group has formulated a stringent production control system, with an aim to minimising direct and indirect greenhouse gas emissions and reducing energy consumption. The Group's ongoing initiatives include and are not limited to enhancing production and energy efficiency, upgrading production technology, adopting building design that provides better natural lighting, as well as stepping up reforestation efforts and so on. In addition, we pay close attention to the environmental risks along our supply chain as we attach the same importance to the production environment of our suppliers and business partners. Through ways such as daily communication and site visit, we gain a better understanding and assurance of their environmental control levels. Suitable arrangements are made for the delivery of raw materials from our suppliers and delivery of products to our customers, including optimising travelling routes and regular check of vehicles, so as to minimise exhaust gas emissions produced during the delivery process.

Sewage Discharge

With the wastewater and pollutant discharge permit for our operations in Hubei Province and Guangdong Province, the domestic and industrial wastewater produced during operation is allowed to be discharged to the municipal wastewater system after being treated through grease trap and septic tank. In manufacturing base, during the manufacturing procedures, a small amount of wastewater is produced after the cleaning of equipment. The wastewater is also treated in our wastewater treatment facilities before discharge. All these procedures meet the requirements stipulated by relevant national laws and regulations.

Waste Treatment

Our approach to minimising waste and waste to landfill associated with our business operations largely focused on reduction, reuse and recycle of waste from our products, packaging and production process through improving relevant manufacturing processes. Waste is classified by types. While we try to reuse paper and other reusable waste, scrap metal, toner cartridges and ink cartridges, large water bottles and other non-reusable waste are collected and handled by third-party qualified organisation, or are disposed of at area as designated by the property management office of the office premises. We regularly monitor our resource consumption level to avoid unnecessary wastage. Under reasonable circumstances, we will use raw materials that are more environmental-friendly and make products that are reusable or degradable, so that we are able to reduce wastes associated with our products. Our philosophy is to gradually put reusable value to ocean waste and landfill materials, and raise awareness of environmental protection and responsible disposal of waste, with a view to making contribution to waste reduction.

Performance indicator of emissions		2024 data	2023 data
Greenhouse gas	Direct emission fuel consumption (ton)	**1,890.0**	2,462.0
	Indirect emission electricity consumption (ton)	**122.6**	146.5
Emission	Total carbon dioxide emission (CO_2) (ton)	**2,012.6**	2,608.5
	Total nitric oxides NO_x emission (ton)	**3.8**	4.8
	Total greenhouse gases emission per million RMB of goods sold (ton)	**3.0**	3.4
Hazardous waste	Solid and liquid hazardous from production and water treatment (ton)	**175.0**	198.2
	Total hazardous waste produced per million RMB of goods sold (ton)	**0.3**	0.3
Non-hazardous waste	Non-hazardous waste (ton) (office waste, paper, plastic not suitable for recycle, household waste from canteen and dormitories)	**49.6**	40.2
	Total non-hazardous waste produced per million RMB of goods sold (ton)	**1.6**	0.2

Use of Resources

In order to promote saving on utilisation of energy and resources in the factories and minimising the impact of the Group on the environmental and natural resources, the Group promotes various practices to staff are as follows:

Water resources control

(1) The Group is committed to the guarantee of water supply installation and maintenance, and to ensuring that water supply is at its optimal working condition. When leakage is discovered, it will be repaired timely; and

(2) The Group educates each employee to save water, and to encourage the reuse of water in order to reduce water consumption, so as to reduce sewage from the source.

Electricity control

(1) Lights and electronic appliances in living area or workplace must be turned off when not in use;

(2) The use of electricity in production must strictly comply with Electricity Law of the PRC to ensure normal production with adherence to the principles of power saving, safety first, high efficiency and low consumption;

(3) To ensure no unnecessary use of resources at production lines; and

(4) Every staff must turn off the power for each department's computers, photocopy machines, printers and facsimile machines when they are off duty or on leave.

Office consumables consumption management

(1) Other than formal documents materials that require the use of papers, each department is advised to handle documents electronically. When the use of paper is required, each paper must be printed double-sided. Single-sided printing is strictly prohibited (except for confidential documents); and

(2) No printing and photocopying of materials unrelated to work.

Energy consumption and use of resources		2024 data	2023 data
Energy	Fuel and Gas (Mwh)	**1,013,127.5**	1,137,238.0
	Electricity (Mwh)	**14,564.9**	17,751.1
	Energy consumed per million RMB of goods sold (Mwh)	**1,561.1**	1,560.6
Water	In M^3 (Consumption by production, canteen and dormitory)	**100,136.4**	101,987.2
	Water consumed per million RMB of goods sold (M^3)	**263.0**	334.9
Paper	Total paper consumed by production (ton)	**19,821.7**	19,792.0
E-liquid	Total E-liquid consumed by production (ton)	**26,057.5**	73,066.7
Nicotine	Total Nicotine consumed by production (kg)	**1,985.5**	1,853.0
Batteries	Total batteries consumed by production (ton)	**3,728.4**	238.7
Bucket	Total bucket consumed by production (PCS)	**6,853.0**	6,723.0
Packaging material	Packaging materials are mainly nylon tape and PP shrinkage film (ton)	**80.0**	80.0
	Packaging materials consumed per million RMB of goods sold (ton)	**0.110**	0.105

Raising Awareness

We believe that it is critical that our employees share the same values to protect our environment. Hence, we have stepped up our efforts in promoting environmental awareness among our employees. We often put up various notices to remind them of our environmental protection measures and provide updates and information about environmental issues and the Group's latest environmental initiatives. We have also codified and drawn up a set of safety and environmental protection manual for employees to heighten their awareness, and arranges relevant training and emergency drill regularly.

Climate Change

In 2024, climate change was overshadowed by political issues, but it did not become less relevant. We saw a greater need to protect ecosystems and biodiversity and recognise that climate change has emerged as one of the biggest threat facing our planet Earth. It creates major risks and potential impact on our community and operations. These risks include extreme weather events, which occur more frequently in recent years and are able to paralyse transportation and road systems, resulting supply shortage of water or other resources, and suspension or hindrance of our business operations. We also believe that the pressing importance of addressing climate change will prompt future changes in regulations, technological requirements and market responses to our operations. For instance, we expect new greenhouse gas emission limit, stricter laws to hold companies accountable for damaging environment, requirement to adopt renewable energy in the future. All of these imply financial and social impact to our business and wide-scale of changes in operational structure.

Therefore, we have a duty to helping the world better manage climate risk and improve resilience against it. We must reinforce our internal governance by reviewing our environmental policies from time to time, and minimise our environmental impacts throughout our value chain. In future, we will proactively explore the use of clean energy when feasible, and reduce our reliance on traditional fossil fuel, thereby lower our indirect greenhouse gas and exhaust gas emissions. We will maintain close communication with our suppliers and work together to develop contingency solutions for supply chain disruption or other relevant issues. We also keep a watchful eye on any changes in environmental regulations while acquiring new knowledge and technology.

Social Aspects

		Quantity		Turnover rate	
Employment Data	**Unit**	**2024**	2023	**2024**	2023
Total employees	no. of people	**825**	1,656	**17.5%**	18.9%
By gender	percentage				
— Male		**50.3**	51.2	**15.3%**	16.5%
— Female		**49.7**	48.8	**21.8%**	22.8%
By employment type	percentage				
— Permanent		**72.3**	71.5	**19.1%**	18.3%
— Full-time contracted		**27.7**	28.5	**19.9%**	19.7%
By rank	percentage				
— Senior executives and executives		**14.8**	15.2	**6.9%**	7.3%
— Others		**85.2**	84.8	**20.3%**	21.9%
By age	percentage				
— 16–25		**24.2**	14.6	**17.5%**	19.8%
— 26–35		**42.1**	34.5	**15.7%**	16.3%
— 36–45		**26.6**	32.6	**18.4%**	17.5%
— 46 or above		**7.1**	18.3	**10.3%**	9.8%
By geographical region	percentage				
— China		**99.9**	99.9	**16.9%**	17.1%
— Hong Kong		**0.1**	0.1	**0%**	0%

People are our most important asset to a business. They enable us to achieve our goals and deliver for our customers. In times of great change and transformation under the threat of pandemic, the skills, diverse perspectives and experience of our employees are in particular crucial to innovation. Our people philosophy is about helping our employees to grow the right, necessary skills to deliver what our customers need, making sure that they feel valued in their role in our company, and equipping them with the mindsets and skills for their career development.

Recruitment and Remuneration Policies

The Group endeavours to provide a fair, safe and respectful workplace environment for our staff. The Group has formulated and strictly implemented a set of comprehensive human resources management system, which is in compliance with the Employment Ordinance (Chapter 57 of the Laws of Hong Kong)《僱傭條例》, the Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong)《最低工資條例》, the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)《僱員補償條例》, the PRC Labour Law《中華人民共和國勞動法》, the PRC Labour Contract Law《中華人民共和國勞動合同法》and other prevailing laws and regulations.

As regards staff recruitment, the Group, based on the principle of fairness and market condition for human resources, generally takes into account its business needs and candidates' experiences as main considerations. Except for special causes such as positions which are too physically demanding that we do not deem them the suitable roles for female employees and we want to avoid risks of occupational injuries, the Group does not decline to hire candidates or intends to dismiss any employees for their gender, family status or other unreasonable grounds.

The Group determines employees' starting salaries, welfare packages and their remuneration adjustments according to job nature, qualifications and performance as well as market conditions, with reference to his/her performance appraisal. We also encourage internal promotion to provide fair and sufficient opportunities for promotion and salary increment as the recognition and reward of the employee's performance.

The Group also pays social insurance and housing provident fund for its staff and provides commercial insurance and supplemental medical benefit, as well as offers employees with annual leave and determines working hours in accordance with the applicable laws and industrial practice of the region.

Equal opportunity, inclusion and diversity

We embrace diversity and inclusion. Given our business nature and geographical location of our operations, we do not encounter relevant issues and do not see potential risks that have a significant bearing to our business. However, we reiterate that we ensure that no specific requirements or conventions on gender, age and race are set for our recruitment and staff promotion process.

The Group also ensures that all employees share equal opportunities, and no employee will suffer from any discrimination or be deprived of any treatment due to gender, age, race, disability, marital and family status, sexual orientation or any other reasons. If employees encounter discrimination or mistreatment at work, the Group will pursue internal investigation and take rectifying measures.

Dismissal Policy

In situations where an employee violates the Group's regulations or consistently performs his or her duties below an acceptable level, or any serious misconduct, changes in the Group's human resources structure, our human resources department will follow a series of procedures to terminate his or her employment contract. Terms and conditions relating to dismissal are enumerated in employment contract and other employment policy manual and would be done according to the relevant labour laws and regulations.

Staff Communication

We care for our employees and believe that harmonious employment relationship is conducive to the stable development of the Company. We do our best to maintain open dialogue with them to have a better understanding of and track progress against their career goals. Staff is required to participate in the annual performance appraisal, thereby building a platform for employees to be clear about how they intend to achieve the career objectives and how their performance should be recognised.

During the Reporting Period, there was no incident of non-compliance with the relevant laws and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare.

Occupational Health and Safety

The Group manages the hygiene and safety of its plants in accordance with the relevant laws and regulations of occupational health and safety. It also holds safe production and fire safety training on a regular basis, in order to raise the safety awareness of its employees. The Group provides its employees in the PRC with labor protection supplies such as gloves, masks and work uniforms, etc., so as to ensure the safety and health of the employees. Should the employees suffer from any illness or debilitating condition or are considered by the Group to be in need of health protection based on their health inspection results, the Group will limit their job duties, redesignate their post temporarily, applying treatment and other health care measures.

During the Reporting Period, we had not experienced any material or prolonged stoppages of production due to equipment failure and we had not experienced any severe accidents during our production process. We have also complied with all relevant laws and regulations that have significant impacts on the Group relating to the provision of a safe working environment and the protection of our employees from occupational hazards. The Group achieved zero work related fatality in each of the past three years including the reporting year. It was 9 days lost due to work injury during the Reporting Period.

