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 2025

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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 2025 (the "Year") together with the comparative figures for the corresponding period in 2024.

- Revenue for the year ended 31 December 2025 decreased by approximately 16.3% or RMB125.5 million to approximately RMB644.9 million as compared with the same period in 2024.

- Gross profit for the year ended 31 December 2025 decreased by approximately 26.6% or RMB55.5 million to approximately RMB153.2 million as compared with the same period in 2024.

- Gross profit margin for the year ended 31 December 2025 decreased by approximately 3.3% from approximately 27.1% to approximately 23.8% as compared with the same period in 2024.

- Profit attributable to owners of the Company decreased by approximately RMB48.8 million to approximately RMB1.8 million for the year ended 31 December 2025 as compared to for the year ended 31 December 2024.

- Average trade and notes receivable turnover days increased from approximately 74 days for the year ended 31 December 2024 to approximately 125 days for the year ended 31 December 2025.

- Average trade and notes payable turnover days decreased from approximately 124 days for the year ended 31 December 2024 to approximately 112 days for the year ended 31 December 2025.

- Average inventory turnover days increased from approximately 51 days for the year ended 31 December 2024 to approximately 73 days for the year ended 31 December 2025.

- The Board does not recommend the payment of a final dividend for the year ended 31 December 2025 (for the year ended 31 December 2024: nil). A special dividend declared and paid for 2024 of HK$0.3 per ordinary share totaling HK$180.0 million in 2025.

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 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 for the year and multiplied by the number of days for the year (365 days for the year ended 31 December 2025 (for the year ended 31 December 2024: 366 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 for the year and multiplied by the number of days for the year (365 days for the year ended 31 December 2025 (for the year ended 31 December 2024: 366 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 for the year and multiplied by the number of days for the year (365 days for the year ended 31 December 2025 (for the year ended 31 December 2024: 366 days)).

CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Yang Yoong An *(Chairman)*
Mr. Li Lin (appointed on 20 June 2025)

Non-executive Directors

Mr. Yang Fan
Mr. Feng Bin (resigned on 20 June 2025)

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
Cayman Islands

Headquarter and Principal Place of Business in the PRC

Suite 6, 19/F., Building F, Nanshan Zhigu
Industrial Park, 3157 Shahe West Road
Nanshan District, Shenzhen City
Guangdong Province, 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
P.O. Box 31119 Grand Pavilion, Hibiscus Way
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

SHINEWING (HK) CPA Limited
Certified Public Accountants
17/F., Chubb Tower, Windsor House
311 Gloucester Road
Causeway Bay, 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 2025.

The year 2025 marked a period of profound recalibration, both for the global economy and for the e-cigarette industry. We operated within a complex macroeconomic environment characterised by resilient, yet uneven, global growth and significant geopolitical friction. More consequentially for our business, 2025 marked a watershed moment for our industry — a definitive inflection point where the era of unrestrained expansion gave way to a regulated industry.

This was not an unforeseen development, but rather the challenging reality we had anticipated and for which we had diligently prepared. Across our key markets, regulatory frameworks matured at an accelerated pace. The new measures, while creating short-term headwinds and market adjustments, have catalysed a flight to quality that we believe will ultimately benefit established, compliant, and technologically advanced companies like ours.

Our resilience is rooted in the strategic pillars that define our enterprise. Our one-stop, full-chain industrial layout — from e-liquid research and e-cigarette parts and components to final assembly — provided the stability and efficiency needed to adapt to these market shifts. Our commitment to proactive compliance allowed us to anticipate and meet new regulatory demands. Furthermore, our dedication to strategic innovation continued to differentiate us. In 2025, we successfully launched several proprietary products in order to meet the preference in various markets, which address evolving consumer preferences for versatility, safety, and situational convenience.

In navigating the complexities of the international trade environment, particularly the persistent Sino-US trade frictions and the imposition of elevated tariffs, the Group has maintained a posture of proactive risk management. Our diversified global footprint, with a developing presence across Americas, Europe and Asia, has been instrumental in mitigating our market risks. We continue to evaluate our supply chain and production arrangements to enhance flexibility and are exploring deeper collaborations with overseas partners to fortify our localised operational capabilities. We plan to establish our supply chains and production facilities and recruit talents at targeted overseas markets to get closer to target customers and better meet the requirements of product policies in targeted markets.

Looking ahead to 2026, we maintain a spirit of prudent optimism. The industry's consolidation is accelerating, and the competitive focus has irrevocably shifted from mere scale to a comprehensive contest of compliance, technological prowess, and brand integrity. This is a contest for which Jia Yao is exceptionally well-prepared. We will continue to execute our long-term strategies: first, to leverage our leadership in compliance as a potent competitive advantage. Second, to drive strategic innovation that focuses on safety, reliability, and superior user experience. And third, to deepen our global diversification, exploring new growth markets while enhancing the resilience of our global supply chain to navigate persistent trade uncertainties. In additions, we will also use the group's experience and networks in the tobacco industry to actively seek opportunities in other new tobacco-related businesses to increase the group's income sources.

This period of transformation, while challenging, has only reinforced our conviction in our long-term strategy. The foundations we have laid in compliance, technology, and global operations have prepared us not just to weather this industry-wide restructuring, but to emerge from it stronger, more focused, and with a fortified market position.

CHAIRMAN'S STATEMENT

I would like to extend my profound gratitude to our esteemed shareholders for your continued trust, to our valued customers and partners for your collaboration, and to our dedicated employees for your unwavering commitment and hard work during this pivotal year. The management team remains resolute in its commitment to navigating the complexities of the market, delivering sustainable growth, and assiduously enhancing long-term shareholder value.

YANG Yoong An
Chairman of the Board and Executive Director

Hong Kong, 27 March 2026

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

The global e-cigarette industry entered a phase of profound and accelerated transformation. The era of rapid and uninhibited expansion has definitively given away to a new paradigm defined by stringent, albeit fragmented, regulatory frameworks. The year 2025 was a watershed moment for industry regulation, as several key markets moved from policy deliberation to active enforcement.

In some Asia countries, such as Malaysia, the Philippines and Indonesia implemented stricter frameworks, including mandatory product certifications, excise tax stamps, and graphic health warnings. In some Europe countries, regulatory authorities have tightened restrictions on e-cigarette flavors, marketing, and age verification. As a result, the changes have led to the delay of orders resulting in a short-term revenue decline. Global sales of e-cigarette products have been affected by extended compliance reviews and testing cycles, and order delivery progress has generally lagged behind, impacting overall revenue. The revenue from sales of electronic cigarettes in the first half of 2025 decreased by approximately 43.8% to approximately RMB221.0 million. In the second half of 2025, after the Group enhanced the business cooperation with local distributors to timely respond to changes in local policies and change the design of products that the Company has launched several innovative e-cigarette products and new products that meet compliance requirements to fulfill the changing market demand for higher quality and diversification, and also meets consumers' concerns about product specifications and designs. Sales began to rebound in the second half of 2025 and the decline of revenue from sales of electronic cigarettes was moderated to approximately 22.4% to approximately RMB534.4 million for the year ended 31 December 2025. These synchronised global regulatory shifts have systematically increased the barriers to entry, compelling a flight to quality and accelerating industry consolidation. The competitive landscape is now decisively tilting in favour of the Company that possess well-established R&D capabilities and sophisticated compliance systems.

Furthermore, the Group's electronic cigarette solution board and chip business achieved significant growth in 2025: sales revenue increased by approximately RMB72.1 million compared to 2024, representing a growth of approximately 117% and gross profit concurrently increased by approximately RMB18.2 million, a growth of approximately 185%. This was primarily attributable to significant improvements in quality and design, leading to greater product recognition from major customers and increased orders in 2025.

In additions, according to the independent market research report issued by industry consultant Frost & Sullivan in March 2026, the global vaping device market size increased at a compound growth rate of approximately 8.9% at ex-factory prices from 2021 to 2025, and is expected to increase at an estimated compound growth rate of approximately 9.1% from 2025 to 2030. Therefore, the management believes that although the e-cigarette market will be affected by instability in the short term, it will have long-term development potential due to increasing demand especially at the group aged from 21 to 40 and gradually growing to the size of traditional cigarette market in the long-term.

Business Review

In a transformative strategic realignment, the Company has executed a decisive pivot to concentrate exclusively on the electronic cigarette sector, marking an 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 growing electronic cigarette sector.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2025, against a backdrop of global economic and industry-specific changes, the Group demonstrated commendable operational resilience and maintained a stable business performance. The year was characterised by a disciplined strategic focus on navigating the increasingly complex regulatory landscape while reinforcing core competencies in product innovation, quality control, and integrated supply chain management. In 2025, the Group continued to actively promote its self-branded e-cigarette products with higher profitability such as Hi5, Hyper Bar, Instabar and Instapod. Its sales proportion reaching approximately one-quarter of the revenue from sales of electronic cigarettes (2024: approximately one-fifth). In order to improve business efficiency, the Group was able to maintain the production line capacity utilization rate above 80% in 2024 and 2025. The Group also successfully maintained the product qualification rate above 98% in 2024 and 2025. The Group will focus to promote its own brand e-cigarette products and increase the sales volume to pursue long-term development. For the long-term growth, the Group is actively recruiting tobacco industry talent across various regions to enhance product design and new product development, while establishing sales networks in various targets markets. The Group is also leveraging its extensive experience and networks in the tobacco industry to look for the new investment opportunity on other tobacco-related businesses.

Sales and Distribution

The Group's customer base remains geographically diversified, with a strong and established presence in key markets across Americas, Europe, and Asia. This diversification has been a cornerstone of the Company's risk management strategy, mitigating its exposure to policy shifts or demand fluctuations in any single market. In 2025, the Group successfully expanded its network of overseas clients, particularly in North America and Southeast Asia, forging new partnerships with companies that possess robust compliance frameworks and significant long-term growth potential. In 2025, the Group has successfully developed new markets including Canada, Germany, France, the Netherlands, Georgia and Croatia etc. and actively participate in 72 countries, and our customers including sizeable brand owners, distributors and retail chains in various countries in order to diversify risks and expand the source of income. Overall, the sales revenue from its electronic cigarette business was approximately RMB534.4 million, representing a year-on-year decrease of approximately 22.4%, a reflection of the broader market adjustments.

One-stop Production and Strategic Product Development

Throughout 2025, the Group continued to advance and refine its one-stop, full-chain industrial layout. This vertically integrated model, which encompasses e-liquid R&D and production, core component manufacturing, proprietary product design, final assembly, and global logistics, is a key source of our competitive advantage. It has yielded significant synergies in production, enhanced delivery efficiency, and improved cost control, thereby strengthening our overall supply chain stability and risk resilience in a volatile environment. In response to evolving consumer preferences and the new regulatory paradigms, the Group's R&D efforts were sharply focused on innovation and compliance. We successfully launched several new proprietary products in 2025, each designed to address specific market needs.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue

For the year ended 31 December 2025, the turnover of the Group was approximately RMB644.9 million, representing a decrease of approximately 16.3% over the same period in 2024. Sales of electronic cigarettes segment decreased by approximately 22.4% to approximately RMB534.4 million. The decrease was mainly due to the Group's adjustment of its sales strategies in various international markets during the year ended 31 December 2025 in response to the recent fluctuations in global e-cigarette regulations and international trade turmoil, which had a negative impact on sales orders especially in Asia (revenue was decreased by approximately 19.3% to approximately RMB413.0 million over the corresponding period in 2024) and Europe (revenue was decreased by approximately 37.8% to approximately RMB68.9 million over the corresponding period in 2024). Some Asia countries, such as Malaysia, the Philippines and Indonesia, implemented stricter frameworks, including mandatory product certifications, excise tax stamps, and graphic health warnings. In some Europe countries, regulatory authorities have tightened restrictions on e-cigarette flavors, marketing, and age verification. The Group will closely cooperate with major local distributors in targeted markets to timely cope with the effect of the recent fluctuations in global e-cigarettes regulations and international trade turmoil. Additionally, the Group will focus its resources on developing new overseas markets to increase revenue sources and diversify risks. In 2025, the Group has successfully developed new markets including Canada, Germany, France, the Netherlands, Georgia and Croatia. The management believes that after the policies are matured in various countries, sales of electronic cigarettes segment will bring long-term and stable development to the Group, because the Group has well arranged the market layout and preparation with various local distributors in targeted markets.

Electronic cigarettes ancillary services segment including provision of transportation and custom clearance services of electronic cigarettes related products recorded a remarkable growth of approximately 35.0% to approximately RMB110.5 million during the year ended 31 December 2025 as compared with the corresponding period in 2024. The management believes that the electronic cigarettes ancillary services segment will bring a reliable source of income to the Group in the future.

The following table sets forth the breakdown of the revenue of the Company:

	For the year ended 31 December		
	2025	2024	Change (%)
	RMB'000	RMB'000	(approximate)
Sales of electronic cigarettes	**534,427**	688,627	-22.4%
Electronic cigarettes ancillary services	**110,510**	81,850	+35.0%

The following table sets forth the breakdown of sales of electronic cigarettes of the Company by location:

	For the year ended 31 December		
	2025	2024	Change (%)
	RMB'000	RMB'000	(approximate)
Asia	**413,007**	511,751	-19.3%
Americas	**50,693**	34,746	+45.9%
Europe	**68,923**	110,853	-37.8%
Other regions	**1,804**	31,277	-94.2%

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit

In order to respond to the recent fluctuations in global e-cigarette regulations and international trade turmoil during the year ended 31 December 2025, the Group adjusted its sales strategies in various international markets and had a negative impact on profitability. As a result, the gross profit of the Company decreased by approximately 26.6% from approximately RMB208.8 million for the year ended 31 December 2024 to approximately RMB153.2 million for the year ended 31 December 2025. The gross profit margin of the Company decreased by approximately 3.3% from approximately 27.1% to approximately 23.8% as compared with the same period in 2024. The gross profit margin of sales of electronic cigarettes segment decreased by approximately 2.6% from approximately 29.4% to approximately 26.8% as compared with the same period in 2024, while the gross profit margin of electronic cigarettes ancillary services segment increased by approximately 1.8% from approximately 7.5% to approximately 9.3% as compared with the same period in 2024. The Group will closely cooperate with local distributors in targeted markets to timely respond to the recent fluctuations in e-cigarette regulations and to understand the flavor preference and needs on e-cigarette products for local consumers, in order to achieve stable growth in sales volume and selling price.

The following table sets forth the gross profit margin of the Company by segment:

	For the year ended 31 December		
	2025	2024	Change (%) (approximate)
Sales of electronic cigarettes	**26.8%**	29.4%	-2.6%
Electronic cigarettes ancillary services	**9.3%**	7.5%	+1.8%
Overall	**23.8%**	27.1%	-3.3%

Distribution Costs

For the year ended 31 December 2025, distribution costs 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 decreased by approximately 24.3% from approximately RMB57.1 million for the year ended 31 December 2024 to approximately RMB43.3 million for the year ended 31 December 2025. The decrease was mainly due to the execution of a tight control on expenses of business traveling and customer hospitality activities by the Group and decrease of social promotion expenses during the year ended 31 December 2025.

Administrative Expenses

For the year ended 31 December 2025, administrative expenses 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 decreased by approximately 9.4% from approximately RMB114.5 million for the year ended 31 December 2024 to approximately RMB103.7 million for the year ended 31 December 2025. The decrease was mainly due to the execution of a tight control on expenses of business travelling by the Group and decrease on amortisation of right-of-use assets during the year ended 31 December 2025.

MANAGEMENT DISCUSSION AND ANALYSIS

Other Income

Other income mainly consists non-recurring government grant. The other income decreased by approximately RMB1.7 million to approximately RMB3.6 million during the year.

Other Gains — net

For the year ended 31 December 2025, the net other gains primarily consist of gains/losses on disposal of subsidiaries. The net other gains increased by approximately RMB1.9 million from approximately RMB0.5 million for the year ended 31 December 2024 to approximately RMB2.4 million for the year ended 31 December 2025. Such increase was mainly due to the recognition of gain on disposal of two subsidiaries during the year ended 31 December 2025.

Finance Costs — net

For the year ended 31 December 2025, the net finance costs primarily consist of interest income on bank deposits, interest payments on interest-bearing obligations and bank charges. The net finance costs decreased by approximately RMB0.1 million from approximately RMB4.1 million for the year ended 31 December 2024 to approximately RMB4.0 million for the year ended 31 December 2025.

Income Tax Credit/(Expense)

The Group recorded an income tax credit of approximately RMB1.7 million for the year ended 31 December 2025 as compared to an income tax expense of approximately RMB9.7 million for the year ended 31 December 2024. The change was mainly due to the effect of: (i) decrease of the PRC corporate income tax because of the decrease of profit of the PRC subsidiaries; and (ii) recognition of deferred tax assets on lease liabilities and unused tax losses of the PRC subsidiaries during the year ended 31 December 2025.

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 RMB48.8 million to approximately RMB1.8 million for the year ended 31 December 2025 as compared with the corresponding period in 2024.

Trade and Other Receivables and Prepayments

Trade and other receivables and prepayments decreased by approximately 7.8% from approximately RMB357.7 million as at 31 December 2024 to approximately RMB330.0 million as at 31 December 2025. The decrease was mainly attributable to the net effect of (i) increase of trade receivables from approximately RMB195.9 million as at 31 December 2024 to approximately RMB208.3 million as at 31 December 2025; (ii) decrease of deposits from approximately RMB56.4 million as at 31 December 2024 to approximately RMB29.5 million as at 31 December 2025; (iii) decrease of cash advance from approximately RMB69.3 million as at 31 December 2024 to approximately RMB39.5 million as at 31 December 2025; and (iv) increase of prepayments from approximately RMB13.6 million as at 31 December 2024 to approximately RMB34.2 million as at 31 December 2025.

Trade and Other Payables

Trade and other payables decreased by approximately 5.1% from approximately RMB211.9 million as at 31 December 2024 to approximately RMB201.1 million as at 31 December 2025. The decrease was mainly attributable to the net effect of (i) increase of trade payables from approximately RMB128.8 million as at 31 December 2024 to approximately RMB147.3 million as at 31 December 2025; and (ii) decrease of notes payable from approximately RMB14.9 million as at 31 December 2024 to approximately RMB10.8 million as at 31 December 2025; and (iii) it was no other payable to non-controlling interests as at 31 December 2025 (31 December 2024: RMB30.0 million).

Liquidity and Financial Resources

The Group recorded net current assets of approximately RMB240.9 million as at 31 December 2025, compared with net current assets of approximately RMB407.7 million as at 31 December 2024. The Group maintained a healthy liquidity position during the year ended 31 December 2025. The Group's operations were principally financed by internal resources and interest-bearing borrowings during the year.

As at 31 December 2025, the Group's cash and cash equivalents, which were held mainly in Renminbi and Hong Kong dollars, were approximately RMB105.9 million, compared with approximately RMB275.1 million as at 31 December 2024.

Borrowings and Gearing Ratio

The Group's interest-bearing borrowings was approximately RMB55.9 million as at 31 December 2025 (as at 31 December 2024: approximately RMB62.8 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	
	2025	2024
	RMB'000	RMB'000
Total borrowings	**55,879**	62,750
Less: cash and cash equivalents	**(105,870)**	(275,136)
Net cash	**(49,991)**	(212,386)
Total equity	**329,411**	492,296
Total capital	**713,596**	866,437
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 2025, the Group's total capital expenditure amounted to approximately RMB16.6 million (2024: approximately RMB26.2 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Assets pledged as security

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

	2025	2024
	RMB'000	RMB'000
Restricted cash	**20,954**	13,426
	20,954	13,426

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

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 Giant Harmony Limited (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 2025 and 2024.

Contingent Liabilities

As at 31 December 2025, the Group did not have any significant contingent liabilities (as at 31 December 2024: nil).

Foreign Exchange Risks

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.

Human Resources and Remuneration

As at 31 December 2025, the Group employed 736 employees (as compared with 825 employees as at 31 December 2024,) with total staff cost of approximately RMB120.7 million incurred for the year ended 31 December 2025 (as compared with approximately RMB164.2 million for the year ended 31 December 2024). 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 2025.

Future Outlook

Looking ahead to 2026, the Group maintains a prudently optimistic outlook. The Group acknowledges that the global e-cigarette industry will continue to navigate a dynamically evolving regulatory landscape and a complex global economic environment. The IMF projects global growth to hold steady at 3.3% in 2026, indicating a resilient yet cautious economic climate. Nevertheless, the Group firmly believes that the inexorable trend towards greater industry standardisation and stricter enforcement will ultimately create opportunities for well-capitalised, technologically advanced, and compliance-focused companies like ours. The ongoing market consolidation will decisively favour established players who possess integrated supply chains, well-established R&D capabilities, and a proven track record of quality and reliability. As the industry matures, the competitive focus is shifting from mere scale to a comprehensive contest of compliance, technological prowess, and brand integrity, a transition for which the Company is exceptionally well-prepared.

The Group's core strategies for 2026 and beyond are centered on four key pillars, designed to fortify its market position and drive sustainable, long-term growth:

i) Proactive Compliance as a Cornerstone for Growth: The Group will continue to place compliance at the absolute forefront of its business development. Its strategy is not merely to react to new regulations, but to proactively anticipate them. The Group is committed to significant, ongoing investment in its internal regulatory affairs and quality assurance teams to ensure it can adapt to the diverse and evolving legal frameworks of different countries. This commitment to pre-emptive compliance will serve as a key differentiator, integral to securing and expanding the Company's market access globally. In additions, the Group is actively recruiting industry talent across key markets to enhance product design and new product development.

ii) Strengthen our supply chain advantages: The Group will leverage its one-stop, full-chain industrial layout to accelerate its R&D and innovation pipeline, focusing on the development of next-generation products that meet the highest standards of safety and reliability while offering superior user experiences. In response to evolving consumer preferences — which are shifting from a singular focus on flavor to a more holistic appreciation for product safety, compliance, and performance stability — the Company's R&D efforts are strategically targeted to enhance customer loyalty and capture high-value market segments through an innovative and differentiated product portfolio. To further strengthen this competitive edge, the Group aims to upgrade and establish a more comprehensive global supply chain by setting up production facilities and recruiting specialized talent directly within targeted overseas markets. This localized approach allows the Group to stay closer to its customers, refine product design based on regional insights, and ensure all operations strictly align with the evolving regulatory requirements and product policies of each specific market.

iii) Globalisation and Strategic Diversification: While consolidating the Group's position in its existing key markets, it will continue to execute its strategy of global market diversification. The Group will actively explore new and emerging markets that demonstrate clear long-term growth potential and a stable, predictable regulatory trajectory. This strategy not only opens up new revenue streams but also further de-risks the Group's business by reducing reliance on any single market. To achieve this, the Group prioritizes collaboration with established distributors who possess their own proprietary channels in various regions, or with established enterprises that hold unique resources and competitive advantages in the industry. Furthermore, the Group seeks to partner with established players in the market on cooperation projects specifically focused on novel and emerging nicotine and tobacco products, leveraging their expertise to strengthen its business development.

MANAGEMENT DISCUSSION AND ANALYSIS

iv) Business Expansion Strategy: The Group is actively leveraging its extensive industry experience and global networks to expand our business footprint. By identifying and pursuing new investment opportunities within other tobacco-related segments, we aim to diversify our portfolio and capture emerging market potential. A key focus of this strategy involves the development of novel and emerging nicotine and tobacco products. By integrating these new product types and extending our reach into innovative business segments, the Group is strategically positioned to catch the next wave of industry growth and drive long-term value.

By adhering to these strategic pillars, the Group is confident in its ability to navigate the complexities of the market, enhance its competitive resilience, and achieve sustainable, long-term growth for its shareholders. The Company is committed to building a future-proof business that is not only profitable but also responsible and sustainable.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Yang Yoong An (楊詠安) (formerly known as **Yang An (楊安)**), aged 63, 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.