Development and Training

Training statistics	Unit	Quantity 2024	2023
Total number of employees trained	no. of people	**825**	1,582
Trained employees as a percentage of total number of employees	percentage	**97.1**	95.5
Total training hours	no. of hours		
By gender			
— Male		**976**	1,647
— Female		**965**	1,569
Average training hours	no. of hours		
By gender			
— Male		**2.2**	1.9
— Female		**2.4**	1.9
Total training hours	no. of hours		
By position			
— Executives		**293**	544
— Others		**2,049**	2,672
Average training hours	no. of hours		
By position			
— Executives		**8.0**	4.2
— Others		**3.5**	2.5

Realising the potential of our most talented people is integral to our long-term success. We are committed to creating a culture where everyone is able to take control of their career development as we support our employees to develop their potentials and enhance their capabilities. We provide trainings or support our employees to join external trainings on production techniques, industry knowledge, regulatory requirements, operation management, and so on. We believe that, by continuing to invest in developing our staff, the Group is able to build a sustainable business with next generation of business leaders. These training programmes are connected with our employee development and reward policies, which are designed to develop, motivate, reward and retain high calibre employees to deliver business success. Although participating and completing our training programme does not automatically guarantee immediate career progression, we offer ample opportunities for promotion and a significantly enhanced role, given the continued growth of the Group.

Labour Standard

Our policy is to respect the dignity, wellbeing and human rights of our employees, the workers in our supply chain and the communities in which we operate. We believe acting ethically and responsibly is the right thing to do for our business. Child labour, forced labour and modern slavery are not acceptable in our company. This principle underpins our employment policy. The Group is in strict compliance with the Employment Ordinance (Chapter 57 of the Laws of Hong Kong) and Regulations on Labour Security Supervision issued by the State Council of the PRC, and takes reference to international labour standards in formulating internal guidance and labour system. All recruitment procedures and promotions are strictly supervised by the Group's human resources management system.

We have set guidelines detailing our position and what we consider as best practices, and strictly monitor all employees (including directors and all levels of staff) to eradicate all violations. Employees' rights are clearly described in employee manual and employment contracts as they are encouraged to speak out if they are exploited or forced to work unethically against their will. The Group will conduct investigations, punishment or dismissal of employees who violate our policy. If necessary, the Group will further improve the labour mechanism against illegal behaviours.

We also work closely with our suppliers and business partners to avoid any practices that might contravene human rights. These malpractices include involuntary relocation of local communities, inappropriate use of force, providing unfair remuneration and so on.

In addition, the Group is committed to protecting its staff from any humiliation, intimidation, threatening and harassment and bullying in any other forms at workplace. In case of violation, the Group will promptly conduct investigation, as well as dismiss and punish employees in breach of such policy, whilst improving its labour system to address the issues. During the Reporting Period, there was no incident of non-compliance with the relevant laws and regulations that have a significant impact on the Group relating to child and forced labour.

The Group strictly complies with Prohibition of Child Labour Provisions《禁止使用童工規定》of the People's Republic of China and other laws and regulations on labour standards. Background check was conducted for every new employee during the recruitment process to ensure compliance with laws and regulations in Mainland China and Hong Kong. During the Reporting Period, there are no major violations of laws and regulations in relation to child labour and forced labour.

During the Reporting Period, there were no violations of child labor and forced labor. If such a violation is found, we will immediately organize human resources to verify it, properly handle the relevant personnel, and strictly prevent the recurrence of this situation.

Supply Chain Management

We want to ensure that sustainability is an integral part of our sourcing and procurement activities. We aim to make a positive social, environmental and ethical impact through our procurement practices. That idea extends to the products and services we purchase, contractual agreements that we enter into, and business partners that we work with. We strive to ensure minimum standards, such as acceptable labour conditions, compliance with environmental laws, and transparency related to health and safety, and data security.

We choose suppliers based on their business records, products and services quality, cost, after-sale services and transportation and other factors. We periodically invite suppliers to provide us samples for pre-assessment and our procurement department maintains a list of qualified suppliers which have passed our internal assessment as potential suppliers for future purchases.

For the purpose of selecting a supplier for procurement of raw materials, we typically invite our pre-assessed suppliers to participate in a fair, just and open tendering procedure and we assess the tenders based on their quality, price and our purchasing history. Once a supplier is selected after the close of a tender, we typically enter into a fair and reasonable supply contract with the supplier to avoid any exploitation before placing orders to procure the raw materials we require. In addition, provisions for environmental protection are incorporated into certain contracts, requesting contractors and/or suppliers to strictly observe the requirements of environmental protection. In addition to assessing our suppliers on environmental performances, we also closely monitor the quality, cost, service and delivery of their products, as well as their commitments to high moral standards, when performing their contractual obligations. In case our suppliers fail to comply with any applicable laws and regulations or are unable to fulfill their contractual obligations, we will replace them and take legal actions for any related losses when necessary. The major suppliers of the Group are as follows: 3 suppliers at Fujian, 568 suppliers at Guangdong, 5 suppliers at Jiangxi, 1 supplier at Anhui, 3 suppliers at Hubei, 1 supplier at Henan, 4 suppliers at Jiangsu, 3 suppliers at Shandong, 2 suppliers at Hebei, 2 suppliers at Shanghai, 7 suppliers at Zhejiang and 2 suppliers at Chongqing.

Product Social Responsibility

The products delivered by the Company are all formulated with internal control standards in line with national standards. All production operators need to undergo technical training, so that the operators can master the technical requirements of the process and operate only after they are qualified. The Group was engaged in regulated operations in strict compliance with ISO 9000 quality system standards. The total products sold or shipped do not require to be recalled for safety and health reasons during the Reporting Period.

The Group have a production quality verification process. Once a complaint is received, the Group should organize manpower to investigate the situation immediately, and the responsible staff should go to the site in the first time and assign someone to implement the investigation records, actively communicate and coordinate with the parties concerned to solve the problem, and take the corresponding measures. The Group had no complaint regarding its products during the Reporting Period.

Products quality should be monitored in the whole process of production, with ensuring real-time quality monitoring, raw materials, processing products, finished products should also be inspected in strict accordance with company's inspection procedures. The sale department is responsible for investigating and handling customer complaints regarding after-sale services and product delivery and giving feedback on the rectification measures. Products that have been approved to be returned are temporarily placed in a designated area, marked and isolated by the production workshop, which will notify the quality management department for re-inspection.

Privacy and Intellectual Property Policies

We fully understand the importance of intellectual property rights. Our core production technology and critical production processes are crucial to our continued success and development. Any infringement of our intellectual rights may seriously affect our business and reputation. Therefore, we aspire to protect our patents, brand, trademark and other intellectual property rights and eradicate all infringement of our intellectual property rights. We also ensure that our business operation processes are in compliance with the Trademark Law of the PRC《中華人民共和國商標法》, the Implementation Rules of the PRC Patent Law《中華人民共和國商標法實施條例》, the Contract Law of the PRC《中華人民共和國合同法》, the Intellectual Property Law of the PRC《中華人民共和國知識產權法》, the Anti-unfair Competition Law《反不正當競爭法》and other relevant laws, administrative regulations, national standards and industrial standards.

We have a privacy policy, pursuant to which all personal and corporate data must be collected in compliance with all relevant privacy laws. We requested our staff to protect our customers' privacy and handle all commercially sensitive or confidential information in strict confidence. When cooperating with other companies, the Group enters into corresponding confidentiality agreements, whereby collection, use, storage and deletion of data including third-party patent technology are regulated, while the scope within which such confidential information can be informed of is delimited, in order to prevent any misuse or leaks.

Anti-corruption

In the staff handbook, one of the most important rules that the Group requires all members of staff to observe is that they must maintain honesty, refuse corruption, refuse to accept kickbacks, and they must not misappropriate the Group's funds and properties, must not abuse power for own interests, and that all gifts received must be handed to the Company. Employees could whistle-blow to the supervisor for the suspected bribery, extortion, fraud and money laundering issues. Once discovered, it will be reported to police for prosecution. The Group provided anti-corruption training for directors and staff every year. There was no any legal case regarding corrupt practices brought against the Group or its employees during the year ended 31 December 2024. During the Reporting Period, the Group has complied with the relevant laws and regulations that have a significant impact on the Company relating to bribery, extortion, fraud and money laundering in all material respects.

Community Involvement

We seek to create and contribute to social value in the communities through bringing positive social and economic benefits that are generated by our core business. We aspire to build meaningful long-term relationships with the communities where we operate in. When we can, we employ local people and purchase local goods and services through our supply chains. Besides, the Group actively explores options in coordinating charitable activities and collaborating with other organisations in different areas, such as education, culture, poverty relief, and so on. We aim to demonstrate positive influence of corporate values by raising employees' awareness of caring for the community and mutual help.

During the year, the Group actively communicated with different institutions in the community where it located, understands their situation, organises and participates in various community activities. We will take their view into consideration when planning for our business operations. We also encourage our staff to actively participate in community activities and promote the relationship between our employees and community.

The Directors are pleased to present to the Shareholders this annual report and the audited consolidated financial statements for the year ended 31 December 2024 (the "Year").

Principal Activities

The principal business activity of the Company is investment holding. The principal activities and other particulars of the Company's subsidiaries are set out in Note 11 to the consolidated financial statements in this annual report.

Results

The results of the Group for the Year are set out in the consolidated statement of comprehensive income on page 59 of this annual report.

Final Dividend

After observing and analyzing the market, the directors of the Company believe that funds should be reserved to continue investing in the development of the e-cigarette business, including expanding market share, entering new markets and launching new products. The company attaches great importance to long-term development and continues to invest in the e-cigarette business to seize market opportunities in order to pursue higher profits and returns, thereby increasing the long-term value of shareholders.

In view of the above, the Board does not recommend the payment of a final dividend for the year ended 31 December 2024 (2023: nil).

Closure of Register of Members

The annual general meeting is scheduled to be held on Friday, 20 June 2025.

For the purpose of determining shareholders who are entitled to attend and vote at the annual general meeting, the register of members of the Company will be closed from Tuesday, 17 June 2025 to Friday, 20 June 2025, both days inclusive. In order to qualify for the right to attend and vote at the annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Union Registrars Limited at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration no later than 4:00 p.m. on Monday, 16 June 2025.

Major Customers and Suppliers

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers of continuing operation respectively during the Year is as follows:

	Percentage of the Group's total	
	sales	purchases
The largest customer	11%	
Five largest customers in aggregate	32%	
The largest supplier		21%
Five largest suppliers in aggregate		52%

None of the Directors, their close associates or any Shareholders to the Company (which, to the best knowledge of the Directors, own more than 5% of the Company's shares) had any interests in the Group's five largest customers or suppliers.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the Year are set out in Note 14 to the consolidated financial statements in this annual report.

Bank Borrowings

Details of bank borrowings of the Group as at 31 December 2024 are set out in Note 26 to the consolidated financial statements in this annual report.

Summary Financial Information

A summary of the published results and assets, liabilities of the Group for the last five financial years, as extracted from the audited financial statements in this annual report and the prospectus, is set out on page 122. This summary does not form part of the consolidated financial statements in this annual report.

Share Capital

Details of the Company's share capital for the Year are set out in Note 20 to the consolidated financial statements in this annual report.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Articles of Association or the laws of Cayman Islands.

Purchase, Sale 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 on the Stock Exchange or any other stock exchange, by private arrangement or by general offer throughout the year ended 31 December 2024.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in note 21 and note 32 to the consolidated financial statements in this annual report.

Directors

As at the date of this annual report, the Directors are:

Executive Director

Mr. Yang Yoong An

Non-executive Directors

Mr. Feng Bin
Mr. Yang Fan

Independent non-executive Directors

Ms. Guo Wei
Mr. Gong Jinjun
Mr. Wang Ping

In accordance with Article 108(a) of the Articles of Association, at each annual general meeting, one-third of the Directors for the time being will retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors who shall retire in each year will be those who have been longest in the office since their last re-election or appointment but as between persons who become or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Directors' Service Agreements

The executive Director has entered into a service agreement with the Company for a term of three years commencing from 18 February 2025, subject to the termination provision therein. The executive Director or the Company may terminate the appointment by giving the other party not less than two months' prior notice in writing.

Each of the non-executive Directors has entered into a service agreement with the Company for a term of three years commencing from 18 February 2025, subject to the termination provision therein. Each of the non-executive Directors or the Company may terminate the appointment by giving the other party not less than two months' prior notice in writing.

Each of the independent non-executive Directors has renewed the service agreement with the Company as an independent non-executive Director for a term commencing from 7 June 2024 and ending on the conclusion of the 2024 annual general meeting of the Company to be held in 2025. Each of the independent non-executive Directors or the Company may terminate the appointment by giving the other party not less than two months' prior notice in writing.

No Director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

Biographies of Directors and Other Senior Management

The biographical details of Directors and other senior management are disclosed in the section headed "Biographies of Directors and Senior Management" on pages 15 to 17 of this annual report.

Emolument Policies and Directors' Remuneration

The Directors' remuneration is subjected to shareholders' approval at general meetings with reference to the recommendation of the Group's Remuneration Committee. The Group's emolument policies are formulated based on the performance of individual employees and are reviewed regularly. Subject to the Group's profitability, the Group may also provide a discretionary bonus to its employees as an incentive for their contribution to the Group. The primary goal of the remuneration policy with regard to the remuneration packages of the Group's executive Directors is to enable the Group to retain and motivate executive Directors by linking their compensation with performance as measured against corporate objectives achieved.

None of the Director waived his/her emoluments nor has agreed to waive his/her emoluments for the year ended 31 December 2024.

Directors' Interests in Contracts

There was no transaction, arrangement or contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest (either directly or indirectly) subsisted as at 31 December 2024 or at any time during the year ended 31 December 2024.

Controlling Shareholders' Interests in Contracts

No transaction, arrangement or contract of significance has been entered into between the Company or any of its subsidiaries and the controlling Shareholders or any of their subsidiaries at any time during the year ended 31 December 2024.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2024.

Permitted Indemnity Provisions

Pursuant to the Articles of Association, the Directors, managing Directors, alternate directors, the auditor, secretary and other officers for the time being of the Company shall be indemnified and secured harmless out of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by or about the execution of their duty in their offices or in relation thereto. Such provisions were in force during the year ended 31 December 2024 and as of the date of this report.

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 31 December 2024 and 2023.

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 year ended 31 December 2024, the total amounts of RMB14,304,000 (for the year ended 31 December 2023: RMB12,703,000) 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.

Distributable Reserves

Pursuant to the relevant rules of the Cayman Islands, the Company's distributable reserves as at 31 December 2024 amounted to approximately RMB152.7 million (as at 31 December 2023: approximately RMB152.7 million).

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 31 December 2024, 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 the associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests which they are taken or deemed to have under such provisions of the SFO) or which, pursuant to section 352 of the SFO, have been entered in the register referred to therein, or have been, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules on the Stock Exchange, notified to the Company and the Stock Exchange were as follows:

(i) Long positions in the shares of the Company

Name	Capacity/Nature of interest	No. of ordinary shares held	Percentage of interest *(Note 3)*
Mr. Yang Yoong An ("Mr. Yang")	Interest of a controlled corporation *(Note 1)*	418,724,000	69.79%

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

Name	Name of associated corporation	Capacity/ Nature of interest	No. of ordinary shares held	Percentage of interest
Mr. Yang	Spearhead Leader Limited	Beneficial owner	1	100%

Notes:

1. Mr. Yang beneficially owns the entire issued share capital of Spearhead Leader Limited. Therefore, Mr. Yang is deemed, or taken to be, interested in 418,724,000 shares of the Company held by Spearhead Leader Limited for the purpose of the SFO. Mr. Yang is the sole director of Spearhead Leader Limited.

2. Calculated on the basis of 600,000,000 shares of the Company in issue as at 31 December 2024.

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

So far as is known to the Directors, as at 31 December 2024, the following persons (not being a Director or chief executive of the Company) had interests or short positions in 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 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	Percentage of shareholding *(Note 2)*
Spearhead Leader Limited	Beneficial owner	418,724,000	69.79%
Ms. Cai Yaohui ("Ms. Cai")	Interest of spouse *(Note 1)*	418,724,000	69.79%

Notes:

1. Ms. Cai is the spouse of Mr. Yang. Accordingly Ms. Cai is deemed, or taken to be, interested in all shares of the Company in which Mr. Yang is interested in for the purpose of the SFO.

2. Calculated on the basis of 600,000,000 shares of the Company in issue as at 31 December 2024.

Save as disclosed above, as at 31 December 2024, 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 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 service 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 5% of the shares of the Company in issue as at the date of this annual 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 shareholders, 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 HKD5,000,000 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 is determinable 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 adopted on 6 June 2014 has expired on 5 June 2024.

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.

On 7 December 2022, the Company granted a total of 30,000,000 share options to a total of 21 selected employees of the Group to subscribe for a total of 30,000,000 ordinary shares of HK$0.01 each in accordance with the share option scheme adopted on 6 June 2014. For details, please refer to the announcement of the Company dated 7 December 2022. As at 1 January 2024 and 5 June 2024, the number of share options available for grant under the Share Option Scheme was nil. No service provider sublimit was set under the Share Option Scheme. The total number of shares that may be issued in respect of options granted under all schemes of the Company during the financial year ended 31 December 2024 divided by the weighted average number of shares of the relevant class in issue for the year was 4.3%.

The following table discloses the movements in the Company's share options during the period ended 31 December 2024:

Grantees	As at 1 January 2024	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	Outstanding as at 31 December 2024	Date of grant	Exercisable period	Exercise price
Mr. Li Shaoan (李少安)	3,600,000	–	–	–	3,600,000	7 December 2022	From the Vesting Date to 6 December 2032	HK$1.00
Mr. Wu Hung Wai (吳鴻偉)	100,000	–	–	–	100,000	7 December 2022	From the Vesting Date to 6 December 2032	HK$1.00
Other employees	26,300,000	–	–	4,200,000	22,100,000	7 December 2022	From the Vesting Date to 6 December 2032	HK$1.00
Total	30,000,000	–	–	4,200,000	25,800,000			

Notes:

1. In the event that the Group's audited revenue and net profit for the year ending 31 December 2025 (the "Vesting Date") can achieve one time or more of the Group's audited revenue and net profit for the year ended 31 December 2022 respectively, the options shall be vested to the Grantees after publication of the audited financial results of the Company for the year ending 31 December 2025, subject to the Grantee has not committed any material breach of his/her duties prior to the Vesting Date and the Grantee remains an employee of the Group on the Vesting Date.

   If the vesting conditions as specified above are not fulfilled by the Vesting Date, the Company reserves the right to cancel the options granted to the Grantees.

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.

Corporate Governance

Our Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. The Company has complied with the Corporate Governance Code as set out in Appendix C1 to the Listing Rules for the year ended 31 December 2024.

Environmental Policies and Performance

As a responsible corporation, the Group strives to ensure minimal environmental impacts by carefully managing our energy consumption, water usage and waste production. At office level, the Company has implemented green initiatives and encourage staff to attend related training. For further details, please refer to the environmental, social and governance report of this annual report.

Compliance with laws and regulations

The Group recognises the importance of compliance with regulatory requirements and the risk of non-compliance with relevant requirements could lead to adverse impact on business operation and financial position of the Group. The Group has been allocating staff resources to ensure ongoing compliance with rules and regulations and to maintain cordial working with relevant authorities effectively through effective communications. To the best of knowledge of the management, the Group has complied with relevant laws and regulations that have significant impact on the operations of the Group during the year ended 31 December 2024.

Audit Committee

The Company has an Audit Committee with terms of reference aligned with the provision of the Code as set out in Appendix C1 to the Listing Rules for the purpose of reviewing and providing supervision on the financial reporting process and internal controls of the Group. The Audit Committee consists of three independent non-executive Directors, namely Mr. Wang Ping (as Chairman), Ms. Guo Wei and Mr. Gong Jinjun. This annual report and the financial results for the year ended 31 December 2024 have been reviewed by the Audit Committee.

Business Review

Further discussion and analysis of the business of the Company, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the business of the Group, can be found in the section headed "Management Discussion and Analysis" as set out on pages 6 to 14 of this annual report. These discussions form part of this Directors' Report.

Charitable Donations

No charitable donations was made by the Group during the year ended 31 December 2024 (2023: nil).

Confirmation of Independence

The Company has received from the independent non-executive Directors confirmations of independence (including an annual confirmation from each of the independent non-executive Directors) pursuant to Rule 3.13 of the Listing Rules and considers that all the independent non-executive Directors are independent of the Company under the Listing Rules.

Auditor

PricewaterhouseCoopers have been appointed as auditor of the Company for the year ended 31 December 2024.

PricewaterhouseCoopers will retire at the forthcoming annual general meeting.

A resolution will be proposed to the forthcoming annual general meeting to re-appoint PricewaterhouseCoopers as auditor of the Company.

On behalf of the Board

Yang Yoong An
Chairman
Hong Kong, 28 March 2025

羅兵咸永道

To the Shareholders of Jia Yao Holdings Limited
(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Jia Yao Holdings Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 59 to 121, comprise:

- the consolidated balance sheet as at 31 December 2024;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter identified in our audit is the assessment of expected credit losses ("ECL") of trade receivables.

Key Audit Matter	How our audit addressed the Key Audit Matter
Assessment of expected credit losses of trade receivables Refer to Note 3.1(b)(ii), Note 4(a), and Note 17 to the consolidated financial statements. As at 31 December 2024, the gross carrying amount of trade receivables amounted to approximately RMB209,938,000, which represented approximately 24.2% of the total assets of the Group, and provision for ECL allowance on trade receivables of approximately RMB14,076,000 were recognised to the consolidated balance sheet. Management applied the simplified approach to measure ECL of trade receivables under HKFRS 9, by grouping the trade receivables based on shared credit risk characteristics. For trade receivables without remarkable different credit risk characteristics, management used judgment in making assumptions and selecting the inputs to the ECL calculation, based on the ageing profile of the trade receivables, credit ratings, industry information, current market conditions as well as forward-looking information.	We have performed the following procedures in respect of the assessment of ECL of trade receivables: (a) Understood, evaluated and validated the relevant internal controls which management control over the recoverability of trade receivables. (b) Assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors, such as complexity, subjectivity, changes and susceptibility to management bias or other fraud factors involved in determining the expected credit loss. (c) Checked the accuracy of ageing analysis of trade receivables prepared by management on a sample basis. (d) With the assistance of our credit model experts, we performed the following procedures, including: i) assessed the appropriateness of customer grouping based on our understanding on the Group's business process, the credit control process and the credit risk characteristics of trade receivables; ii) for trade receivables without remarkable different credit risk characteristics, challenged the reasonableness of the estimated credit loss rates by considering the ageing profile, credit ratings, industry information and current market conditions;

Key Audit Matters *(Continued)*

Key Audit Matter

For trade receivables with remarkable different credit risk characteristics, management assessed and made individual ECL provision by applying several significant assumptions, including subsequent settlements, credit history, business performance and financial capability of these customers as well as forward-looking information.

The assessment of ECL of trade receivables is considered a key audit matter given the significance of the trade receivables balance, combined with the significant degree of estimation uncertainty in relation to the ECL assessment. The inherent risk in relation to the assessment of ECL is considered relatively higher due to the complexity of ECL models and subjectivity of significant assumptions and data used.

How our audit addressed the Key Audit Matter

iii) evaluated management's assessment on the forward-looking factors with reference to our understanding of Group's business, industry and external macroeconomic data;

(e) Assessed the recoverability of individually provided trade receivable balances on a sample basis. We assessed the collectability of the balances by checking the supporting evidence, including subsequent settlements, credit history, business performance and financial capability of these customers.

(f) Checked the mathematical accuracy of the calculation of the provision for loss allowance; and

(g) Assessed the adequacy of the disclosures related to assessment of ECL of trade receivables.

Based on the above, we found the models, significant assumptions and data applied by management in the assessment of ECL of trade receivables were supportable by the evidence obtained and procedures performed.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

(Continued)

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

(Continued)

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Au Chi Ho.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 March 2025

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2024

	Note	Year ended 31 December 2024 RMB'000	2023 RMB'000 (Restated*)
Continuing operations			
Revenue	*5*	**770,477**	768,750
Cost of sales	*9*	**(561,726)**	(524,461)
Gross profit		**208,751**	244,289
Distribution costs	*9*	**(57,146)**	(38,852)
Administrative expenses	*9*	**(114,461)**	(84,344)
Net impairment losses on financial assets	*17*	**(10,430)**	(8,412)
Other income	*6*	**5,265**	3,020
Other gains/(losses) — net	*7*	**506**	(1,608)
Operating profit		**32,485**	114,093
Finance income	*8*	**913**	712
Finance costs	*8*	**(5,053)**	(1,306)
Finance costs — net	*8*	**(4,140)**	(594)
Profit before income tax		**28,345**	113,499
Income tax expense	*12*	**(9,685)**	(30,665)
Profit from continuing operations		**18,660**	82,834
Profit from discontinued operations	*28*	**29,364**	52,811
Profit for the year		**48,024**	135,645
Profit attributable to:			
— Owners of the Company		**50,611**	99,285
— Non-controlling interests		**(2,587)**	36,360
		48,024	135,645
Profit attributable to owners of the Company:			
Continuing operations		**6,262**	55,813
Discontinued operations		**44,349**	43,472
		50,611	99,285

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2024

	Note	2024 RMB'000	2023 RMB'000 (Restated*)
		Year ended 31 December	
Other comprehensive income			
Currency translation differences		**341**	765
Total comprehensive income for the year		**48,365**	136,410
Total comprehensive income for the year attributable to:			
— Owners of the Company		**50,952**	100,050
— Non-controlling interests		**(2,587)**	36,360
		48,365	136,410
Total comprehensive income for the year attributable to owners of Company arises from:			
— Continuing operations		**6,603**	55,813
— Discontinued operations	*28*	**44,349**	44,237
		50,952	100,050
Earnings per share for profit from continuing operations attributable to owners of the Company			
— Basic	*13*	**0.010**	0.093
— Diluted	*13*	**0.010**	0.093
Earnings per share for profit attributable to owners of the Company			
— Basic	*13*	**0.084**	0.165
— Diluted	*13*	**0.084**	0.160

* See Note 28 for details regarding the restatement as a result of discontinued operations.