Mr. Li Lin (李林), aged 38, was appointed as an executive Director of the Company on 20 June 2025. Mr. Li received a bachelor's degree in accounting from Hainan University (海南大學) in December 2013.

Since July 2022, Mr. Li has successively served as the investment manager and president of Shenzhen Jiayao Biotechnology Co., Ltd. (深圳市嘉耀生物科技有限公司), a wholly-owned subsidiary of the Company. From November 2018 to July 2022, he served as senior investment manager and project director at China Everbright Industrial (Group) Co., Ltd.* (中國光大實業（集團）有限責任公司). From August 2016 to July 2022, he was a finance manager and senior investment manager at Everbright Dehe Investment Management (Shenzhen) Co. Ltd.* (光大德合投資管理（深圳）有限公司). From December 2014 to August 2016, he served as a finance manager at Shenzhen Guoxin Equity Investment Fund Management Co. Ltd. (深圳市國信股權投資基金管理有限公司). From May 2013 to December 2014, he was an accountant supervisor at Shenzhen Jinrige Financing Guarantee Co., Ltd. (深圳市金瑞格融資擔保有限公司).

Non-executive Director

Mr. Yang Fan (楊帆), aged 39, 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).

* *For identification purpose only*

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Independent non-executive Directors

Mr. Gong Jinjun (龔進軍), aged 69, 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 corporate governance 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 42, 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 corporate governance 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.

Mr. Wang Ping (王平), aged 55, 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 corporate governance 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

* *For identification purpose only*

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

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) Hanking Gold International Limited (formerly known as 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 52, 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 44, 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*

CORPORATE GOVERNANCE REPORT

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 2025.

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 2025.

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 Directors						
Mr. Yang Yoong An (楊詠安) *(Note 1)*	63	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

CORPORATE GOVERNANCE REPORT

Name	Age	Position	Date of appointment as Director	Date of resignation/ redesignation	Roles and responsibilities	Relationship with the other Directors
Mr. Li Lin (李林)	38		20 June 2025	N/A	Overall management and formulation of business strategy of the Group	N/A
Non-executive Director						
Mr. Yang Fan (楊帆)	39	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)	69	Independent non-executive Director	5 June 2014	N/A	Serves on the audit, remuneration and nomination committees; responsible for overseeing the corporate governance independently	N/A
Ms. Guo Wei (郭瑋)	42	Independent non-executive Director	16 June 2023	N/A	Serves on the audit and nomination committees; responsible for overseeing the corporate governance independently	N/A
Mr. Wang Ping (王平)	55	Independent non-executive Director	5 June 2014	N/A	Serves on the audit and remuneration committees; responsible for overseeing the corporate governance 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.

CORPORATE GOVERNANCE REPORT

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. Yang Yoong An and Ms. Guo Wei will retire from office as Directors at the forthcoming annual general meeting (the "AGM") of the Company to be held on 18 June 2026, 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. Mr. Li Lin was appointed as an executive Director on 20 June 2025. He has obtained legal advice referred to under Rule 3.09D of the Listing Rules on 7 May 2025 and confirmed he understood his obligations as a Director of the Company. 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. Li Lin (appointed on 20 June 2025)	A & B
Mr. Feng Bin (retired on 20 June 2025)	A & B
Mr. Yang Fan	A & B
Ms. Guo Wei	A & B
Mr. Gong Jinjun	A & B
Mr. Wang Ping	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

8 Board meetings were held during the year ended 31 December 2025. 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 2025
Mr. Yang Yoong An	8/8
Mr. Li Lin (appointed on 20 June 2025)	4/4
Mr. Feng Bin (retired on 20 June 2025)	4/4
Mr. Yang Fan	8/8
Ms. Guo Wei	8/8
Mr. Gong Jinjun	8/8
Mr. Wang Ping	8/8

CORPORATE GOVERNANCE REPORT

One general meeting, being the annual general meeting was held during the year ended 31 December 2025. The members and attendance of the general meeting are as follows:

	Attendance/General meeting held during the year ended 31 December 2025
Mr. Yang Yoong An	1/1
Mr. Li Lin (appointed on 20 June 2025)	1/1
Mr. Feng Bin (retired on 20 June 2025)	N/A
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 18 June 2026.

Directors' Service Contract

The executive Directors, Mr. Yang Yoong An and Mr. Li Lin, have entered into a service agreement with the Company for a term of three years commencing from 18 February 2025 and 20 June 2025, respectively, subject to the termination provision therein. The 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 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 20 June 2025 and ending on the conclusion of the 2025 annual general meeting of the Company to be held in 2026. 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 10(a) and Note 34 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 2025, the Audit Committee mainly performed the following duties:

— reviewed the Group's audited final results for the year ended 31 December 2024, unaudited interim results for the six months ended 30 June 2025, 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 2025, 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 2025.

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 2025, 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 2025, 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 2025 and assessing performance of executive directors.

There had been no disagreement between the Board and the Remuneration Committee during the year ended 31 December 2025.

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 2025, 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 2025. During the year ended 31 December 2025, 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 2025, the Group hired a total of approximately 736 employees, of whom 55.4% (2024: 50.3%) were male and 44.6% (2024: 49.7%) 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.

CORPORATE GOVERNANCE REPORT

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.

CORPORATE GOVERNANCE REPORT

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.

During the year, the Board resolved not to declare or pay any dividend for the year. The Board considers that this decision was made in accordance with the Company's dividend policy.

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 SHINEWING (HK) CPA Limited as its external auditor for the year ended 31 December 2025. 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 SHINEWING (HK) CPA Limited during the year are RMB1,300,000. 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 2025.

CORPORATE GOVERNANCE REPORT

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 2025.

Constitutional Documents

There was no change in the constitutional documents of the Company during the year ended 31 December 2025.

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".

CORPORATE GOVERNANCE REPORT

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 2025, 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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 2025 to 31 December 2025 ("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@tycheglobal.com.

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 electronic cigarettes during the Reporting Period. These businesses are mainly operated in the Group's headquarters and 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.

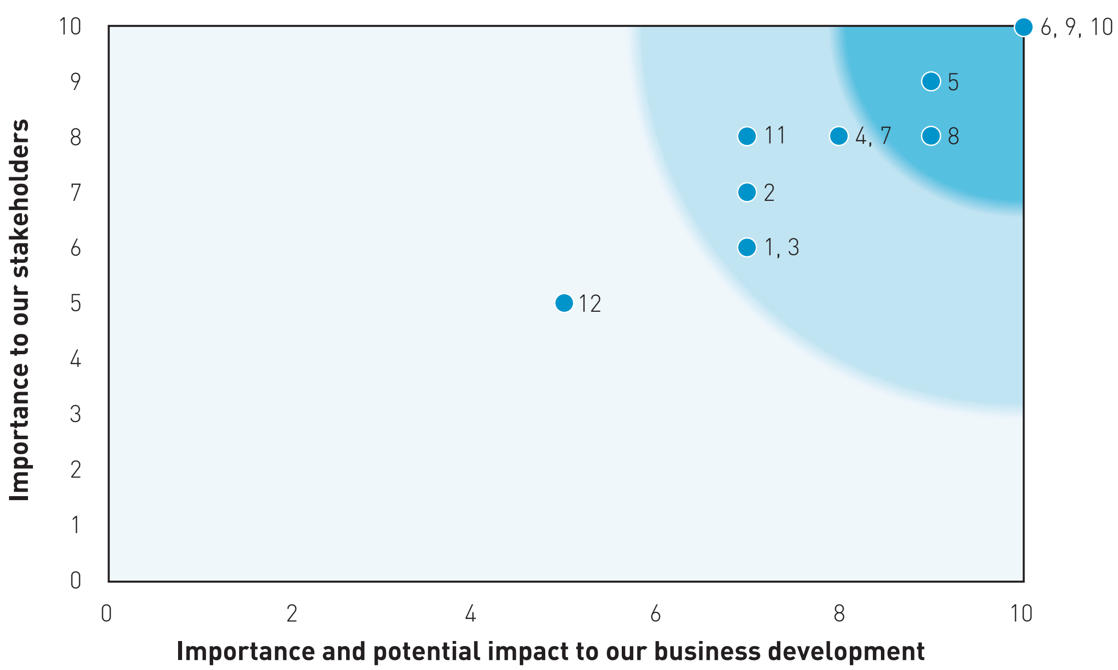
Regarding the corporate governance structure of the Group and other relevant information, please refer to the Corporate Governance Report on page 18 to 30 in this annual report.

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



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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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, SOCIAL AND GOVERNANCE REPORT

CLIMATE CHANGE

Climate change is a pivotal global challenge requiring swift international intervention. The Group is proactively monitoring climate-related risks and opportunities, staying resolute in our environmental commitments.

Governance

The Group integrates the management of ESG-related risks and opportunities into its overall governance framework, ensuring that climate considerations are systematically embedded into strategic planning, business decisions, and resource allocation processes. Climate-related governance forms an essential component of the Group's wider ESG oversight structure.

Oversight of ESG and climate-related matters rests with the senior management. To ensure the senior management maintains appropriate knowledge and competencies to oversee strategies addressing climate-related risks and opportunities, the Group provides ongoing training and relevant resources to strengthen the senior management's understanding of key climate issues, regulatory developments and their potential impact on the Group's business. This enables the senior management to exercise informed and effective oversight of climate-related strategies and sustainability-related challenges. The senior management regularly reviews the adequacy of internal mechanisms to monitor and manage ESG issues, and assesses progress of climate-related initiatives.

In overseeing the Group's strategy, the senior management explicitly takes climate-related risks and opportunities into account when reviewing major transactions, risk management processes and related policies. During its evaluation of material business decisions, the senior management considers the potential climate-related implications and associated risks, ensuring that such factors are duly identified, assessed and reflected in the Group's long-term strategic decisions and overall risk management framework.

The senior management is also responsible for setting climate-related targets and annually overseeing progress against these targets. Performance against such targets is reviewed and adjusted as necessary, with results disclosed publicly to stakeholders. Where appropriate, relevant performance indicators are incorporated into the management accountability framework, thereby reinforcing the importance of ESG and climate management throughout the organisation. The Group's compensation practice is also linked to performance indicators, which include ESG-related indicators and work safety management.

Strategy

The Group attaches great importance to the potential impact of extreme weather events triggered by climate change on the Company's business model and value chain. With reference to the regulatory requirements under Part D of the Code on Environmental, Social and Governance Reporting of the Hong Kong Stock Exchange, we have identified the physical risks and transition risks of the Company that have the potential to impact the Company, and conducted a materiality assessment of the climate risks and opportunities in terms of likelihood, degree of impact and resilience. Because the necessary data is not yet accessible at a reasonable cost or effort, the Company has applied the exemption clause provided by the HKEX Climate Disclosure Guidelines. We are planned to implementing scenario analysis within the next few years.

Risk Management

We have initially carried out the identification and assessment of climate-related risks and incorporated them into the Group's overall risk management system. For the purpose of this assessment, the Group defines the time frames as follows: Short-term — 0 to 1 year (reflecting the annual budgeting and operational cycle); Medium-term — 1 to 3 years (aligning with our medium-term strategic planning); and Long-term: 3 to 10 years (covering long-term policy shifts and climate trend developments).