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET

As at 31 December 2024

	Note	As at 31 December 2024 RMB'000	2023 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	*14*	**48,077**	156,960
Right-of-use assets	*16*	**74,767**	78,269
Intangible assets	*15*	**3,453**	3,939
Deferred income tax assets	*23*	**2,220**	2,483
Other receivables	*17*	**3,836**	3,045
Prepayment for property, plant and equipment		**2,194**	2,817
		134,547	247,513
Current assets			
Inventories	*18*	**84,417**	239,040
Trade and other receivables and prepayments	*17*	**357,707**	524,463
Financial assets at fair value through profit or loss		**1,204**	–
Restricted cash	*19*	**13,426**	143,068
Cash and cash equivalents	*19*	**275,136**	311,156
		731,890	1,217,727
Total assets		**866,437**	1,465,240
EQUITY			
Equity attributable to the owners of the Company			
Share capital	*20*	**5,120**	5,120
Share premium	*20*	**152,684**	152,684
Other reserves	*21*	**113,294**	162,549
Retained earnings	*22*	**179,328**	82,604
		450,426	402,957
Non-controlling interests		**41,870**	137,066
Total equity		**492,296**	540,023

CONSOLIDATED BALANCE SHEET

As at 31 December 2024

		As at 31 December	
		2024	2023
	Note	**RMB'000**	RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities	*16*	**48,713**	20,178
Deferred income tax liabilities	*23*	**1,211**	1,684
		49,924	21,862
Current liabilities			
Trade and other payables	*25*	**211,938**	785,014
Contract liabilities		**15,661**	22,676
Income tax payable		**12,132**	23,066
Borrowings	*26*	**62,750**	61,500
Lease liabilities	*16*	**21,736**	11,099
		324,217	903,355
Total liabilities		**374,141**	925,217
Total equity and liabilities		**866,437**	1,465,240

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The financial statements on pages 59 to 121 were approved by the board of directors of the Company on 28 March 2025 and were signed on its behalf by:

Yang Yoong An
Director

Yang Fan
Director

	Attributable to the owners of the Company						
	Share capital RMB'000 *(Note 20)*	**Share premium** RMB'000 *(Note 20)*	**Other reserves** RMB'000 *(Note 21)*	**Retained earnings** RMB'000 *(Note 22)*	**Subtotal** RMB'000	**Non-controlling interests** RMB'000	**Total equity** RMB'000
Balance at 1 January 2023	5,120	183,318	145,721	(6,386)	327,773	54,639	382,412
Profit for the year	–	–	–	99,285	99,285	36,360	135,645
Currency translation differences	–	–	765	–	765	–	765
Dividends to equity holders of the Company	–	(30,634)	–	–	(30,634)	–	(30,634)
Transfer to statutory reserve	–	–	10,295	(10,295)	–	–	–
Employee share schemes	–	–	3,143	–	3,143	–	3,143
Partial disposal of subsidiaries without loss of control	–	–	2,625	–	2,625	38,794	41,419
Disposal of subsidiaries	–	–	–	–	–	(5,846)	(5,846)
Acquisition of subsidiaries	–	–	–	–	–	13,119	13,119
Balance at 31 December 2023	5,120	152,684	162,549	82,604	402,957	137,066	540,023
Balance at 1 January 2024	5,120	152,684	162,549	82,604	402,957	137,066	540,023
Profit for the year	**–**	**–**	**–**	**50,611**	**50,611**	**(2,587)**	**48,024**
Currency translation differences	**–**	**–**	**341**	**–**	**341**	**–**	**341**
Dividends to non-controlling shareholders	**–**	**–**	**–**	**–**	**–**	**(52,174)**	**(52,174)**
Transfer to statutory reserve	**–**	**–**	**4,898**	**(4,898)**	**–**	**–**	**–**
Lapse of employee share option schemes	**–**	**–**	**(3,483)**	**–**	**(3,483)**	**–**	**(3,483)**
Disposal of subsidiaries *(Note 29)*	**–**	**–**	**(51,011)**	**51,011**	**–**	**(40,735)**	**(40,735)**
Capital injections from non-controlling interests	**–**	**–**	**–**	**–**	**–**	**300**	**300**
Balance at 31 December 2024	**5,120**	**152,684**	**113,294**	**179,328**	**450,426**	**41,870**	**492,296**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	Note	Year ended 31 December 2024 RMB'000	2023 RMB'000 (Restated*)
Cash flows from operating activities			
Cash generated from operations	*27(a)*	**6,956**	10,019
Interest received		**913**	712
Interest paid	*27(b)*	**(4,865)**	(734)
Income tax paid		**(20,563)**	(14,267)
Net cash (used in)/generated from operating activities from discontinued operations		**(4,631)**	72,767
Net cash (used in)/generated from operating activities		**(22,190)**	68,497
Cash flows from investing activities			
Purchase of property, plant and equipment and other assets		**(26,162)**	(36,978)
Proceeds from disposal of property, plant and equipment		**1,773**	372
Net cash paid from acquisition of subsidiaries		**–**	(2,201)
Net cash inflow/(outflow) from disposal of subsidiaries, net of cash disposed of		**5,766**	(800)
Net cash (outflow)/inflow from financial assets at fair value through profit or loss		**(921)**	139
Cash advances to non-controlling interests		**–**	(2,000)
Receipts of cash advances to non-controlling interests		**2,000**	–
Cash advances to third parties		**(39,803)**	–
Cash advances to group entities engaged in discontinued operations		**(7,498)**	–
Payments for deposit related to potential acquisition of subsidiaries		**(40,569)**	(54,760)
Receipts of deposit related to potential acquisition of subsidiaries		**58,560**	13,000
Net cash (used in)/generated from investing activities from discontinued operations		**(4,778)**	48,094
Net cash used in investing activities		**(51,632)**	(35,134)

	Note	Year ended 31 December 2024 RMB'000	2023 RMB'000 (Restated*)
Cash flows from financing activities			
Proceeds of borrowings	*27(b)*	**73,100**	25,000
Repayments of borrowings	*27(b)*	**(33,850)**	(1,500)
Cash advance from non-controlling interests	*27(b)*	**30,000**	–
Proceeds from partial disposal of subsidiaries without loss of control		**20,359**	22,655
Capital contribution from non-controlling interests		**300**	–
Dividends paid to non-controlling interests in subsidiaries		**(27,750)**	–
Payments of lease liabilities	*27(b)*	**(18,431)**	(5,218)
Net cash used in financing activities from discontinued operations		**(5,926)**	(28,271)
Net cash generated from financing activities		**37,802**	12,666
Net (decrease)/increase in cash and cash equivalents		**(36,020)**	46,029
Effect of foreign exchange rate changes		**–**	(1,448)
Cash and cash equivalents at beginning of the year		**311,156**	266,575
Cash and cash equivalents at end of the year	*19*	**275,136**	311,156

* See Note 28 for details regarding the restatement as a result of discontinued operations.

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

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 electronic cigarettes, and other electronic cigarettes related products and providing electronic cigarettes ancillary services in the People's Republic of China (the "PRC"). The electronic cigarettes business in PRC is under the China's E-cigarette Management Measures and the Group's electronic cigarettes products are mainly made for export sales.

The Company's registered office is located at P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman KY1–1205, 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.

The consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

These consolidated financial statements were approved for issue by the board of directors (the "Board") of the Company on 28 March 2025.

2 Summary of material accounting policies

This note provides a list of the material accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

(i) Compliance with HKFRS and HKCO

Compliance with Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Companies Ordinance (Cap. 622).

The consolidated financial statements of the Group have been prepared in accordance with HKFRSs and the disclosure requirements of the Cap. 622.

(ii) Historical cost convention

The consolidated financial statements have been prepared under the historical cost convention.

2 Summary of material accounting policies *(Continued)*

2.1 Basis of preparation *(continued)*

(iii) Amended standards adopted by the Group

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2024:

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

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(iv) New standards and amendments to standards not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2024 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

		Effective for accounting periods beginning on or after
Amendments to HKAS 21 and HKFRS1	Lack of Exchangeability	1 January 2025
Amendments to HKFRS 9 and HKFRS 7	Classification and measurement of financial instruments	1 January 2026
Amendments to HKFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
Amendments to HKFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to HKFRS 10 and HKAS 28	Sales or contribution to assets between an investor and its associate or joint venture	To be determined

2 Summary of material accounting policies *(Continued)*

2.2 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, consolidated balance sheet and consolidated statement of changes in equity respectively.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

2 Summary of material accounting policies *(Continued)*

2.3 Business combinations

Business combinations not under common control

The acquisition method of accounting is used to account for all business combinations not under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred,
- liabilities incurred to the former owners of the acquired business,
- equity interests issued by the Group,
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity.

Over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as of the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognized in profit or loss.

2 Summary of material accounting policies *(Continued)*

2.3 Business combinations *(Continued)*

Business combinations not under common control (Continued)

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in profit or loss.

2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the year the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income on a net basis within other gains/(losses).

2 Summary of material accounting policies *(Continued)*

2.6 Foreign currency translation *(Continued)*

(b) Transactions and balances (Continued)

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

(c) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each consolidated statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting currency translation differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.7 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

2 Summary of material accounting policies *(Continued)*

2.7 Property, plant and equipment *(Continued)*

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

Buildings	20–40 years
Machinery	10–15 years
Vehicles	3–5 years
Furniture, fittings and equipment	3–5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is Group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

2.8 Intangible assets

The patent includes e-cigarette vaping and other technologies acquired in a business combination are recognised at fair value at the acquisition date. The patent is carried at costs less accumulated amortisation and impairment, if any. Amortisation is calculated using the straight-line method to allocate the cost of patent over its estimated useful life of 10 years.

2.9 Non-current assets held for sale and discontinued operations

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and groups of contracts within the scope of HKFRS 17 Insurance Contracts, which are specifically exempt from this requirement.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

2 Summary of material accounting policies *(Continued)*

2.9 Non-current assets held for sale and discontinued operations *(Continued)*

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

2.10 Share-based payments

Share-based compensation benefits are provided to employees via the Employee Option Plan. Information relating to these schemes is set out in note 24.

The fair value of options granted under the Employee Option Plan is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions,
- excluding the impact of any service and non-market performance vesting conditions, and
- including the impact of any non-vesting conditions.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

2.11 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2 Summary of material accounting policies *(Continued)*

2.12 Investments and other financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (OCI), or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

2 Summary of material accounting policies *(Continued)*

2.12 Investments and other financial assets *(Continued)*

(c) Measurement (Continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other losses, together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of comprehensive income.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other losses. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other losses and impairment expenses are presented as separate line item in the consolidated statement of comprehensive income.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other losses in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other losses in the consolidated statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2 Summary of material accounting policies *(Continued)*

2.12 Investments and other financial assets *(Continued)*

(d) Impairment

The Group assesses on a forward-looking basis the expected credit losses ("ECL") associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 2.15 for further details.

2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2.14 Inventories

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.15 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are generally due for settlement within one year and therefore are all classified as current. The carrying amount of trade receivables is presented after net of the expected credit losses.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 17 for further information about the Group's accounting for trade receivables and Note 2.12(d) for a description of the Group's impairment policy.

2 Summary of material accounting policies *(Continued)*

2.16 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

2.17 Share capital

Ordinary shares and non-redeemable participating preference shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.18 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.19 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in profit or loss as finance costs.

Borrowings are removed from the consolidated balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2 Summary of material accounting policies *(Continued)*

2.20 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Other borrowing costs are expensed in the period in which they are incurred.

2.21 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

2 Summary of material accounting policies *(Continued)*

2.21 Current and deferred income tax *(Continued)*

Deferred income tax (Continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.22 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated balance sheet.

(b) Pension obligations

The Group entities in mainland China participate in defined contribution retirement benefit plans organised by relevant government authorities for its employees in mainland China and contribute to these plans based on certain percentage of the salaries of the employees on a monthly basis, up to a maximum fixed monetary amount, as stipulated by the relevant government authorities. The government authorities undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made. The contributions to these plans are recognised as employee benefit expenses when incurred.

2.23 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2 Summary of material accounting policies *(Continued)*

2.24 Revenue recognition

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods underlying the particular performance obligation is transferred to customers. Control of the goods is transferred at a point in time.

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts returns and value added taxes.

Sales of goods

Revenue for sales of goods is recognised when the Group transfers the control of goods to the customer and no longer reserves any right to continue to manage and implement effective control which often associated with the ownership of the goods, and costs incurred or to be incurred can be measured reliably. The revenue for the sales of good is recognised on prices received or receivable from the customer according to the contract or agreement. As receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. The Group recognises the revenues from sales of goods on a gross basis as the Group is acting as a principal in these transactions and is responsible for fulfilling the promise to provide the specified goods.

The Group evaluates if it is a principal or an agent in a transaction to determine whether revenue should be recorded on a gross or net basis. The Group is acting as the principal if it obtains control over the goods and services before they are transferred to customers. Generally, when the Group is primarily obligated in a transaction, is subject to inventory risk, has latitude in establishing prices, or has several but not all of these indicators, the Group acts as the principal and revenue is recorded on a gross basis. Generally, when the Group is not primarily obligated in a transaction, does not bear the inventory risk and does not have the ability to establish the price, the Group acts as the agent and revenue is recorded on a net basis.

Provision of services

Revenue from providing services is recognised in the accounting period in which the services are rendered. For transportation and custom clearance services contracts, revenue is recognised when the services are rendered.

2.25 Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

2 Summary of material accounting policies *(Continued)*

2.26 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable by the Group under residual value guarantees,
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

2 Summary of material accounting policies *(Continued)*

2.26 Leases *(Continued)*

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, for example, term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

2 Summary of material accounting policies *(Continued)*

2.26 Leases *(Continued)*

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the consolidated balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2.27 Dividends distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.28 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment and right-of-use assets are included in non-current liabilities as deferred income and are credited to the consolidated statement of comprehensive income on a straight-line basis over the expected useful lives of the related assets.

3 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, fair value and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group currently does not use any derivative financial instruments to hedge certain risk exposures.

3.1 Financial risk factors

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in the PRC with most of the transactions denominated and settled in RMB, and the Group has certain bank deposits, trade and other receivables, contract liabilities and trade and other payables that are denominated in currencies other than RMB (majority in Hong Kong dollars ("HKD"), and United States dollars ("USD")), which are not exposed to significant foreign exchange risk.

Management will monitor closely the foreign exchange risk exposure and will consider hedging significant foreign currency exposure should the need arise.

(ii) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates, as the Group has no significant interest-bearing assets and liabilities other than its bank deposits and borrowings. Bank deposits and borrowings at fixed rates expose the Group to fair value interest-rate risk. The Group has not hedged its cash flow and fair value interest rate risk. Details of the Group's bank deposits and borrowings have been disclosed in Note 19 and Note 26 respectively.

(b) Credit risk

Credit risk arises from restricted cash, cash and cash equivalents and trade and other receivables. The carrying amounts or the undiscounted nominal amounts, where applicable, of each class of these financial assets represent the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

(i) Restricted cash, cash and cash equivalents

For deposits with banks and financial institutions (including restricted cash and cash and cash equivalents), the Group has limited its credit exposure by restricting their selection of banks and financial institutions on reputable international banks, major financial institutions in the PRC and PRC listed banks or state-owned banks.

3 Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

(ii) Trade receivables

The Group applies the HKFRS 9 simplified approach to measuring ECL, which uses the lifetime expected losses allowance for trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics. For trade receivable balances with remarkable different credit risk characteristics, individual provision was made, taking into account of subsequent settlements, credit history, business performance and financial capability of these customers as well as forward-looking information.

The recognition and measurement method of loss allowance for each group is measured separately:

Group 1: Receivables due from state-owned tobacco enterprises.

Group 2: Receivables due from private electronic cigarettes manufacturing enterprises.

Group 3: Receivables due from retail enterprises and others.

For the trade receivables of Group 1 and Group 2, the Group assessed the ECL by applying several significant assumptions, including the estimation of probability of default, loss given default and forward looking estimates based on the customer group's credit ratings, industry information, current market conditions as well as forward-looking information.

	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
31 December 2024			
Group 1	**–**	**–**	**–**
Group 2	**59,680**	**(2,607)**	**57,073**

	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
31 December 2023			
Group 1	130,530	(52)	130,478
Group 2	100,015	(4,344)	95,671

3 Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

(ii) Trade receivables (continued)

For the trade receivables of Group 3 with similar credit risk, management calculates the expected credit loss using the roll rate model. The Group used judgment in making assumptions and selecting the inputs to the ECL calculation, based on the ageing profile of the trade receivables, current market conditions as well as forward-looking information.

The loss allowance as at 31 December 2024 and 31 December 2023 was determined as follows:

31 December 2024	Less than 90 days	90 to 180 days	181 to 365 days	Over 1 year	Total
Group 3					
Gross carrying amount (RMB'000)	96,557	14,909	24,699	14,093	150,258
Expected loss rate	1.59%	5.95%	13.06%	41.33%	
Loss allowance (RMB'000)	(1,532)	(887)	(3,225)	(5,825)	(11,469)
Net carrying amount	95,025	14,022	21,474	8,268	138,789

31 December 2023	Less than 90 days	90 to 180 days	181 to 365 days	Over 1 year	Total
Group 3					
Gross carrying amount (RMB'000)	106,151	10,781	3,771	369	121,072
Expected loss rate	3.74%	7.80%	11.27%	100.00%	
Loss allowance (RMB'000)	(3,969)	(841)	(425)	(369)	(5,604)
Net carrying amount	102,182	9,940	3,346	–	115,468

(iii) Note receivables

Notes receivable are mostly to be settled by reputable banks or state-owned banks, and therefore the management considers that they will not expose the Group to any significant credit risk.

3 Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

(iv) Other receivables

The Group assessed the credit quality of the counterparties by taking into account their financial position, credit history and other factors including forward looking information. Management also makes periodic collective assessments as well as individual assessment on the recoverability of these receivables and follows up the disputes or amounts overdue, if any.

	Expected loss rate	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
31 December 2024				
Deposits	4.4%	56,421	(2,490)	53,931
Cash advances	3.6%	69,344	(2,485)	66,859
Advance to employees	0.9%	2,982	(27)	2,955
Other receivables	2.2%	17,245	(371)	16,874
Value added tax and income tax recoverable	0.0%	10,826	–	10,826
	3.4%	156,818	(5,373)	151,445
31 December 2023				
Deposits	4.1%	76,424	(3,123)	73,301
Cash advances	1.1%	17,599	(199)	17,400
Advance to employees	0.7%	3,342	(25)	3,317
Other receivables	0.8%	34,200	(273)	33,927
Value added tax and income tax recoverable	0.0%	13,563	–	13,563
	2.5%	145,128	(3,620)	141,508

3 Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities, discounting bank acceptance notes to banks and the ability to close out market positions. The Group's objective is to maintain adequate committed credit lines to ensure sufficient and flexible funding is available to the Group.

The amounts disclosed in the table are the contractual undiscounted cash flows.

(i) Maturities of financial liabilities

	Less than 1 year RMB'000	1–2 years RMB'000	2–5 years RMB'000	Over 5 years RMB'000	Total contractual cash flows RMB'000	Carrying Amount RMB'000
At 31 December 2024						
Non-derivatives						
Borrowings	**65,346**	**–**	**–**	**–**	**65,346**	**62,750**
Lease liabilities	**24,125**	**19,526**	**36,206**	**–**	**79,857**	**70,449**
Trade and other payables (excluding salary payables and other tax payables)	**188,454**	**–**	**–**	**–**	**188,454**	**188,454**
	277,925	**19,526**	**36,206**	**–**	**333,657**	**321,653**

	Less than 1 year RMB'000	1–2 years RMB'000	2–5 years RMB'000	Over 5 years RMB'000	Total contractual cash flows RMB'000	Carrying Amount RMB'000
At 31 December 2023						
Non-derivatives						
Borrowings	63,100	–	–	–	63,100	61,500
Lease liabilities	11,832	8,909	10,595	–	31,336	31,277
Trade and other payables (excluding salary payables and other tax payables)	667,751	–	–	–	667,751	667,751
	742,683	8,909	10,595	–	762,187	760,528

3 Financial risk management *(Continued)*

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital based on the gearing ratio. This ratio is calculated as net debt divided by total capital. Total capital is calculated as "equity" as shown in the consolidated balance sheets plus total debt.

The gearing ratios are as follows:

	2024	2023
	RMB'000	RMB'000
Total borrowings	**62,750**	61,500
Less: cash and cash equivalents	**275,136**	311,156
Net cash	**212,386**	249,656
Total equity	**492,296**	540,023
Total capital	**Not Applicable**	Not Applicable
Gearing ratio (%)	**Not Applicable**	Not Applicable

3.3 Fair value estimation

The carrying amount of the Group's financial assets (including trade and other receivables, cash and cash equivalents and restricted cash) and financial liabilities (including trade and other payables and borrowings) are assumed to approximate their fair values due to their short-term maturities.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) ECL of trade receivables

For trade receivables without remarkable different credit risk characteristics, the Group used judgment in making assumptions and selecting the inputs to the ECL calculation, based on the Group's historical cash collection, ageing profile of the trade receivables, current market conditions as well as forward-looking estimates.

For trade receivables with remarkable different credit risk characteristics, management assessed the ECL by applying several significant assumptions, including the estimation of probability of default, loss given default and forward looking estimates based on their knowledge about the customers group's credit ratings, industry information, financial capability and payment histories, and current market conditions as well as forward-looking information.

Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade receivables and ECL in the periods in which such estimate has been changed.

Detailed information about the judgements and estimates made by the Group in the above areas is set out in Note 3.1(b)(ii).

(b) Income taxes

Judgement is required in determining the amount of the provision for taxation and timing of payment of the related taxations, the tax rate that would be applicable when related temporary difference that gives rise to deferred income tax are recycled for those group entities currently entitling preferential tax rate, and super deduction research and development expenses when calculate the income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is likely that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectations are different from the original estimates, such differences will impact the recognition of deferred income tax assets and income tax charges in the period in which such estimates have been changed.

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:

- Sales of electronic cigarettes — technology research and development, production and sales of e-cigarettes, e-cigarettes vaping devices and other electronic products

- Electronic cigarettes ancillary services — providing transportation and custom clearance services of electronic cigarettes related 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 consolidated statement of comprehensive income.

The segment results for the year ended 31 December 2024:

	Sales of electronic cigarettes RMB'000	Electronic cigarettes ancillary services RMB'000	Total RMB'000
Revenue	688,627	81,850	770,477
Gross profit	202,634	6,117	208,751
Distribution costs	(57,116)	(30)	(57,146)
Segment results	145,518	6,087	151,605
Administrative expenses			(114,461)
Net impairment losses on financial assets			(10,430)
Other income			5,265
Other gains			506
Finance costs — net			(4,140)
Profit before income tax			28,345

5 Segment information *(Continued)*

(b) Segment revenue *(Continued)*

The restated segment results for the year ended 31 December 2023:

	Sales of electronic cigarettes RMB'000	Electronic cigarettes ancillary services RMB'000	Total RMB'000
Revenue	756,089	12,661	768,750
Gross profit	243,763	526	244,289
Distribution costs	(38,788)	(64)	(38,852)
Segment results	204,975	462	205,437
Administrative expenses			(84,344)
Net impairment losses on financial assets			(8,412)
Other income			3,020
Other losses			(1,608)
Finance costs — net			(594)
Profit before income tax			113,499

Revenue from the top five customers of the Group are as follows:

	2024 RMB'000	2023 RMB'000 (Restated)
Customer A	**81,776**	–
Customer B	**49,300**	48,912
Customer C	**45,137**	–
Customer D	**34,969**	N/A[1]
Customer E	**33,586**	40,845
Customer F	**N/A[1]**	55,557
Customer G	**N/A[1]**	43,944
Customer H	**–**	48,061

Note[1] The revenue of the customer did not rank among top five in that year.