The following is a detailed elaboration of the main physical and transition risks we have identified, their potential impacts, and the response measures we have taken:

Physical risks

Assessed environmental and climate-related risk events	Risk level	Time frame	Potential impact on business, strategy and finances	Response measures
Frequent occurrence of extreme weather events such as typhoons, floods, and extreme heat	Medium	Short-term	May cause damage to factories and office premises	Have formulated the incident emergency plan and regularly conduct emergency drills
Increase in average temperature and rise in sea level	Low	Long-term	May lead to increased cooling energy consumption and higher operating costs	Continuously monitor energy consumption and promote energy-saving measures

Transition risks

Assessed environmental and climate-related risk events	Risk level	Time frame	Potential impact on business, strategy and finances	Response measures
Stricter carbon emission regulations, introduction of carbon taxes or carbon markets; restrictions on investments in high carbon industries	Medium	Medium-term	Increased compliance costs	Closely monitor policy dynamics and gradually incorporate environmental factors into investment decisions
Higher expectations from stakeholders regarding ESG performance	Low	Ongoing	May lead to customer loss if ESG performance does not meet expectations	Continuously improve the quality of ESG information disclosure and strengthen communication with stakeholders

In addition to managing risks, the Group recognizes that the global transition to a low-carbon economy presents several strategic opportunities:

Climate-related Opportunities	Time frame	Potential impact on business, strategy and finances	Strategic response
Resource Efficiency	Medium-term	Lower operating costs through reduced energy consumption and waste	Implementing energy-efficient equipment and optimizing office resource management
Market Resilience	Ongoing	Enhanced brand reputation and ability to attract ESG-conscious investors	Strengthening ESG disclosures and aligning business strategies with green finance trends
Green Investment	Long-term	Potential for higher returns in sustainable sectors and emerging low-carbon technologies	Gradually incorporating climate factors into our investment portfolio and identifying sustainable assets

In view of the nature of our business, to the best knowledge of our senior management, the climate change will not have any major impact on our business operation. In the case of extreme natural weather, we will actively respond to the relevant policies of local government, make contingency plans in addition to the life insurance contributed by our Group to ensure the safety of our staff. In the case of acute physical risks such as direct damage to assets and indirect impacts from supply chain disruption as a result of extreme weather events, we will make corresponding contingency and disaster preparedness plans, and we believe that we have the ability to deal with climate crisis. During the reporting period, we had not experienced any material impact on our business operations, strategies or financial performance as a result of environmental, social and climate-related issues.

Our Group conducts an enterprise risk assessment at least once a year to cover current and potential risks faced by the Group, including but not limited to risks arising from ESG aspects and strategic risks related to disruptive forces such as climate change. The decisions on the reduction, transfer, acceptance or control of the risks as well as the pursuit of climate-related opportunities are affected by various factors such as government regulation and the availability of energy-saving supplies. We will incorporate climate-related issues, including the analysis on physical and transition risks and potential opportunities, into our risk assessment process and risk appetite setting. We will consider the risks and opportunities in our strategic and financial planning process if such risks and opportunities are deemed to be material. After reviewing the environmental, social and climate-related risks, opportunities and our performance in response to such risks each year, we may revise and alter our ESG strategies as appropriate.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Indicators and Targets

In order to effectively manage its own greenhouse gas emissions, the Group conducted greenhouse gas identification, assessment and verification in 2025. The Company's verification covers the Group and its subsidiaries' production bases, and covers both Scope I and Scope II. Due to the disposal of paper cigarette packages and other paper packages segment in forth quarter of 2024, the Group's total greenhouse gas emissions (scope 1 and scope 2) were 889.5 tons of carbon dioxide equivalent, a decrease of 77.9% from 4,025.2 tons in 2024. Scope 1 emissions were 838.6 tons of carbon dioxide equivalent, a decrease of 78.5% from 3,902.6 tons in 2024. Scope 2 emissions were 50.9 tons of carbon dioxide equivalent, a decrease of 58.5% from 122.6 tons in 2024 (greenhouse gas accounting is presented in terms of carbon dioxide equivalent (CO_2e) in accordance with the Announcement on the Issuance of Carbon Dioxide Emission Factors for Electricity in 2023 issued by the Ministry of Ecology and Environment of the People's Republic of China and the IPCC 2006 Revised Guide to National Greenhouse Gas Inventories 2019 issued by the Intergovernmental Panel on Climate Change (IPCC)). In accordance with the Implementation Guidelines on Climate-related Financial Disclosures issued by the Hong Kong Stock Exchange, the Company has elected not to disclose Scope 3 greenhouse gas emissions data or cross-sectoral indicators at this time. This decision reflects the current unavailability of comprehensive data, qualifying the Company for the "reasonable information" exemption.

We are committed to achieving carbon neutrality by 2040 and will continue to increase the proportion of renewable energy used in our operations, aiming to achieve 30% of our energy consumption from renewable sources by 2030.

Sticking to the principles of resource conservation and efficient utilization, the Group enhances the management of materials, packaging, energy, and water resources. The Group actively explores the application of green production processes and sustainable packaging materials, designs eco-friendly products, and extends its management practices to the supply chain. These efforts comprehensively contribute to the development of a resource-saving society.

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 manufacturing 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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》and 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》.

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 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, buckets and other non-reusable waste are collected and handled carefully, 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		2025 data	2024 data
Greenhouse gas	Direct emission fuel consumption (ton)	**305.6**	1,890.0
	Indirect emission electricity consumption (ton)	**50.9**	122.6
Emission	Total carbon dioxide emission (CO_2) (ton)	**533.0**	2,012.6
	Total nitric oxides NO_x emission (ton)	**1.5**	3.8
	Total greenhouse gases emission per million RMB of goods sold (ton)	**0.9**	3.0
Hazardous waste	Solid and liquid hazardous from production and water treatment (ton)	**21.2**	175.0
	Total hazardous waste produced per million RMB of goods sold (ton)	**0.1**	0.3
Non-hazardous waste	Non-hazardous waste (ton) (office waste, paper, plastic not suitable for recycle, household waste from canteen and dormitories)	**38.1**	49.6
	Total non-hazardous waste produced per million RMB of goods sold (ton)	**0.5**	1.6

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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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		2025 data	2024 data
Energy	Fuel and Gas (Mwh)	**17,365.0**	1,013,127.5
	Electricity (Mwh)	**3,402.2**	14,564.9
	Energy consumed per million RMB of goods sold (Mwh)	**43.5**	1,561.1
Water	In M^3 (Consumption by production, canteen and dormitory)	**25,850.0**	100,136.4
	Water consumed per million RMB of goods sold (M^3)	**205.0**	263.0
Paper	Total paper consumed by production (ton)	**127.2**	19,821.7
E-liquid	Total E-liquid consumed by production (ton)	**26,256.6**	26,057.5
Nicotine	Total Nicotine consumed by production (kg)	**1,735.6**	1,985.5
Batteries	Total batteries consumed by production (ton)	**180.0**	3,728.4
Bucket	Total bucket consumed by production (PCS)	**5,358.0**	6,853.0
Packaging material	Packaging materials are mainly nylon tape and PP shrinkage film (ton)	**67.5**	80.0
	Packaging materials consumed per million RMB of goods sold (ton)	**0.092**	0.110

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.

Social Aspects

Employment Data	Unit	Quantity 2025	Quantity 2024	Turnover rate 2025	Turnover rate 2024
Total employees	no. of people	**736**	825	**16.2%**	17.5%
By gender	percentage				
— Male		**55.4**	50.3	**14.8%**	15.3%
— Female		**44.6**	49.7	**19.3**	21.8%
By employment type	percentage				
— Permanent		**72.1**	72.3	**13.7%**	19.1%
— Full-time contracted		**27.9**	27.7	**21.3%**	19.9%
By rank	percentage				
— Senior executives and executives		**12.7**	14.8	**7.1%**	6.9%
— Others		**87.3**	85.2	**17.9%**	20.3%
By age	percentage				
— 18–25		**18.3**	24.2	**18.8%**	17.5%
— 26–35		**45.0**	42.1	**16.9%**	15.7%
— 36–45		**28.9**	26.6	**17.1%**	18.4%
— 46 or above		**7.8**	7.1	**9.8%**	10.3%
By geographical region	percentage				
— China		**99.8**	99.9	**17.5%**	16.9%
— Hong Kong		**0.2**	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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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 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 5 days lost due to work injury during the Reporting Period.

Development and Training

Training statistics	Unit	Quantity 2025	2024
Total number of employees trained	no. of people	**662**	801
Trained employees as a percentage of total number of employees	percentage	**90.0**	97.1
Total training hours	no. of hours		
By gender			
— Male		**749**	976
— Female		**745**	965
Average training hours	no. of hours		
By gender			
— Male		**1.9**	2.2
— Female		**2.3**	2.4
Total training hours	no. of hours		
By position			
— Executives		**265**	293
— Others		**836**	2,049
Average training hours	no. of hours		
By position			
— Executives		**2.9**	8.0
— Others		**1.3**	3.5

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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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.

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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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: 2 suppliers at Fujian, 314 suppliers at Guangdong, 1 supplier at Jiangxi, 1 supplier at Anhui, 3 suppliers at Hubei, 1 supplier at Yunnan, 5 suppliers at Jiangsu, 4 suppliers at Shandong, 2 suppliers at Hebei, 2 suppliers at Shanghai, 5 suppliers at Zhejiang, 1 supplier at Hong Kong and 1 supplier 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 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Anti-corruption

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 and must not abuse power for own interests. 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. There was no any legal case regarding corrupt practices brought against the Group or its employees during the year ended 31 December 2025. 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.

DIRECTORS' REPORT

The Directors are pleased to present to the Shareholders this annual report and the audited consolidated financial statements for the year ended 31 December 2025 (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 63 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 2025 (2024: nil).

Closure of Register of Members

The annual general meeting is scheduled to be held on Thursday, 18 June 2026.

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 Friday, 12 June 2026 to Thursday, 18 June 2026, 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 Thursday, 11 June 2026.

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	37%	
The largest supplier		14%
Five largest suppliers in aggregate		37%

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 15 to the consolidated financial statements in this annual report.

Bank Borrowings

Details of bank borrowings of the Group as at 31 December 2025 are set out in Note 29 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 132. 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 22 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 2025.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in note 23 and note 35 to the consolidated financial statements in this annual report.

DIRECTORS' REPORT

Directors

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

Executive Directors

Mr. Yang Yoong An
Mr. Li Lin

Non-executive Director

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 Directors, Mr. Yang Yoong An and Mr. Li Lin, had entered into a service agreement with the Company for a term of three years commencing from 18 February 2025 and 20 June 2025, respectively, subject to the termination provision therein. The 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 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 20 June 2025 and ending on the conclusion of the 2025 annual general meeting of the Company to be held in 2026. 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 2025.

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 2025 or at any time during the year ended 31 December 2025.

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 2025.

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 2025.

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 2025 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 2025 and 2024.

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.

DIRECTORS' REPORT

During the year ended 31 December 2025, the total amounts of RMB8,232,000 (for the year ended 31 December 2024: RMB14,304,000) 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 has no distributable reserves as at 31 December 2025 (as at 31 December 2024: 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 2025, 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 2)*
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 2025.

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

So far as is known to the Directors, as at 31 December 2025, 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 2025.

Save as disclosed above, as at 31 December 2025, 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.

DIRECTORS' REPORT

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 2025:

Grantees	As at 1 January 2025	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	Outstanding as at 31 December 2025	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	22,100,000	–	–	–	22,100,000	7 December 2022	From the Vesting Date to 6 December 2032	HK$1.00
Total	25,800,000	–	–	–	25,800,000			

Note:

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.

As the vesting conditions set out above were not satisfied, following the publication of the Company's results announcement for the year ended 31 December 2025 on 27 March 2026, the options did not vest and have lapsed in their entirety pursuant to the terms of grant.

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 2025.

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 2025.

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 2025 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 2025 (2024: nil).

DIRECTORS' REPORT

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 has resigned as the auditor of the Company with effect from 28 November 2025 and SHINEWING (HK) CPA Limited was then appointed as the auditor of the Company with effect from 28 November 2025. The consolidated financial statements for the Year have been audited by SHINEWING (HK) CPA Limited. A resolution will be proposed in the forthcoming annual general meeting for the re-appointment of SHINEWING (HK) CPA Limited as the Company's auditor.