5 Segment information *(Continued)*

(c) Segment assets by location

As at 31 December 2024, the total of non-current assets other than financial assets and deferred income tax assets, a breakdown by location of the assets is shown as follows:

	2024	2023
	RMB'000	RMB'000
Mainland China	**128,152**	241,261
Hong Kong	**339**	724
	128,491	241,985

6 Other income

Other income mainly represented unconditional government grants related to income received.

	2024	2023
	RMB'000	RMB'000
		(Restated)
Government grants	**5,263**	3,004
Others	**2**	16
	5,265	3,020

7 Other gains/(losses) — net

	2024	2023
	RMB'000	RMB'000
		(Restated)
(Losses)/gains on disposal of subsidiaries	**(1,521)**	1,243
Others	**2,027**	(2,851)
	506	(1,608)

8 Finance costs — net

	2024 RMB'000	2023 RMB'000 (Restated)
Finance income		
Interest income on bank deposits	**913**	712
Finance cost		
Interest on bank and other borrowings	**(2,634)**	(324)
Others	**(2,419)**	(982)
	(5,053)	(1,306)
Finance costs — net	**(4,140)**	(594)

9 Expenses by nature

	2024 RMB'000	2023 RMB'000 (Restated)
Operating profit for the year has been arrived at after charging:		
Raw materials used and ancillary services costs	**474,063**	427,187
Write-down of inventories, net	**787**	2,172
Changes in inventories of finished goods and work in progress	**425**	15,985
Employee benefits expenses *(Note 10)*	**164,192**	140,182
Amortisation	**18,223**	6,526
Depreciation *(Note 14(a))*	**9,861**	3,219
Social promotion expense	**15,163**	17,137
Travel expenses	**9,190**	5,192
Professional service expense	**8,197**	2,734
Transportation cost	**6,905**	5,003
Office expense	**4,558**	3,824
Operating lease rentals in respect of rented premises	**4,837**	3,426
Energy and water expense	**3,647**	3,283
Real estate tax, stamp duties and other taxes	**2,931**	2,747
Auditor's remuneration	**2,200**	1,000
Other operating expenses	**8,154**	8,040
Total cost of sales, distribution costs and administrative expenses	**733,333**	647,657

10 Employee benefit expense

	2024 RMB'000	2023 RMB'000 (Restated)
Wages and salaries	**153,132**	132,946
Welfare, medical and other expenses	**11,334**	6,989
(Reversal)/charge of share-based payment expense	**(274)**	247
Total employee benefit expense	**164,192**	140,182

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year don't include any director whose emolument is reflected in the analysis shown in Note 31 (2023: same). The emoluments payable to the remaining five (2023: five) individuals during the year are as follows:

	2024 RMB'000	2023 RMB'000
Basic salaries, housing allowances, other allowances and benefits in kind	**4,949**	4,852
Contribution to pension scheme	**29**	18
	4,978	4,870

Each of their emoluments for the year ended 31 December 2024 was within RMB1,342,000 (2023: RMB1,050,000).

11 Subsidiaries

The Group's principal subsidiaries at 31 December 2024 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name of entity	Place of incorporation and kind of legal entity	Nominal value of issued share capital or registered capital	Ownership interest held by the Group 2024 %	2023 %	Principal activities/ Place of operation
Jia Jing Limited 嘉精有限公司	Hong Kong, limited liability company	HKD1	100%	100%	International trading of electronic cigarettes
Shenzhen Jiayao New Technology Co., Ltd 深圳市嘉耀新型科技有限公司	The PRC, limited liability company	RMB10,000,000	100%	100%	Investment holding in PRC
Shenzhen Jiayao Biotechnology Co., Ltd 深圳市嘉耀生物科技有限公司	The PRC, limited liability company	RMB10,000,000	100%	100%	Investment holding in PRC
Shenzhen Haohan Yangtian Technology Co., Ltd 深圳浩瀚陽天科技有限公司	The PRC, limited liability company	RMB20,000,000	70%	70%	Electronic cigarette production and sale in the PRC
Hubei Jiayao Supply Chain Management Co., Ltd. 湖北嘉耀供應鏈管理有限公司	The PRC, limited liability company	RMB55,000,000	100%	100%	Trading of goods in the PRC
Hubei Golden Three Gorges Printing and Packaging Co.,Ltd. 湖北金三峽印刷包裝有限公司	The PRC, limited liability company	RMB10,000,000	100%	100%	Investment holding in PRC
Shenzhen Jiayao New Supply Co., Ltd. 深圳嘉耀新供應鏈有限公司	The PRC, limited liability company	RMB100,000	100%	100%	Investment holding in PRC
Shenzhen Chuangweike New Technology Research Co., Ltd. 深圳市創偉科新技術研究有限公司	The PRC, limited liability company	RMB20,000,000	100%	100%	Investment holding in PRC
Shenzhen Chuangwei Bioengineering Co.,Ltd. 深圳創偉生物工程有限公司	The PRC, limited liability company	RMB20,000,000	100%	100%	Investment holding in PRC
Shenzhen Coconut New Technology Co., Ltd 深圳市椰子新型科技有限公司	The PRC, limited liability company	RMB10,000,000	100%	100%	Investment holding in PRC
Shenzhen Coconut Biotechnology Co., Ltd 深圳市椰子生物科技有限公司	The PRC, limited liability company	RMB30,000,000	70%	70%	Electronic cigarette production and sale in the PRC
Shenzhen Leshengcai Technology Co., Ltd. 深圳市樂聖才科技有限公司	The PRC, limited liability company	RMB1,000,000	39%	Not applicable	Electronic cigarette production and sale in the PRC
Shenzhen South Intelligent Control Technology Co., Ltd. 深圳市南方智控科技有限公司	The PRC, limited liability company	RMB10,000,000	60%	60%	Electronic cigarette production and sale in the PRC
Shenzhen Youyun Polymer Materials Co., Ltd. 深圳市優雲高分子材料有限公司	The PRC, limited liability company	RMB10,000,000	60%	60%	Electronic cigarette production and sale in the PRC
THATTHAT LAB LIMITED	Hong Kong, limited liability company	HKD100	100%	100%	Investment holding in Hong Kong
Shenzhen Top Future Technology Co., Ltd. 深圳市特平未來科技有限公司	The PRC, limited liability company	RMB1,000,000	100%	100%	Investment holding in PRC
Hongkong Altisc Technology Co., Limited 香港阿爾蒂斯科技有限公司	Hong Kong, limited liability company	HKD10,000	70%	70%	International trading of electronic cigarettes
Shenzhen Jiayao Science and Technology Innovation Research Co., Ltd. 深圳市嘉耀科創研究有限公司	The PRC, limited liability company	RMB1,000,000	100%	100%	Electronic cigarette production and sale in the PRC
Shenzhen Gaijiaer Technology Co, Ltd 深圳蓋佳爾科技有限公司	The PRC, limited liability company	RMB100,000	100%	100%	Investment holding in PRC
Enbury (Dongguan) Electronic Technology Co., Ltd. 恩伯瑞（東莞）電子科技有限公司	The PRC, limited liability company	RMB10,000,000	60%	60%	Electronic cigarette production and sale in the PRC
Mark Bell Limited 瑪凱有限公司	Hong Kong, limited liability company	HKD100	100%	100%	International trading of electronic cigarettes
Shenzhen Anjia Supply Chain Co., Ltd. 深圳市安嘉供應鏈有限公司	The PRC, limited liability company	RMB20,000,000	60%	Not applicable	Investment holding in PRC

* *The English name of these subsidiaries represents the best effort by the management of the Group in translating their Chinese names as they do not have an official English name.*

12 Income tax expense

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
		(Restated)
Current income tax (i)		
— PRC corporate income tax	**9,427**	31,497
— Hong Kong profits tax	**-**	666
	9,427	32,163
Deferred income tax		
— PRC corporate income tax	**258**	(1,498)
	9,685	30,665

(i) Current income tax

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%).

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: 15%).

Shenzhen Coconut Biotechnology Co., Ltd. and Shenzhen South Intelligent Control 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 mainland China are subject to the PRC CIT rate of 25% (2023: 25%).

12 Income tax expense *(Continued)*

(ii) PRC withholding income tax

Under relevant tax laws and regulations, gains from disposal of the BVI subsidiary (Giant Harmony limited), which has several significant subsidiaries that are operated in PRC, shall be subject to the withholding income tax at 10%.

(iii) The tax charge for the year can be reconciled to the profit before tax per consolidated statement of comprehensive income as follows:

	2024 RMB'000	2023 RMB'000 (Restated)
Profit before income tax from continuing operations	**28,345**	113,499
Tax calculated at applicable tax rates	**11,355**	27,516
Preferential income tax rate applicable to certain subsidiaries	**(5,035)**	(54)
Tax losses and temporary differences for which no deferred income tax asset was recognised	**3,454**	2,872
The effect of changes in tax rates	**621**	119
Additional deduction for research and development expenditures	**(515)**	(504)
Utilisation of previously unrecognised tax losses	**(411)**	(63)
Expenses not deductible for taxation purposes	**216**	779
Income tax expenses from continuing operations	**9,685**	30,665

13 Earnings per share

The 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 year.

	2024	2023 (Restated)
Profit from continuing operations attributable to the owners of the Company (RMB'000)	**6,262**	55,813
Profit from discontinued operations attributable to the owners of the Company (RMB'000)	**44,349**	43,472
Weighted average number of ordinary shares in issue ('000)	**600,000**	600,000
Basic earnings per share (RMB)		
From continuing operations	**0.010**	0.093
From discontinued operations	**0.074**	0.072
	0.084	0.165

As the Company did not have any dilutive potential ordinary shares outstanding as at 31 December 2024, diluted earnings per share is equal to basic earnings per share.

14 Property, plant and equipment

	Buildings RMB'000	Machinery RMB'000	Vehicles RMB'000	Furniture, fittings and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 December 2023						
Opening net book amount	27,058	103,568	437	3,650	–	134,713
Additions	3,878	8,236	6,871	2,808	13,821	35,614
Internal transfer	6,961	2,537	–	2,902	(12,400)	–
Acquisition of subsidiaries	358	3,512	959	644	–	5,473
Disposal	–	(463)	–	(17)	–	(480)
Disposal of subsidiaries	(30)	(429)	16	(163)	–	(606)
Depreciation	(4,568)	(10,919)	(221)	(2,046)	–	(17,754)
At 31 December 2023	33,657	106,042	8,062	7,778	1,421	156,960
At 31 December 2023						
Cost	52,628	312,713	19,120	11,019	1,421	396,901
Accumulated depreciation	(16,889)	(184,280)	(11,058)	(3,241)	–	(215,468)
Impairment provision	(2,082)	(22,391)	–	–	–	(24,473)
Net book amount	33,657	106,042	8,062	7,778	1,421	156,960
Year ended 31 December 2024						
Opening net book amount	**33,657**	**106,042**	**8,062**	**7,778**	**1,421**	**156,960**
Additions	**9,149**	**18,820**	**3,655**	**1,453**	**50,697**	**83,774**
Impairment	**(2,313)**	**(17,859)**	**(52)**	**(153)**	**–**	**(20,377)**
Disposal	**(2,129)**	**(26,343)**	**(1,035)**	**(190)**	**–**	**(29,697)**
Disposal of subsidiaries *(Note 29)*	**(18,293)**	**(48,424)**	**(1,419)**	**(422)**	**(52,118)**	**(120,676)**
Depreciation	**(7,843)**	**(10,008)**	**(1,466)**	**(2,590)**	**–**	**(21,907)**
At 31 December 2024	**12,228**	**22,228**	**7,745**	**5,876**	**–**	**48,077**
At 31 December 2024						
Cost	**45,586**	**281,630**	**21,651**	**12,081**	**–**	**360,948**
Accumulated depreciation	**(33,358)**	**(259,402)**	**(13,906)**	**(6,205)**	**–**	**(312,871)**
Net book amount	**12,228**	**22,228**	**7,745**	**5,876**	**–**	**48,077**

14 Property, plant and equipment *(Continued)*

(a) Depreciation expenses have been charged to the consolidated income statements

	2024 RMB'000	2023 RMB'000 (Restated)
Continuing operations		
Cost of sales	2,764	1,168
Administrative expenses	6,799	1,750
Distribution costs	298	301
	9,861	3,219
Discontinued operations	12,046	14,535
Charged to the profit or loss	21,907	17,754

15 Intangible assets

	Goodwill RMB'000	Patents RMB'000	Total RMB'000
At 1 January 2023			
Cost	–	4,852	4,852
Accumulated amortisation and impairment	–	(485)	(485)
Net book amount	–	4,367	4,367
Year ended 31 December 2023			
Opening net book amount	–	4,367	4,367
Acquisition of subsidiaries	350	3	353
Amortisation charge	–	(528)	(528)
Disposal of subsidiaries	(253)	–	(253)
Closing net book amount	97	3,842	3,939
At 31 December 2023			
Cost	97	4,855	4,952
Accumulated amortisation and impairment	–	(1,013)	(1,013)
Net book amount	97	3,842	3,939
Year ended 31 December 2024			
Opening net book amount	**97**	**3,842**	**3,939**
Amortisation charge	**–**	**(486)**	**(486)**
Closing net book amount	**97**	**3,356**	**3,453**
At 31 December 2024			
Cost	**97**	**4,855**	**4,952**
Accumulated amortisation and impairment	**–**	**(1,499)**	**(1,499)**
Net book amount	**97**	**3,356**	**3,453**

16 Leases

(a) Amounts recognised in the consolidated balance sheet

	2024 RMB'000	2023 RMB'000
Right-of-use assets		
Land use rights	5,795	50,017
Office and plant leasing	68,972	28,252
Total right-of-use assets	74,767	78,269
Lease liabilities		
Current	21,736	11,099
Non-current	48,713	20,178
Total lease liabilities	70,449	31,277

(b) Amounts recognised in the consolidated statement of comprehensive income

	2024 RMB'000	2023 RMB'000 (Restated)
Amortisation charge of right-of-use assets		
Land use rights	119	30
Office and plant leasing	17,618	5,968
	17,737	5,998
Continuing operations		
Interest expense (included in finance cost)	2,231	885
Expense relating to short-term leases	3,924	3,426

The total cash outflow for leases of continuing operation in 2024 was RMB23,268,000 (2023: RMB8,644,000).

17 Trade and other receivables and prepayments

	2024 RMB'000	2023 RMB'000
Trade receivables	**209,938**	351,617
Less: loss allowance for trade receivables	**(14,076)**	(10,000)
	195,862	341,617
Notes receivable	**595**	21,988
Less: loss allowance for notes receivables	**(1)**	(9)
	594	21,979
Deposits	**56,421**	76,424
Cash advances *(Note (c))*	**69,344**	17,599
Value added tax and income tax recoverable	**10,826**	13,563
Advance to employees	**2,982**	3,342
Other receivables	**17,245**	34,200
Less: loss allowance for other receivables	**(5,373)**	(3,620)
	151,445	141,508
Less: other receivable included in non-current assets	**(3,836)**	(3,045)
Other receivable included in current assets	**147,609**	138,463
Prepayments	**13,642**	22,404
	357,707	524,463

17 Trade and other receivables and prepayments *(Continued)*

(a) Trade receivables by aging

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:

	2024	2023
	RMB'000	RMB'000
0 to 90 days	**151,490**	336,377
91 to 180 days	**16,815**	10,157
181 to 365 days	**27,255**	4,679
Over 1 year	**14,378**	404
	209,938	351,617

(b) Impairment of trade and other receivables

Movements in the provision for impairment of trade and other receivables are as follows:

	2024	2023
	RMB'000	RMB'000
At 1 January	**13,629**	2,259
Provision for loss allowance	**10,430**	8,816
Loss allowance recognised on acquisition	**–**	2,554
Disposal of subsidiaries	**(4,609)**	–
At 31 December	**19,450**	13,629

(c) Amounts represent advances to subsidiaries before being disposed and other advances with counterparties during the course of business, of which around 74.4% were settled before the date of these consolidated financial statements.

18 Inventories

	2024 RMB'000	2023 RMB'000
Raw materials and packaging materials	**34,183**	85,368
Finished goods	**41,686**	127,638
Work in progress	**8,548**	26,034
	84,417	239,040

Write-downs of inventories to net realisable value amounted to RMB787,000 during the year ended 31 December 2024 (2023: RMB2,172,000). These were recognised as an expense during the year ended 31 December 2024 and included in 'cost of sales' in the consolidated statement of comprehensive income.

19 Cash and cash equivalents and restricted cash

	2024 RMB'000	2023 RMB'000
Cash at bank and on hand	**288,562**	454,224
Less: restricted cash	**(13,426)**	(143,068)
Cash and cash equivalents	**275,136**	311,156

19 Cash and cash equivalents and restricted cash *(Continued)*

	2024 RMB'000	2023 RMB'000
Cash at bank and on hand		
— Denominated in RMB	**117,960**	421,340
— Denominated in HKD	**168,199**	25,456
— Denominated in other currencies	**2,403**	7,428
	288,562	454,224

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

The restricted cash as at 31 December 2024 mainly represented deposits pledged for notes payable.

20 Share capital and share premium

	Number of shares	Share capital HKD'000	Share capital RMB'000	Share premium RMB'000
Issued and fully paid:				
As at 31 December 2024 and 2023	**600,000,000**	**6,000**	**5,120**	**152,684**
Issued and fully paid:				
As at 31 December 2022	600,000,000	6,000	5,120	183,318
Dividends to equity holders of the company	–	–	–	(30,634)
As at 31 December 2023	600,000,000	6,000	5,120	152,684

21 Other reserves

The following table shows a breakdown of the consolidated balance sheet line item 'other reserves' and the movements in these reserves during the year. A description of the nature and purpose of each reserve is provided below the table.

	Employee share option reserve RMB'000	Statutory reserves RMB'000	Foreign currency translation RMB'000	Special reserves RMB'000	Total RMB'000
At 1 January 2023	340	52,012	(1,043)	94,412	145,721
Currency translation differences	–	–	765	–	765
Employee share option scheme *(Note 24)*	3,143	–	–	–	3,143
Transfer to statutory reserve	–	10,295	–	–	10,295
Partial disposal of subsidiaries without loss of control	–	–	–	2,625	2,625
At 31 December 2023	3,483	62,307	(278)	97,037	162,549
At 1 January 2024	**3,483**	**62,307**	**(278)**	**97,037**	**162,549**
Currency translation differences	**–**	**–**	**341**	**–**	**341**
Lapse of employee share option scheme *(Note 24)*	**(3,483)**	**–**	**–**	**–**	**(3,483)**
Transfer to statutory reserve	**–**	**4,898**	**–**	**–**	**4,898**
Disposal of subsidiaries *(Note 28) (Note (a))*	**–**	**(51,011)**	**-**	**–**	**(51,011)**
At 31 December 2024	**–**	**16,194**	**63**	**97,037**	**113,294**

(a) On 25 October 2024, the Group disposed the remaining equity interests of Giant Harmony Limited, which resulted in the transfer out of its statutory reserve.

22 Retained earnings

	2024 RMB'000	2023 RMB'000
As at 1 January	**82,604**	(6,386)
Profit attributable to owners of the Company	**50,611**	99,285
Transfer to statutory reserve *(Note (a))*	**(4,898)**	(10,295)
Transfer from statutory reserve due to disposal of subsidiaries *(Note 21 (a))*	**51,011**	–
As at 31 December	**179,328**	82,604

(a) Statutory reserves

The PRC laws and regulations require companies registered in the PRC to provide for certain statutory reserves, which are to be appropriated from the net profit (after offsetting accumulated losses from prior years) as reported in their respective statutory financial statements, before profit distributions to equity holder. All statutory reserves are created for specific purposes. PRC companies are required to appropriate 10% of statutory net profits to statutory surplus reserves, upon distribution of their post-tax profits of the current year. A company may discontinue the contribution when the aggregate sum of the statutory surplus reserve is more than 50% of its registered capital. The statutory surplus reserves shall only be used to make up losses of the companies, to expand the companies' production operations, or to increase the capital of the companies. In addition, a company may make further contribution to the discretional surplus reserve using its post-tax profits in accordance with resolutions of the board of directors of the Company.

23 Deferred income tax

The analysis of deferred income tax is as follows:

	2024 RMB'000	2023 RMB'000
Deferred income tax assets	**9,014**	8,264
Set-off of deferred tax liabilities pursuant to set-off provisions	**(6,794)**	(5,781)
Net deferred tax assets	**2,220**	2,483
Deferred income tax liabilities	**(8,005)**	(7,465)
Set-off of deferred tax liabilities pursuant to set-off provisions	**6,794**	5,781
Net deferred tax liabilities	**(1,211)**	(1,684)
Total	**1,009**	799

23 Deferred income tax *(Continued)*

Deferred tax assets	Impairment losses for property, plant and equipment RMB'000	Provisions RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2023	213	301	57	571
Credited to the consolidated statement of comprehensive income	–	1,077	6,016	7,093
Acquisition of a subsidiary	–	113	487	600
At 31 December 2023	213	1,491	6,560	8,264
At 1 January 2024	**213**	**1,491**	**6,560**	**8,264**
(Charged)/credited to the consolidated statement of comprehensive income	**(213)**	**437**	**671**	**895**
Disposal of subsidiaries	**–**	**(71)**	**(74)**	**(145)**
At 31 December 2024	**–**	**1,857**	**7,157**	**9,014**

Deferred tax liabilities	Depreciation allowance RMB'000	Right-of-use assets RMB'000	Fair value adjustments arising from acquisition of a subsidiary RMB'000	Total RMB'000
At 1 January 2023	(292)	–	(1,092)	(1,384)
(Charged)/credited to the consolidated statement of comprehensive income	(213)	(5,781)	95	(5,899)
Acquisition of a subsidiary	–	(182)	–	(182)
At 31 December 2023	(505)	(5,963)	(997)	(7,465)
At 1 January 2024	**(505)**	**(5,963)**	**(997)**	**(7,465)**
(Charged)/credited to the consolidated statement of comprehensive income	**–**	**(1,275)**	**122**	**(1,153)**
Disposal of subsidiaries	**505**	**108**	**-**	**613**
At 31 December 2024	**–**	**(7,130)**	**(875)**	**(8,005)**

24 Employee share option scheme

On 7 December 2022, the Company has conditionally offered to grant options to subscribe for a total of 30,000,000 ordinary shares to a total of 21 selected employees of the Group, subject to acceptance of the Grantees and the payment of HKD1.00 by the Grantees upon acceptance of the Options, under the share option scheme of the Company adopted on 6 June 2014.

Each option shall entitle the holder of the option to subscribe for one share upon exercise of such option at an exercise price of HKD1.00 per Share. Subject to the vesting conditions include revenue and profit target, the options shall be vested to the grantees after publication of the audited financial results of the Company for the year ending 31 December 2025. The validity period of the options is ten years from the date of grant, i.e. from 7 December 2022 to 6 December 2032.

The fair value of options granted on 7 December 2022 determined using the Binomial option-pricing model was approximately RMB13,600,000.

The total expenses recognised in the consolidated statement of comprehensive income for share options granted to employees is RMB3,143,000 in 2023 and RMB340,000 in 2022. As the financial performance targets in the share option scheme are expected by the Company not to be fulfilled, the total share option expenses RMB3,483,000 are reversed in 2024.

25 Trade and other payables

	As of 31 December	
	2024	2023
	RMB'000	RMB'000
Trade payables	**128,786**	425,748
Notes payable	**14,944**	216,344
Salary payables	**8,058**	26,439
Other tax payables	**15,426**	16,244
Other payables related to government grants	**-**	74,580
Other payable to non-controlling interests	**30,000**	–
Others	**14,724**	25,659
	211,938	785,014

25 Trade and other payables *(Continued)*

As at 31 December 2024 and 2023, the carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

(a) Trade payables are mainly with maturity period of 30 to 90 days

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

	As of 31 December	
	2024	2023
	RMB'000	RMB'000
Up to 6 months	**127,504**	424,445
6 months to 1 year	**45**	927
1 year to 2 years	**1,237**	376
	128,786	425,748

The Group's trade payables as at 31 December 2024 and 2023 is denominated in RMB, USD and others:

	2024	2023
	RMB'000	RMB'000
RMB	**120,833**	407,835
USD	**7,953**	16,548
Others	**–**	1,365
	128,786	425,748

26 Borrowings

	2024	2023
	RMB'000	RMB'000
Short-term bank borrowings	**62,750**	61,500

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

	2024	2023
Fixed-rate borrowings	**4.45%**	4.97%

As at 31 December 2024, the borrowings are guaranteed by non-controlling shareholder.