On behalf of the Board

Yang Yoong An
Chairman
Hong Kong, 27 March 2026

INDEPENDENT AUDITOR'S REPORT

SHINEWING (HK) CPA Limited
17/F., Chubb Tower, Windsor House,
311 Gloucester Road,
Causeway Bay, Hong Kong

信永中和(香港)會計師事務所有限公司
香港銅鑼灣
告士打道311號
皇室大廈安達人壽大樓17樓

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

Opinion

We have audited the consolidated financial statements of Jia Yao Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 63 to 131, which comprise the consolidated balance sheet as at 31 December 2025, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "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 are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), as applicable to audits of consolidated financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Matters *(Continued)*

Expected credit losses ("ECL") assessment of trade receivables

Refer to note 3.1(b)(ii), note 4(a) and note 18 to the consolidated financial statements and the accounting policies in note 2.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2025, the gross carrying amount of trade receivables amounted to approximately RMB228,968,000 and provision for ECL allowance on trade receivables of approximately RMB20,663,000 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, 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 in groups, 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 customer group's credit ratings, industry information, financial capability and payment histories, and 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) Assessing management's basis in identifying trade receivables with remarkable different credit risk characteristics and determining allowance for expected credit losses for these trade receivables using industry default rate and the reasonableness of the forward-looking information being considered; (iii) 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)*

Expected credit losses ("ECL") assessment of trade receivables *(Continued)*

The key audit matter	How the matter was addressed in our audit
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.	(iv) 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.

INDEPENDENT AUDITOR'S REPORT

Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2024 were audited by another auditor who expressed an unmodified opinion on those statements on 28 March 2025.

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, but does not include 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 of the Company and 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 HKFRS Accounting Standard issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee are 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, solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. 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 skepticism 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 of the Company.

- Conclude on the appropriateness of the Company's 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 Group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purpose of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

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

(Continued)

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.

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 Mr. Wong Chuen Fai.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Wong Chuen Fai
Practising Certificate Number: P05589

Hong Kong
27 March 2026

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2025

	Note	Year ended 31 December 2025 RMB'000	2024 RMB'000
Continuing operations			
Revenue	*5*	**644,937**	770,477
Cost of sales	*9*	**(491,704)**	(561,726)
Gross profit		**153,233**	208,751
Distribution costs	*9*	**(43,268)**	(57,146)
Administrative expenses	*9*	**(103,740)**	(114,461)
Net impairment losses on financial assets	*18*	**(5,798)**	(10,430)
Other income	*6*	**3,589**	5,265
Other gains, net	*7*	**2,426**	506
Operating profit		**6,442**	32,485
Finance income	*8*	**1,669**	913
Finance costs	*8*	**(5,708)**	(5,053)
Finance costs — net	*8*	**(4,039)**	(4,140)
Profit before income tax		**2,403**	28,345
Income tax credit/(expense)	*12*	**1,663**	(9,685)
Profit from continuing operations		**4,066**	18,660
Profit from discontinued operations	*31*	**–**	29,364
Profit for the year		**4,066**	48,024
Other comprehensive (expense)/income			
Currency translation differences		**(4,387)**	341
Total comprehensive (expense)/income for the year		**(321)**	48,365

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2025

	Note	Year ended 31 December 2025 RMB'000	2024 RMB'000
Profit for the year attributable to owners of the Company			
— from continuing operations		1,830	6,262
— from discontinued operations		–	44,349
		1,830	50,611
Profit/(loss) for the year attributable to non-controlling interests			
— from continuing operations		2,236	(2,587)
		4,066	48,024
Total comprehensive (expense)/income for the year attributable to:			
Owners of the Company		(2,557)	50,952
Non-controlling interests		2,236	(2,587)
		(321)	48,365
Earnings per share from continuing and discontinued operations			
Basic	*14*	0.003	0.084
Diluted	*14*	0.003	0.084
Earnings per share from continuing operations			
Basic	*14*	0.003	0.010
Diluted	*14*	0.003	0.010

CONSOLIDATED BALANCE SHEET

As at 31 December 2025

	Note	As at 31 December 2025 RMB'000	2024 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	*15*	**49,298**	48,077
Right-of-use assets	*17*	**71,945**	74,767
Intangible assets	*16*	**2,968**	3,453
Deferred income tax assets	*25*	**7,291**	2,220
Other receivables	*18*	**–**	3,836
Prepayment for property, plant and equipment		**2,305**	2,194
		133,807	134,547
Current assets			
Inventories	*19*	**113,001**	84,417
Trade and other receivables and prepayments	*18*	**329,964**	357,707
Financial assets at fair value through profit or loss	*20*	**10,000**	1,204
Restricted cash	*21*	**20,954**	13,426
Cash and cash equivalents	*21*	**105,870**	275,136
		579,789	731,890
Total assets		**713,596**	866,437
EQUITY			
Equity attributable to the owners of the Company			
Share capital	*22*	**5,120**	5,120
Share premium	*22*	**–**	152,684
Other reserves	*23*	**108,907**	113,294
Retained earnings	*24*	**168,324**	179,328
		282,351	450,426
Non-controlling interests		**47,060**	41,870
Total equity		**329,411**	492,296

CONSOLIDATED BALANCE SHEET

As at 31 December 2025

		As at 31 December	
		2025	2024
	Note	**RMB'000**	RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities	*17*	**44,615**	48,713
Deferred income tax liabilities	*25*	**718**	1,211
		45,333	49,924
Current liabilities			
Trade and other payables	*27*	**201,106**	211,938
Contract liabilities	*28*	**41,456**	15,661
Income tax payable		**14,093**	12,132
Borrowings	*29*	**55,879**	62,750
Lease liabilities	*17*	**26,318**	21,736
		338,852	324,217
Total liabilities		**384,185**	374,141
Total equity and liabilities		**713,596**	866,437

The consolidated financial statements on pages 63 to 131 were approved and authorised for issue by the board of directors of the Company on 27 March 2026 and were signed on its behalf by:

Yang Yoong An
Director

Yang Fan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

	Attributable to the owners of the Company						
	Share capital RMB'000 *(Note 22)*	Share premium RMB'000 *(Note 22)*	Other reserves RMB'000 *(Note 23)*	Retained earnings RMB'000 *(Note 24)*	Subtotal RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
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
Total comprehensive income (expense) for the year	–	–	341	50,611	50,952	(2,587)	48,365
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 32)*	–	–	(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
Balance at 1 January 2025	**5,120**	**152,684**	**113,294**	**179,328**	**450,426**	**41,870**	**492,296**
Profit for the year	**–**	**–**	**–**	**1,830**	**1,830**	**2,236**	**4,066**
Currency translation differences	**–**	**–**	**(4,387)**	**–**	**(4,387)**	**–**	**(4,387)**
Total comprehensive (expense)/ income for the year	**–**	**–**	**(4,387)**	**1,830**	**(2,557)**	**2,236**	**(321)**
Dividends *(Note 13)*	**–**	**(152,684)**	**–**	**(12,834)**	**(165,518)**	**–**	**(165,518)**
Disposal of subsidiaries *(Note 32)*	**–**	**–**	**–**	**–**	**–**	**2,954**	**2,954**
Balance at 31 December 2025	**5,120**	**–**	**108,907**	**168,324**	**282,351**	**47,060**	**329,411**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	Note	Year ended 31 December 2025 RMB'000	2024 RMB'000
Cash flows from operating activities			
Cash generated from operations	30(a)	14,451	6,956
Interest received		1,669	913
Interest paid	30(b)	(5,708)	(4,865)
Income tax paid		(1,940)	(20,563)
Net cash used in operating activities from discontinued operations		–	(4,631)
Net cash generated from/(used in) operating activities		8,472	(22,190)
Cash flows from investing activities			
Purchase of property, plant and equipment and other assets		(16,579)	(26,162)
Proceeds from disposal of property, plant and equipment		–	1,773
Net cash (outflow)/inflow from disposal of subsidiaries, net of cash disposed	32	(26)	5,766
Net cash outflow from financial assets at fair value through profit or loss		(8,787)	(921)
Receipts of cash advances to third parties		45,893	–
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		(5,000)	(40,569)
Receipts of deposit related to potential acquisition of subsidiaries		31,183	58,560
Net cash used in investing activities from discontinued operations		–	(4,778)
Net cash generated from/(used in) investing activities		46,684	(51,632)
Cash flows from financing activities			
Proceeds of borrowings	30(b)	66,200	73,100
Repayments of borrowings	30(b)	(73,071)	(33,850)
Cash advance from non-controlling interests	30(b)	–	30,000
Repayment of borrowings from non-controlling interests	30(b)	(30,000)	–
Proceeds from partial disposal of subsidiaries without loss of control		–	20,359
Capital contribution from non-controlling interests		–	300
Dividends paid to owners of the Company		(164,018)	–
Dividends paid to non-controlling interests in subsidiaries		(1,500)	(27,750)
Payments of lease liabilities	30(b)	(17,646)	(18,431)
Net cash used in financing activities from discontinued operations		–	(5,926)
Net cash (used in)/generated from financing activities		(220,035)	37,802
Net decrease in cash and cash equivalents		(164,879)	(36,020)
Cash and cash equivalents at beginning of the year		275,136	311,156
Effect of foreign exchange rate changes		(4,387)	–
Cash and cash equivalents at end of the year	21	105,870	275,136

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

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. Its immediate and ultimate holding company is Spearhead Leader Limited, a limited company incorporated in the British Virgin Islands (the "BVI").

The Company and its subsidiaries (together, the "Group") are engaged in the design, production and sales of electronic cigarettes, and other electronic cigarettes products 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 made for export.

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, and the functional currency of the Company and subsidiaries which operate in Hong Kong is Hong Kong dollars ("HKD") while that for subsidiaries which operate in the PRC is RMB.

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 Accounting Standards, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared in accordance with HKFRS Accounting Standards. In addition, the consolidated financial statements include the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments that are measured at fair values at the end of each reporting period.

2 Summary of material accounting policies *(Continued)*

2.1 Basis of preparation *(continued)*

(ii) 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 2025:

- Amendments to HKAS 21 Lack of Exchangeability

The application of the amendments to HKAS 21 in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

The Group has not early applied the following new and amendments to HKFRS Accounting Standards that have been issued but are not yet effective:

		Effective for accounting periods beginning on or after
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity	1 January 2026
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards — Volume 11	1 January 2026
Amendments to HKAS 21	Translation to a Hyperinflationary Presentation Currency	1 January 2027
HKFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The directors of the Company anticipate that, except as described below, the application of other new and amendments to HKFRS Accounting Standards will have no material impact on the results and the financial position of the Group.

2 Summary of material accounting policies *(Continued)*

2.1 Basis of preparation *(continued)*

(iii) New standards and amendments to standards not yet adopted (continued)

HKFRS 18 — Presentation and Disclosure in Financial Statements

HKFRS 18 sets out requirements on presentation and disclosures in financial statements and will replace HKAS 1 Presentation of Financial Statements. HKFRS 18 introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. Minor amendments to HKAS 7 "Statement of Cash Flows" and HKAS 33 "Earnings per Share" are also made.

HKFRS 18, and the consequential amendments to other HKFRS Accounting Standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted.

The application of the HKFRS 18 is not expected to have material impact on the financial position of the Group. The directors are in the process of making an assessment of the impact of HKFRS 18, but is not yet in a position to state whether the adoption would have a material impact on the presentation and disclosures of consolidated financial statements of the Group.

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries. Subsidiaries are entities, over which the Group has control. The Group controls an entity when it has the power over the investee; it is exposed, or has rights, to variable returns from its involvement with the entity and it has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

Intragroup transactions and balances are eliminated in full on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated balance sheet and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2 Summary of material accounting policies *(Continued)*

2.3 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.

2.4 Segment reporting

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

2.5 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.

Foreign exchange gains and losses are presented in the consolidated statement of comprehensive income on a net basis within other gains/(losses).

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations with functional currency other than the presentation currency of the Group are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of the reporting period. Income and expenses are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which cases, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of other reserves (attributed to non-controlling interests as appropriate).

2 Summary of material accounting policies *(Continued)*

2.5 Foreign currency translation *(Continued)*

(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 are recognised in other comprehensive income.

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.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company.

2.6 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.

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.

2 Summary of material accounting policies *(Continued)*

2.6 Property, plant and equipment *(Continued)*

Depreciation is calculated using the straight-line method, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements, 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.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including cost of testing whether the related assets are functioning properly. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2.7 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.

Internally-generated intangible assets — research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

2 Summary of material accounting policies *(Continued)*

2.8 Discontinued operations

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.

2.9 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 26.

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.

2.10 Impairment of non-financial assets

The carrying amounts of other non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss and other comprehensive income to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the CGU to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the CGU.

Value in use is the present value of the estimated future cash flows of the asset/CGU. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/CGU whose impairment is being measured.

2 Summary of material accounting policies *(Continued)*

2.10 Impairment of non-financial assets *(Continued)*

Impairment losses for CGU are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the CGU. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for that asset/CGU in prior years.

2.11 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.

Financial assets at fair value through profit or loss (FVPL) are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss is included in the "Other gains/(losses) — net" line item.

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 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.

2 Summary of material accounting policies *(Continued)*

2.11 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.

2 Summary of material accounting policies *(Continued)*

2.11 Investments and other financial assets *(Continued)*

(c) Measurement (Continued)

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.

(d) Impairment

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade receivables, bank balances and other receivables) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expeted to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast direction of future conditions.

The Group always recognises lifetime ECL for trade receivables.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

2 Summary of material accounting policies *(Continued)*

2.11 Investments and other financial assets *(Continued)*

(d) Impairment (Continued)

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

2 Summary of material accounting policies *(Continued)*

2.11 Investments and other financial assets *(Continued)*

(d) Impairment (Continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

The Group rebuts the presumption of default under ECL for trade receivables over 90 days past due based on the strong financial position with good repayment records of those customers and continuous business relationship with the Group.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2 Summary of material accounting policies *(Continued)*

2.11 Investments and other financial assets *(Continued)*

(d) Impairment (Continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience and forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for certain trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2 Summary of material accounting policies *(Continued)*

2.12 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.

2.13 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 18 for further information about the Group's accounting for trade receivables and Note 2.11(d) for a description of the Group's impairment policy.

2.14 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 consolidated balance sheet.

2.15 Share capital

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 Summary of material accounting policies *(Continued)*

2.16 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 90 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.

2.17 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.

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.

2.18 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2 Summary of material accounting policies *(Continued)*

2.19 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.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

2 Summary of material accounting policies *(Continued)*

2.19 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.

2.20 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries 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 Chinese Mainland participate in defined contribution retirement benefit plans organised by relevant government authorities for its employees in Chinese Mainland 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.

2.21 Provisions

Provisions for 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.

2 Summary of material accounting policies *(Continued)*

2.21 Provisions *(Continued)*

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.

2.22 Revenue from contracts with customers

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Group uses a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Group recognised revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to customers.

A performance obligation represents a good or service that is distinct or a series of distinct goods or services that are substantially same.

2 Summary of material accounting policies *(Continued)*

2.22 Revenue from contracts with customers *(Continued)*

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or service.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer, excludes amounts collected on behalf of third parties, discounts and sales related 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 controt 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.

Provision for 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 recoghised when the services are rendered.

2.23 Contract liabilities

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

2 Summary of material accounting policies *(Continued)*

2.24 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.

2.25 Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments).

The lease liability is presented as a separate line in the consolidated balance sheet.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2 Summary of material accounting policies *(Continued)*

2.25 Lease *(Continued)*

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. They are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group presents right-of-use assets as a separate line in the consolidated balance sheet.

The Group applies HKAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

2.26 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.

2.27 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "Other income".

2 Summary of material accounting policies *(Continued)*

2.28 Fair value measurement

When measuring fair value except for net realisable value of inventories and value in use of assets for the purpose of impairment assessment, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

Level 1: — Fair value measurements are those derived from quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: — Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: — Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

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For the year ended 31 December 2025

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 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 21 and Note 29 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 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.

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 Group groups the receivables based on its judgement whether there are significant differences in customers credit risk characteristics and measures the expected credit losses based on groups. Basis for determining groupings is as follows:

Group 1: Receivables due from third parties — Private electronic cigarettes manufacturing enterprises

Group 2: Receivables due from third parties — Retail enterprises and others

	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
31 December 2025			
Group 1	**69,287**	**(6,271)**	**63,016**

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

3 Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

(ii) Trade receivables *(Continued)*

For trade receivables that share same risk characteristics with others, management calculates the expected credit loss using the roll rate model. The model first groups the customers based on their different risk characteristics, and then recalculates their respective historical credit loss information. The model further incorporates economic policies, macroeconomic conditions, industry risks and forward-looking adjustments to reflect management's forecasts of macroeconomic factors in different scenarios, as this affects the customers' ability to settle the receivables. The loss allowance as at 31 December 2025 was determined as follows:

31 December 2025	Less than 90 days	90 to 180 days	181 to 270 days	271 to 365 days	Over 1 year	Total
Group 2						
Gross carrying amount (RMB'000)	119,372	9,032	86	4,775	26,416	159,681
Expected loss rate	1.53%	4.65%	11.75%	13.28%	43.54%	
Loss allowance (RMB'000)	(1,825)	(420)	(10)	(634)	(11,503)	(14,392)
Net carrying amount	117,547	8,612	76	4,141	14,913	145,289

31 December 2024	Less than 90 days	90 to 180 days	181 to 270 days	271 to 365 days	Over 1 year	Total
Group 2						
Gross carrying amount (RMB'000)	96,557	14,909	14,522	10,177	14,093	150,258
Expected loss rate	1.59%	5.95%	10.30%	16.99%	41.33%	
Loss allowance (RMB'000)	(1,532)	(887)	(1,496)	(1,729)	(5,825)	(11,469)
Net carrying amount	95,025	14,022	13,026	8,448	8,268	138,789

(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.

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For the year ended 31 December 2025

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.

31 December 2025	**Expected loss rate**	**Gross carrying amount RMB'000**	**Loss allowance RMB'000**	**Net carrying amount RMB'000**
Other receivables	**5.0%**	**90,299**	**(4,473)**	**85,826**

31 December 2024	Expected loss rate	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
Other receivables	3.4%	156,818	(5,373)	151,445

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	Total contractual cash flows RMB'000	Carrying amount RMB'000
At 31 December 2025					
Non-derivatives					
Borrowings	**56,635**	**–**	**–**	**56,635**	**55,879**
Trade and other payables (excluding salary payables and other tax payables)	**170,894**	**5,208**	**1,221**	**177,323**	**177,323**
	227,529	**5,208**	**1,221**	**233,958**	**233,202**
Lease Liabilities	**28,651**	**28,122**	**18,267**	**75,040**	**70,933**

	Less than 1 year RMB'000	1–2 years RMB'000	2–5 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
Trade and other payables (excluding salary payables and other tax payables)	188,454	–	–	188,454	188,454
	253,800	–	–	253,800	251,204
Lease Liabilities	24,125	19,526	36,206	79,857	70,449

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 sheet plus total debt.

The gearing ratios are as follows:

	2025 RMB'000	2024 RMB'000
Total borrowings	**55,879**	62,750
Less: cash and cash equivalents	**(105,870)**	(275,136)
Net cash	**(49,991)**	(212,386)
Total equity	**329,411**	492,296
Total capital	**713,596**	866,437
Gearing ratio (%)	**Not Applicable**	Not Applicable

3 Financial risk management *(Continued)*

3.3 Fair value estimation

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial instruments	Fair value as at 2025 RMB'000	Fair value as at 2024 RMB'000	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Financial asset at FVPL	**10,000**	1,204	Level 2	Net asset value method — based on the unit price published by the issuing bank as at the reporting date. The unit price is determined by the bank using observable market data for underlying assets.	N/A	N/A

Except as detailed in the above table, the carrying amounts of the Group's financial assets and financial liabilities 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 and other receivables

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.

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 carrying amount of trade receivbales as at 31 December 2025 was RMB208,305,000. During the year ended 31 December 2025, loss allowance of trade receivables amounted to RMB6,698,000 was recognised in the profit or loss.

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

4 Critical accounting estimates and judgements *(Continued)*

(b) Allowance on inventories

The Group makes allowance for inventories based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the carrying amount. The management of the Group reviewed the inventory aging report at the end of the reporting period to identify inventories that there are no longer saleable in the market and estimated the net realisable value for those items based primarily on the latest invoice sales prices and current market conditions.

The carrying amount of inventories as at 31 December 2025 was RMB113,001,000. During the year ended 31 December 2025, write-downs of inventories amounted to RMB607,000 was recognised in the profit or loss.

(c) Impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and amortisation, and any impairment. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether any events have occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the assets belongs. Changing the assumptions and estimates including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

The carrying amount of property, plant and equipment and right-of-use assets as at 31 December 2025 were RMB49,298,000 and RMB71,945,000 respectively.

(d) 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 2025:

	Sales of electronic cigarettes RMB'000	Electronic cigarettes ancillary services RMB'000	Total RMB'000
Revenue	534,427	110,510	644,937
Gross profit	142,964	10,269	153,233
Distribution costs	(43,082)	(186)	(43,268)
Segment results	99,882	10,083	109,965
Administrative expenses			(103,740)
Net impairment losses on financial assets			(5,798)
Other income			3,589
Other gains, net			2,426
Finance costs — net			(4,039)
Profit before income tax			2,403

5 Segment information *(Continued)*

(b) Segment revenue *(Continued)*

The segment results from continuing operations 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, net			506
Finance costs — net			(4,140)
Profit before income tax			28,345

No analysis on segment assets and liabilities is disclosed as it is not presented to the chief operating decision makers.

	2025 RMB'000	2024 RMB'000
Customer A	**72,331**	81,776
Customer B	**71,971**	N/A[1]

Note 1: The revenue of the customer did not contribute over 10% of the total revenue of the Group.

5 Segment information *(Continued)*

(c) Revenue and segment assets by location

As at 31 December 2025, 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:

	2025 RMB'000	2024 RMB'000
Chinese Mainland	126,266	128,152
Hong Kong	250	339
	126,516	128,491

The following table provides an analysis of the Group's revenue by geographical market, based on the location of the operations:

	2025 RMB'000	2024 RMB'000
Chinese Mainland	616,004	739,780
Hong Kong	28,933	30,697
	644,937	770,477

6 Other income

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

	2025 RMB'000	2024 RMB'000
Government grants	3,589	5,263
Others	–	2
	3,589	5,265

7 Other gains — net

	2025 RMB'000	2024 RMB'000
Gains/(losses) on disposal of subsidiaries *(note 32)*	1,489	(1,521)
Others	937	2,027
	2,426	506

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8 Finance costs — net

	2025 RMB'000	2024 RMB'000
Finance income		
Interest income on bank deposits	1,669	913
Finance cost		
Interest on bank borrowings	(2,480)	(2,634)
Others	(3,228)	(2,419)
	(5,708)	(5,053)
Finance costs — net	(4,039)	(4,140)

9 Expenses by nature

	2025 RMB'000	2024 RMB'000
Operating profit for the year has been arrived at after charging:		
Raw materials and consumables used	402,285	474,063
Write-down of inventories, net	607	787
Changes in inventories of finished goods and work in progress	27,833	425
Employee benefits expenses *(Note 10)*	120,698	164,192
Amortisation	21,520	18,223
Depreciation *(Note 15(a))*	13,084	9,861
Social promotion expense	11,879	15,163
Travel expenses	4,944	9,190
Professional service expense	9,413	8,197
Transportation cost	3,672	6,905
Office expense	3,538	4,558
Operating lease rentals in respect of rented premises	3,661	4,837
Energy and water expense	4,780	3,647
Real estate tax, stamp duties and other taxes	2,498	2,931
Auditor's remuneration	1,300	2,200
Other operating expenses	7,000	8,154
Total cost of sales, distribution costs and administrative expenses	638,712	733,333

10 Employee benefit expense

	2025 RMB'000	2024 RMB'000
Wages and salaries	**108,302**	153,132
Welfare, medical and other expenses	**12,396**	11,334
Reversal of share-based payment expense	**–**	(274)
	120,698	164,192

(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 34 (2024: same). The emoluments payable to the remaining five (2024: five) individuals during the year are as follows:

	2025 RMB'000	2024 RMB'000
Basic salaries, housing allowances, and other allowances	**4,353**	4,949
Contribution to pension scheme	**218**	29
	4,571	4,978

Each of their emoluments for the years ended 31 December 2025 and 2024 was within HKD1,000,001 to HKD1,500,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

11 Subsidiaries

The Group's principal subsidiaries at 31 December 2025 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 2025 %	2024 %	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 *(Note 1)*	The PRC, limited liability company	RMB1,000,000	**–**	39%	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 *(Note 2)*	The PRC, limited liability company	RMB1,000,000	**–**	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%**	60%	Investment holding in PRC

Note 1: Shenzhen Leshengcai Technology Co., Ltd. was disposed on 29 April 2025.