As at 31 December 2023, restricted cash, property, plant and equipment and land use rights have been pledged as security for bank borrowings of the Group.

27 Notes to the consolidated statements of cash flow

(a) Reconciliation of profit before income tax to net cash generated from operations

	Note	2024 RMB'000	2023 RMB'000 (Restated)
Profit before income tax from continuing operations		**28,345**	113,499
Adjustments for:			
Depreciation of property, plant and equipment	*14*	**9,861**	3,219
Amortisation of right-of-use assets	*16*	**17,737**	5,998
Amortisation of intangible assets	*15*	**486**	528
Loss/(gain) on disposal of property, plant and equipment		**471**	(4)
Finance costs — net	*8*	**4,140**	594
Net exchange differences		**–**	(1,751)
Net allowance for impairment losses on financial assets	*17*	**10,430**	8,412
Provision of inventories, net	*18*	**787**	2,172
Non-cash employee benefits expense — share based payments	*24*	**(274)**	247
Loss/(gain) on disposal of subsidiaries	*29*	**1,521**	(1,243)
Gains on financial assets at fair value through profit or loss		**(283)**	(139)
Gains from bargain purchase		**–**	(226)
Increase in inventories	*18*	**(9,545)**	(26,598)
Decrease/(increase) in restricted cash		**4,637**	(5,955)
Increase in trade and other receivables and prepayments		**(21,043)**	(208,774)
(Decrease)/Increase in trade and other payables		**(40,314)**	120,040
Cash generated from continuing operations		**6,956**	10,019

27 Notes to the consolidated statements of cash flow *(Continued)*

(b) Net cash reconciliation

This section sets out an analysis of net cash and the movements in net cash for each of the years presented.

Net Cash	2024 RMB'000	2023 RMB'000
Cash and cash equivalents	275,136	311,156
Borrowings — fixed interest rates	(62,750)	(61,500)
Lease liabilities	(70,449)	(31,277)
Other payables to non-controlling interests	(30,000)	–
Net Cash	111,937	218,379

		Liabilities from financing activities			
	Cash RMB'000	Borrowings RMB'000	Leases RMB'000	Other payables to non-controlling interests RMB'000	Total RMB'000
Net cash as at 1 January 2023	266,575	(65,000)	(11,001)	–	190,574
Cash flows	48,230	3,500	6,489	–	58,219
New leases	–	–	(23,019)	–	(23,019)
Interest expense	–	(2,741)	(479)	–	(3,220)
Interest payments (presented as operating cash flows)	–	2,741	479	–	3,220
Foreign exchange impact	(1,448)	–	–	–	(1,448)
Acquisition of subsidiaries	(2,201)	–	(4,261)	–	(6,462)
Disposal of subsidiaries	–	–	515	–	515
Net cash as at 31 December 2023	311,156	(61,500)	(31,277)	–	218,379
Net cash as at 1 January 2024	311,156	(61,500)	(31,277)	–	218,379
Cash flows	(36,020)	(34,700)	18,431	(30,000)	(82,289)
New leases	–	–	(59,865)	–	(59,865)
Interest expense	–	(2,634)	(2,231)	–	(4,865)
Interest payments (presented as operating cash flows)	–	2,634	2,231	–	4,865
Disposal of subsidiaries	–	33,450	2,262	–	35,712
Net cash as at 31 December 2024	275,136	(62,750)	(70,449)	(30,000)	111,937

28 Discontinued operations

On 6 September 2024, the Company, Master Bliss Holdings Limited (the "Purchaser") and Mr. Zhu Chunlin (朱春林) (the "Guarantor") entered into a sale and purchase agreement, pursuant to which the Company conditionally agreed to sell and the Purchaser conditionally agreed to purchase 14,000 shares of Giant Harmony Limited (the "Giant Group"), representing 70% of the issued share capital of the Giant Group at the cash consideration of RMB115,000,000. The disposal was completed on 25 October 2024, therefore the paper cigarette packages and other paper packages segment is regarded as discontinued operations, which required the restatements of the consolidated statement of comprehensive income and consolidated statement of cash flows for the year ended 31 December 2023.

The financial information of Giant Group are summarised as below:

	For the period from 1 January 2024 to 25 October 2024 RMB'000	For the year ended 31 December 2023 RMB'000
Revenue	**664,434**	686,913
Cost of sales	**(591,308)**	(543,741)
Gross profit	**73,126**	143,172
Distribution costs	**(26,163)**	(36,731)
Administrative expenses	**(41,723)**	(62,143)
Net impairment losses on financial assets	**(363)**	(404)
Other income	**5,383**	6,795
Other losses — net	**(23,893)**	(1,068)
Operating (loss)/profit	**(13,633)**	49,621
Finance income — net	**1,459**	3,858
(Loss)/profit before income tax	**(12,174)**	53,479
Income tax expenses	**(7,263)**	(668)
(Loss)/profit after income tax	**(19,437)**	52,811
Gain on disposal of subsidiaries	**48,801**	–
Profit after income tax of discontinued operations	**29,364**	52,811

28 Discontinued operations *(Continued)*

	For the period from 1 January 2024 to 25 October 2024 RMB'000	For the year ended 31 December 2023 RMB'000
Profit attributable of discontinued operations to:		
— Owners of the Company	**44,349**	43,472
— Non-controlling interests	**(14,985)**	9,339
	29,364	52,811
Other comprehensive income		
— Currency translation differences	**–**	765
Total comprehensive income of discontinued operations	**29,364**	53,576
Total comprehensive income of discontinued operations attributable to:		
— Owners of the Company	**44,349**	44,237
— Non-controlling interests	**(14,985)**	9,339
	29,364	53,576

29 Disposal of subsidiaries

During the year ended 31 December 2024, the Group disposed Giant Group (Note 28) engaging in paper cigarette and other paper packages segment and 5 subsidiaries engaging in electronic-cigarettes segment. The details of the consideration and the net assets disposed are as follows:

	As at disposal date		
	Giant Group	Others	Total
Disposal consideration			
— Cash received	115,000	1	115,001
— Cash to be received	–	–	–
	115,000	1	115,001
Cash and cash equivalents	187,292	2,235	189,527
Restricted cash	110,905	–	110,905
Trade and other receivables and prepayments	353,810	5,977	359,787
Inventories	74,006	5,969	79,975
Property, plant and equipment	120,065	611	120,676
Right of use assets	32,082	–	32,082
Assets held for sale	38,314	–	38,314
Borrowings	(33,450)	–	(33,450)
Trade and other payables	(780,993)	(13,898)	(794,891)
Other assets/liabilities — net	(1,919)	476	(1,443)
Total net assets	100,112	1,370	101,482
Less: non-controlling interests	(40,887)	152	(40,735)
Net assets disposed	59,225	1,522	60,747
Gains/(losses) on disposal before income tax	55,775	(1,521)	54,254
Income tax expense	(6,974)	–	(6,974)
Gains/(losses) on disposal after income tax	48,801	(1,521)	47,280
Cash proceeds			
— Cash and Cash equivalents of the subsidiaries disposed of	(187,292)	(2,235)	(189,527)
Net cash outflow on disposal	(72,292)	(2,234)	(74,526)

30 Related-party transactions

As at 31 December 2024, 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.

(a) Transactions with related parties

Save as those disclosed elsewhere in these consolidated financial statements, the Group also carried out the following transactions with related parties:

(i) Key management compensation

	2024 RMB'000	2023 RMB'000
Key management compensation	**1,479**	1,606

(ii) Balance due to the immediate holding company

	2024 RMB'000	2023 RMB'000
Spearhead Leader Limited	**1,228**	2,897

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

31 Benefits and interests of directors

Directors, supervisors and chief executives' emoluments

The remuneration of every director, the chairman and the independent non-executive directors of the Company for the year ended 31 December 2024 and 2023 is set out below:

	For the year ended 31 December							
	2024				2023			
Name	Fees RMB'000	Salaries RMB'000	Retirement benefits RMB'000	Total RMB'000	Fees RMB'000	Salaries RMB'000	Retirement benefits RMB'000	Total RMB'000
Chairman								
Mr. Yang Yoong An	548	–	–	548	540	–	–	540
Non-executive directors								
Mr. Feng Bin	329	–	–	329	324	–	–	324
Mr. Yang Fan	329	–	–	329	324	–	–	324
Independent non-executive directors								
Mr. Gong Jinjun	110	–	–	110	108	–	–	108
Mr. Zeng Shiquan	–	–	–	–	50	–	–	50
Mr. Wang Ping	164	–	–	164	162	–	–	162
Ms. Guo Wei	110	–	–	110	59	–	–	59
	1,590	–	–	1,590	1,567	–	–	1,567

32 Balance sheet and reserve movement of the Company

	As at 31 December 2024 RMB'000	2023 RMB'000
ASSETS		
Non-current assets		
Investment in subsidiaries	**700**	154,173
Current assets		
Amounts due from subsidiaries	**176,756**	94,508
Other receivables	**25,018**	–
Cash and cash equivalents	**168,130**	26,754
	369,904	121,262
Total assets	**370,604**	275,435
Equity		
Equity attributable to the owners of the Company		
Share capital	**5,120**	5,120
Share premium	**152,684**	152,684
Other reserves	**193,064**	192,826
Retained earnings/(accumulated losses)	**16,645**	(83,965)
Total equity	**367,513**	266,665
Liabilities		
Current liabilities		
Other payables	**2,891**	4,250
Amounts due to subsidiaries	**200**	4,520
Total liabilities	**3,091**	8,770
Total equity and liabilities	**370,604**	275,435

The balance sheet of the Company was approved by the Board of Directors on 28 March 2025 and was signed on its behalf:

Yang Yoong An
Director

Yang Fan
Director

32 Balance sheet and reserve movement of the Company *(Continued)*

	Employee share option reserve RMB'000	Special reserve RMB'000	(Accumulated losses)/ retained earnings RMB'000	Translation reserve RMB'000	Total RMB'000
Balance at 1 January 2023	340	194,228	(80,625)	(5,095)	108,848
Employee share option scheme	3,143	–	–	–	3,143
Loss for the year	–	–	(3,340)	–	(3,340)
Other comprehensive income	–	–	–	210	210
Balance at 31 December 2023	3,483	194,228	(83,965)	(4,885)	108,861
Balance at 1 January 2024	**3,483**	**194,228**	**(83,965)**	**(4,885)**	**108,861**
Employee share option scheme	**(3,483)**	**–**	**–**	**–**	**(3,483)**
Profit for the year	**–**	**–**	**100,610**	**–**	**100,610**
Other comprehensive income	**–**	**–**	**–**	**3,721**	**3,721**
	–	**194,228**	**16,645**	**(1,164)**	**209,709**

33 Dividend

The Board of Directors does not recommend the payment of a final dividend for the year ended 31 December 2024 (2023: nil).

The special dividend of HKD0.3 (equivalent to approximately RMB0.278) per ordinary share, totalling RMB166,331,000, has been approved at the extraordinary general meeting held on 6 January 2025. These consolidated financial statements do not reflect this dividend payable as a liability as at 31 December 2024.

FIVE-YEAR FINANCIAL SUMMARY

For the year ended 31 December 2024

Consolidated Results

	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000
Revenue from continuing and discontinued operations of the Company	**1,439,911**	1,455,663	968,363	688,944	576,244
Gross profit from continuing and discontinued operations of the Company	**281,877**	387,461	137,861	65,021	73,697
Profit for the year from continuing and discontinued operations of the Company	**48,024**	135,645	11,020	(29,624)	(30,250)

Consolidated Assets, Liabilities and Equity

			31 December		
	2024 **RMB'000**	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000
Assets					
Current assets	**731,890**	1,217,727	869,909	560,055	425,232
Non-current assets	**134,547**	247,513	202,880	195,928	172,651
Total assets	**866,437**	1,465,240	1,072,789	755,983	597,883
Liabilities					
Current liabilities	**324,217**	903,355	663,349	547,316	368,349
Non-current liabilities	**49,924**	21,862	27,028	2,327	114
Total liabilities	**374,141**	925,217	690,377	549,643	368,463
Equity					
Total equity	**492,296**	540,023	382,412	206,340	229,420