Note 2: Shenzhen Jiayao Science and Technology Innovation Research Co.,Ltd. was disposed on 12 February 2025.

* *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 (credit)/expense

	Year ended 31 December	
	2025	2024
	RMB'000	RMB'000
Current income tax *(i)*		
— PRC corporate income tax	**4,007**	9,427
— Hong Kong profits tax	**(106)**	–
	3,901	9,427
Deferred income tax	**(5,564)**	258
	(1,663)	9,685

(i) Current income tax

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

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million. There is no assessable profit derived from Hong Kong for both years.

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 2025 (2024: 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 2025 (2024: 15%).

The remaining subsidiaries established in the Chinese Mainland are subject to the PRC CIT rate of 25% (2024: 25%).

12 Income tax (credit)/expense *(Continued)*

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

	2025	2024
	RMB'000	RMB'000
Profit before income tax from continuing operations	**2,403**	28,345
Tax calculated at applicable tax rates	**1,741**	11,355
Preferential income tax rate applicable to certain subsidiaries	**(2,130)**	(5,035)
Tax losses and temporary differences for which no deferred income tax asset was recognised	**1,866**	3,454
The effect of changes in tax rates	**–**	621
Additional deduction for research and development expenditures	**(772)**	(515)
Utilisation of previously unrecognized tax losses	**(3,022)**	(411)
Expenses not deductible for taxation purposes	**654**	216
Income tax (credit)/expenses	**(1,663)**	9,685

13 DIVIDENDS

The Board of Directors does not recommend the payment of a final dividend for the year ended 31 December 2025 (2024: nil).

The special dividend of HKD0.3 (equivalent to approximately RMB0.278) per ordinary share, totalling HK$180 million, 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.

14 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.

	2025	2024
Profit from continuing operations attributable to the owners of the Company (RMB'000)	**1,830**	6,262
Profit from discontinued operations attributable to the owners of the Company (RMB'000)	**–**	44,349
Profit attributable to the owners of the Company (RMB'000)	**1,830**	50,611
Weighted average number of ordinary shares in issue ('000)	**600,000**	600,000
Basic earnings per share (RMB)		
From continuing operations	**0.003**	0.010
From discontinued operations	**–**	0.074
	0.003	0.084

As the Company did not have any dilutive potential ordinary shares outstanding as at 31 December 2025 and 2024, diluted earnings per share is equal to basic earnings per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

15 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 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 32)*	(18,293)	(48,424)	(1,419)	(422)	(52,118)	(120,676)
Depreciation	(7,843)	(10,008)	(1,466)	(2,590)	–	(21,907)
As 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
Year ended 31 December 2025						
Opening net book amount	**12,228**	**22,228**	**7,745**	**5,876**	**–**	**48,077**
Additions	**6,596**	**7,984**	**86**	**1,802**	**–**	**16,468**
Disposal	**–**	**(151)**	**(25)**	**(15)**	**–**	**(191)**
Disposal of subsidiaries *(Note 32)*	**(99)**	**(1,873)**	**–**	**–**	**–**	**(1,972)**
Depreciation	**(5,411)**	**(3,507)**	**(2,453)**	**(1,713)**	**–**	**(13,084)**
At 31 December 2025	**13,314**	**24,681**	**5,353**	**5,950**	**–**	**49,298**
At 31 December 2025						
Cost	**52,083**	**287,630**	**21,712**	**13,868**	**–**	**375,293**
Accumulated depreciation	**(38,769)**	**(262,949)**	**(16,359)**	**(7,918)**	**–**	**(325,995)**
Net book amount	**13,314**	**24,681**	**5,353**	**5,950**	**–**	**49,298**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

15 Property, plant and equipment *(Continued)*

(a) Depreciation expenses have been charged to the consolidated statement of comprehensive income

	2025 RMB'000	2024 RMB'000
Continuing operations		
Cost of sales	3,740	2,764
Administrative expenses	8,957	6,799
Distribution costs	387	298
	13,084	9,861
Discontinued operations	–	12,046
Charged to the profit or loss	13,084	21,907

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

16 Intangible assets

	Goodwill RMB'000	Patents RMB'000	Total RMB'000
At 1 January 2024			
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
Year ended 31 December 2025			
Opening net book amount	**97**	**3,356**	**3,453**
Amortisation charge	**–**	**(485)**	**(485)**
Closing net book amount	**97**	**2,871**	**2,968**
At 31 December 2025			
Cost	**97**	**4,855**	**4,952**
Accumulated amortisation and impairment	**–**	**(1,984)**	**(1,984)**
Net book amount	**97**	**2,871**	**2,968**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

17 Leases

(a) Amounts recognised in the consolidated balance sheet

	2025 RMB'000	2024 RMB'000
Right-of-use assets		
Land use rights	5,676	5,795
Office and plant leasing	66,269	68,972
Total right-of-use assets	71,945	74,767
Lease liabilities		
Current	26,318	21,736
Non-current	44,615	48,713
Total lease liabilities	70,933	70,449

	2025 RMB'000	2024 RMB'000
Amounts payable under lease liabilities		
Within one year	26,318	21,736
After one year but within two years	26,807	17,810
After two years but within five years	17,808	30,903
	70,933	70,449
Less: Amount due for settlement within 12 months	26,318	21,736
Amount due for settlement after 12 months	44,615	48,713

Additions to the right-of-use assets for the year ended 31 December 2025 amounted to RMB22,592,000 (2024: RMB59,865,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

17 Leases *(Continued)*

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

	2025 RMB'000	2024 RMB'000
Amortisation charge of right-of-use assets		
Land use rights	119	119
Office and plant leasing	20,916	17,618
	21,035	17,737
Continuing operations		
Interest expense (included in finance cost)	3,197	2,231
Expense relating to short-term leases	3,661	3,924

The total cash outflow for leases in 2025 was RMB24,504,000 (2024: RMB23,268,000).

18 Trade and other receivables and prepayments

	2025 RMB'000	2024 RMB'000
Trade receivables	**228,968**	209,938
Less: loss allowance for trade receivables	**(20,663)**	(14,076)
	208,305	195,862
Notes receivable	**1,648**	595
Less: loss allowance for notes receivables	**(1)**	(1)
	1,647	594
Deposits	**29,512**	56,421
Cash advance	**39,480**	69,344
Value added tax and income tax recoverable	**12,678**	10,826
Advance to employees	**5,375**	2,982
Other advances and receivables	**3,254**	17,245
Less: loss allowance for other receivables	**(4,473)**	(5,373)
	85,826	151,445
Less: other receivable include in non-current assets	**–**	(3,836)
Other receivables included in current assets	**85,826**	147,609
Prepayments	**34,186**	13,642
	329,964	357,707

18 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:

	2025 RMB'000	2024 RMB'000
0 to 90 days	177,332	147,514
91 to 180 days	8,961	15,866
181 to 365 days	4,571	23,976
Over 1 year	17,441	8,506
	208,305	195,862

(b) Note receivables by aging

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

	2025 RMB'000	2024 RMB'000
0 to 90 days	1,647	594

(c) Impairment of trade, note and other receivables

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

	2025 RMB'000	2024 RMB'000
At 1 January	19,450	13,629
Provision for loss allowance	5,798	10,430
Disposal of subsidiaries	(111)	(4,609)
At 31 December	25,137	19,450

19 Inventories

	2025 RMB'000	2024 RMB'000
Raw materials and packaging materials	34,934	34,183
Work in progress	15,975	8,548
Finished goods	62,092	41,686
	113,001	84,417

Write-downs of inventories to net realisable value amounted to RMB607,000 during the year ended 31 December 2025 (2024: RMB787,000), which were recognised as an expense and included in 'cost of sales' in the consolidated statement of comprehensive income.

20 Financial assets at fair value through profit or loss

	2025 RMB'000	2024 RMB'000
Wealth management product	10,000	1,204

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

21 Cash and cash equivalents and restricted cash

	2025 RMB'000	2024 RMB'000
Cash at bank and on hand	126,824	288,562
Less: restricted cash	(20,954)	(13,426)
Cash and cash equivalents	105,870	275,136

	2025 RMB'000	2024 RMB'000
Cash at bank and on hand		
— Denominated in RMB	109,674	117,960
— Denominated in HKD	12,400	168,199
— Denominated in other currencies	4,750	2,403
	126,824	288,562

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 was mainly include cash deposits pledged to banks as security for notes payable.

22 Share capital and share premium

	Number of shares	Share capital		Share premium
		HKD'000	RMB'000	RMB'000
Issued and fully paid:				
As at 1 January 2024, 31 December 2024 and 1 January 2025	600,000,000	6,000	5,120	152,684
Dividends paid	–	–	–	(152,684)
As at 31 December 2025	600,000,000	6,000	5,120	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

23 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 2024	3,483	62,307	(278)	97,037	162,549
Currency translation differences	–	–	341	–	341
Lapse of employee share option scheme *(Note 26)*	(3,483)	–	–	–	(3,483)
Transfer to statutory reserve	–	4,898	–	–	4,898
Disposal of subsidiaries *(Note (a))*	–	(51,011)	–	–	(51,011)
At 31 December 2024	–	16,194	63	97,037	113,294
At 1 January 2025	**–**	**16,194**	**63**	**97,037**	**113,294**
Currency translation differences	**–**	**–**	**(4,387)**	**–**	**(4,387)**
At 31 December 2025	**–**	**16,194**	**(4,324)**	**97,037**	**108,907**

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

24 Retained earnings

	2025 RMB'000	2024 RMB'000
As at 1 January	**179,328**	82,604
Profit attributable to owners of the Company	**1,830**	50,611
Transfer to statutory reserve *(Note (a))*	**–**	(4,898)
Dividends to shareholders of the Company	**(12,834)**	–
Transfer from statutory reserve due to disposal of subsidiaries *(Note 23)*	**–**	51,011
As at 31 December	**168,324**	179,328

(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.

25 Deferred income tax

The analysis of deferred income tax is as follows:

	2025 RMB'000	2024 RMB'000
Deferred income tax assets	**19,690**	9,014
Set-off of deferred tax liabilities pursuant to set-off provisions	**(12,399)**	(6,794)
Net deferred tax assets	**7,291**	2,220
Deferred income tax liabilities	**(13,117)**	(8,005)
Set-off of deferred tax liabilities pursuant to set-off provisions	**12,399**	6,794
Net deferred tax liabilities	**(718)**	(1,211)
Total	**6,573**	1,009

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

25 Deferred income tax *(Continued)*

Deferred tax assets	Impairment losses for property, plant and equipment RMB'000	Provisions RMB'000	Lease liabilities RMB'000	Unused tax losses RMB'000	Total RMB'000
At 1 January 2024	213	1,491	6,560	–	8,264
(Charged)/credit 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
At 1 January 2025	**–**	**1,857**	**7,157**	**–**	**9,014**
Credit to the consolidated statement of comprehensive income	**–**	**2,205**	**6,070**	**2,401**	**10,676**
At 31 December 2025	**–**	**4,062**	**13,227**	**2,401**	**19,690**

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 2024	(505)	(5,963)	(997)	(7,465)
(Charged)/credit 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)
At 1 January 2025	**–**	**(7,130)**	**(875)**	**(8,005)**
(Charged)/credit to the consolidated statement of comprehensive income	**–**	**(5,269)**	**157**	**(5,112)**
At 31 December 2025	**–**	**(12,399)**	**(718)**	**(13,117)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

25 Deferred income tax *(Continued)*

At the end of the reporting period, the Group has unused tax losses of RMB29,648,000 (2024: RMB15,732,000) available for offset against future profits. A deferred tax asset of RMB16,012,000 (2024: nil) in relation to unused tax losses has been recognised. No deferred tax asset has been recognised on the tax losses of RMB13,636,000 (2024: RMB15,732,000) due to the unpredictability of future profit stream. Unrecognised tax losses of approximately RMB22,757,000 (2024: RMB15,727,000) will expire from 2026 to 2032 (2024: 2025 to 2032), and approximately RMB6,891,000 (2024: RMB5,000), subject to agreement by Hong Kong Inland Revenue Department, may be carried forward indefinitely.

As at 31 December 2025, the Group had deductible temporary differences of RMB33,370,000 (2024: RMB19,160,000) available for offsetting against future profits. A deferred tax asset has been recognised in respect of RMB26,065,000 (2024: RMB7,184,000) of such deductible temporary difference. No deferred tax asset has been recognised in respect of the remaining balance of RMB7,305,000 (2024: RMB11,976,000) as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

26 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.

No share options granted by the Company in 2025 and 2024.

27 Trade and other payables

	As of 31 December	
	2025	2024
	RMB'000	RMB'000
Trade payables	**147,303**	128,786
Notes payable	**10,795**	14,944
Salary payables	**6,649**	8,058
Other tax payables	**17,134**	15,426
Other payable to non-controlling interests	**–**	30,000
Others	**19,225**	14,724
	201,106	211,938

As at 31 December 2025 and 2024, the carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

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	
	2025	2024
	RMB'000	RMB'000
Up to 6 months	**145,718**	127,504
6 months to 1 year	**92**	45
1 year to 2 years	**272**	1,237
Over 2 years	**1,221**	–
	147,303	128,786

The Group's trade payables as at 31 December 2025 and 2024 is denominated in RMB and USD:

	2025	2024
	RMB'000	RMB'000
RMB	**137,677**	120,833
USD	**9,626**	7,953
	147,303	128,786

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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28 Contract liabilities

	2025 RMB'000	2024 RMB'000
Contract liabilities, current	**41,456**	15,661

As at 1 January 2024, contract liabilities amounted to RMB22,676,000.

Revenue recognised during the year ended 31 December 2025 that was included in the contract liabilities at the beginning of the year is RMB11,242,000 (2024: RMB22,676,000).

29 Borrowings

	2025 RMB'000	2024 RMB'000
Short-term bank borrowings, unsecured	**55,879**	62,750

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

	2025	2024
Fixed-rate borrowings	**3.44%**	4.45%

Bank borrowings are repayable within one year based on scheduled repayment dates set out in the loan agreements. The range of effective interest rates (which are also equal to contracted interest rates) due in the Group's bank borrowings for the year ended 31 December 2025 is fixed from 3% to 15.98% per annum (2024: 3% to 4.45% per annum).

As at 31 December 2025 and 2024, the borrowings are guaranteed by non-controlling shareholder.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

30 Notes to the consolidated statement of cash flow

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

	Note	2025 RMB'000	2024 RMB'000
Profit before income tax from continuing operations		**2,403**	28,345
Adjustments for:			
Depreciation of property, plant and equipment	*15*	**13,084**	9,861
Amortisation of right-of-use assets	*17*	**21,035**	17,737
Amortisation of intangible assets	*16*	**485**	486
Loss on disposal of property, plant and equipment		**191**	471
Finance costs, net		**4,039**	4,140
Net allowance for impairment losses on financial assets	*18*	**5,798**	10,430
Provision of inventories, net	*19*	**607**	787
Non-cash employee benefits expense — share based payments	*26*	**–**	(274)
(Gain)/loss on disposal of subsidiaries	*32*	**(1,489)**	1,521
Gains on bank financial instruments		**(9)**	(283)
Increase in inventories		**(33,827)**	(9,545)
(Increase)/decrease in restricted cash		**(7,528)**	4,637
Increase in trade and other receivables and prepayments		**(49,244)**	(21,043)
Increase/(decrease) in trade and other payables, and contract liabilities		**58,906**	(40,314)
Cash generated from continuing operations		**14,451**	6,956

30 Notes to the consolidated statement of cash flow *(Continued)*

(b) Reconciliation of liabilities arising from financing activities

	Borrowings	Lease liabilities	Other payables to non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2024	(61,500)	(31,277)	–	(92,777)
Cash flows	(34,700)	18,431	(30,000)	(46,269)
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
As at 31 December 2024	(62,750)	(70,449)	(30,000)	(163,199)
Net cash as at 1 January 2025	**(62,750)**	**(70,449)**	**(30,000)**	**(163,199)**
Cash flows	**6,871**	**17,646**	**30,000**	**54,517**
New leases	**–**	**(22,592)**	**–**	**(22,592)**
Interest expense	**(2,511)**	**(3,197)**	**–**	**(5,708)**
Interest payments (presented as operating cash flows)	**2,511**	**3,197**	**–**	**5,708**
Disposal of subsidiaries *(note 32)*	**–**	**4,462**	**–**	**4,462**
As at 31 December 2025	**(55,879)**	**(70,933)**	**–**	**(126,812)**

31 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 "Grant Group"), representing 70% of the issued share capital of the Target Company at the cash 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 discontinued operations.

The financial information of Giant Group are summarised as below:

	For the period from 1 January 2024 to 22 October 2024 RMB'000
Revenue	664,434
Cost of sales	(591,308)
Gross profit	73,126
Distribution costs	(26,163)
Administrative expenses	(41,723)
Net impairment losses on financial assets	(363)
Other income	5,383
Other losses, net	(23,893)
Operating loss	(13,633)
Finance income, net	1,459
Loss before income tax	(12,174)
Income tax expenses	(7,263)
Loss after income tax	(19,437)
Gain on disposal of subsidiaries	48,801
Profit after income tax of discontinued operations	29,364
Profit/(loss) from discontinued operations attributable to:	
— Owners of the Company	44,349
— Non-controlling interests	(14,985)
	29,364
Total comprehensive income/(expense) of discontinued operations attributable to:	
— Owners of the Company	44,349
— Non-controlling interests	(14,985)
	29,364

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For the year ended 31 December 2025

32 Disposal of subsidiaries

During the year ended 31 December 2025, the Group disposed of 2 subsidiaries engaging in electronic-cigarettes segment. The details of the consideration and the net assets disposed are as follows:

	As at disposal date RMB'000
Disposal consideration	
— Cash received	–
Cash and cash equivalents	26
Trade and other receivables and prepayments	2,949
Inventories	4,636
Property, plant and equipment	1,972
Right-of-use assets	4,379
Trade and other payables	(13,016)
Lease liabilities	(4,462)
Other current assets/(liabilities) — net	(927)
Total net liabilities	(4,443)
Less: non-controlling interests	2,954
Net liabilities disposed	(1,489)
Gains on disposal before income tax	1,489
Income tax expense	–
Gains on disposal after income tax	1,489
Cash proceeds	
— Cash and Cash equivalents of the subsidiaries disposed of	(26)
Net cash outflow on disposal	(26)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

32 Disposal of subsidiaries *(Continued)*

During the year ended 31 December 2024, the Group disposed Giant Harmony Limited 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 assests	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 on disposal before income tax	55,775	(1,521)	54,254
Income tax expense	(6,974)	–	(6,974)
Gains 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)

33 Related-party transactions

As at 31 December 2025 and 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

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

(i) Key management compensation

	2025 **RMB'000**	2024 RMB'000
Key management compensation	**1,598**	1,590

(ii) Balance due to the immediate holding company

	2025 **RMB'000**	2024 RMB'000
Spearhead Leader Limited	**–**	1,228

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

34 Benefits and interests of directors

Directors and chief executives' emoluments

The emoluments paid or payable to each of the directors and the chief executive were as follows:

	For the year ended 31 December							
	2025				2024			
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
Executive directors								
Mr. Yang Yoong An	550	–	–	550	548	–	–	548
Mr. Li Lin *(Note (i))*	58	120	–	178	–	–	–	–
Non-executive directors								
Mr. Feng Bin *(Note (ii))*	156	–	–	156	329	–	–	329
Mr. Yang Fan	330	–	–	330	329	–	–	329
Independent non-executive directors								
Mr. Gong Jinjun	110	–	–	110	110	–	–	110
Mr. Wang Ping	164	–	–	164	164	–	–	164
Ms. Guo Wei	110	–	–	110	110	–	–	110
	1,478	120	–	1,598	1,590	–	–	1,590

Notes:

(i) Li Lin was appointed as an executive director of the Company on 20 June 2025.

(ii) Feng Bin resigned as a non-executive director of the Company on 20 June 2025.

Mr. Yang Yoong An is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

35 Balance sheet and reserve movement of the Company

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Investment in subsidiaries	**500**	700
Right-of-use assets	**951**	–
	1,451	700
Current assets		
Amounts due from subsidiaries	**37,607**	176,756
Other receivables	**136,871**	25,018
Cash and cash equivalents	**17,717**	168,130
	192,195	369,904
Total assets	**193,646**	370,604
Equity		
Equity attributable to the owners of the Company		
Share capital	**5,120**	5,120
Share premium	**–**	152,684
Reserves	**188,351**	193,064
(Accumulated losses)/retained earnings	**(1,004)**	16,645
Total equity	**192,467**	367,513
Liabilities		
Non-Current liabilities		
Lease liabilities	**512**	–
Current liabilities		
Other payables	**212**	2,891
Amounts due to subsidiaries	**–**	200
Lease liabilities	**455**	–
	667	3,091
Total liabilities	**1,179**	3,091
Total equity and liabilities	**193,646**	370,604

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

	Employee share option reserve RMB'000	Special reserve RMB'000	Retained earnings/ (accumulated losses) RMB'000	Translation reserve RMB'000	Total RMB'000
Balance at 1 January 2024	3,483	194,228	(83,965)	(4,885)	108,861
Lapse of employee share	(3,483)	–	–	–	(3,483)
Profit for the year	–	–	100,610	–	100,610
Other comprehensive income	–	–	–	3,721	3,721
Balance at 31 December 2024	–	194,228	16,645	(1,164)	209,709
Balance at 1 January 2025	**–**	**194,228**	**16,645**	**(1,164)**	**209,709**
Loss for the year	**–**	**–**	**(4,815)**	**–**	**(4,815)**
Other comprehensive expense	**–**	**–**	**–**	**(4,713)**	**(4,713)**
Dividends *(Note 13)*	**–**	**–**	**(12,834)**	**–**	**(12,834)**
Balance at 31 December 2025	**–**	**194,228**	**(1,004)**	**(5,877)**	**187,347**

36 Subsequent Events

The Group entered into an investment cooperation agreement with XK Biotech Holding Limited ("XK Biotech") and its subsidiaries, including Yunnan Chengwan Biotechnology Co., Ltd. and Yunnan Subei Trading Co., Ltd. (collectively, the "XK Biotech Group").

Pursuant to the agreement, the Group agreed to acquire an aggregate of 57% of the issued shares of XK Biotech. As of 23 March 2026, the Group has completed the closing of the 57% equity interest in XK Biotech.

FIVE-YEAR FINANCIAL SUMMARY

For the year ended 31 December 2025

Consolidated Results

	2025 RMB'000	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000
Revenue	**644,937**	770,477	1,455,663	968,363	688,944
Gross profit	**153,233**	208,751	387,461	137,861	65,021
Profit/(loss) for the year	**4,066**	48,024	135,645	11,020	(29,624)

Consolidated Assets, Liabilities and Equity

			31 December		
	2025 **RMB'000**	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000
Assets					
Current assets	**579,789**	731,890	1,217,727	869,909	560,055
Non-current assets	**133,807**	134,547	247,513	202,880	195,928
Total assets	**713,596**	866,437	1,465,240	1,072,789	755,983
Liabilities					
Current liabilities	**338,852**	324,217	903,355	663,349	547,316
Non-current liabilities	**45,333**	49,924	21,862	27,028	2,327
Total liabilities	**384,185**	374,141	925,217	690,377	549,643
Equity					
Total equity	**329,411**	492,296	540,023	382,412	206,340