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Jia Yao Holdings Limited
嘉耀控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01626)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2024

FINANCIAL HIGHLIGHTS

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

The board (the “Board”) of directors (the “Directors”) of Jia Yao Holdings Limited (the “Company”) is pleased to announce the consolidated results for the year ended 31 December 2024 of the Company and its subsidiaries (collectively, the “Group”) together with the comparative figures for the year ended 31 December 2023, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2024

		Year ended 31 December	
		2024	2023
	<i>Note</i>	RMB’000	RMB’000
			(Restated*)
Continuing operations			
Revenue	3	770,477	768,750
Cost of sales	5	(561,726)	(524,461)
Gross profit		208,751	244,289
Distribution costs	5	(57,146)	(38,852)
Administrative expenses	5	(114,461)	(84,344)
Net impairment losses on financial assets		(10,430)	(8,412)
Other income		5,265	3,020
Other gains/(losses) — net		506	(1,608)
Operating profit		32,485	114,093
Finance income	4	913	712
Finance costs	4	(5,053)	(1,306)
Finance costs — net	4	(4,140)	(594)
Profit before income tax		28,345	113,499
Income tax expense	6	(9,685)	(30,665)
Profit from continuing operations		18,660	82,834
Profit from discontinued operations		29,364	52,811
Profit for the year		48,024	135,645

		Year ended 31 December	
		2024	2023
	<i>Note</i>	RMB'000	RMB'000
			(Restated*)
Profit/(loss) attributable to:			
— Owners of the Company		50,611	99,285
— Non-controlling interests		(2,587)	36,360
		48,024	135,645
Profit attributable to owners of the Company:			
Continuing operations		6,262	55,813
Discontinued operations		44,349	43,472
		50,611	99,285
Other comprehensive income			
Currency translation differences		341	765
Total comprehensive income for the year		48,365	136,410
Total comprehensive income for the year attributable to:			
— Owners of the Company		50,952	100,050
— Non-controlling interests		(2,587)	36,360
		48,365	136,410
Total comprehensive income for the year attributable to owners of Company arises from:			
— Continuing operations		6,603	55,813
— Discontinued operations	11	44,349	44,237
		50,952	100,050
Earnings per share for profit from continuing operations attributable to owners of the Company			
— Basic		0.010	0.093
— Diluted		0.010	0.093
Earnings per share for profit attributable to owners of the Company			
— Basic	7	0.084	0.165
— Diluted	7	0.084	0.160

* See Note 11 for details regarding the restatement as a result of discontinued operations.

CONSOLIDATED BALANCE SHEET

As at 31 December 2024

		As at 31 December	
		2024	2023
	Note	RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		48,077	156,960
Right-of-use assets		74,767	78,269
Intangible assets		3,453	3,939
Deferred income tax assets		2,220	2,483
Other receivables	8	3,836	3,045
Prepayment for property, plant and equipment		2,194	2,817
		<u>134,547</u>	<u>247,513</u>
Current assets			
Inventories		84,417	239,040
Trade and other receivables and prepayments	8	357,707	524,463
Financial assets at fair value through profit or loss		1,204	–
Restricted cash		13,426	143,068
Cash and cash equivalents		275,136	311,156
		<u>731,890</u>	<u>1,217,727</u>
Total assets		<u><u>866,437</u></u>	<u><u>1,465,240</u></u>

	As at 31 December	
	2024	2023
	<i>Note</i> RMB'000	RMB'000
EQUITY		
Equity attributable to the owners of the Company		
Share capital	5,120	5,120
Share premium	152,684	152,684
Other reserves	113,294	162,549
Retained earnings	179,328	82,604
	450,426	402,957
Non-controlling interests	41,870	137,066
Total equity	492,296	540,023
LIABILITIES		
Non-current liabilities		
Lease liabilities	48,713	20,178
Deferred income tax liabilities	1,211	1,684
	49,924	21,862
Current liabilities		
Trade and other payables	211,938	785,014
Contract liabilities	15,661	22,676
Income tax payable	12,132	23,066
Borrowings	62,750	61,500
Lease liabilities	21,736	11,099
	324,217	903,355
Total liabilities	374,141	925,217
Total equity and liabilities	866,437	1,465,240

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

1 GENERAL INFORMATION

Jia Yao Holdings Limited (the “Company”) was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 5 August 2013.

The Company and its subsidiaries (together, the “Group”) are engaged in the design, production and sales of electronic cigarettes, and other electronic cigarettes related products and providing electronic cigarettes ancillary services in the People’s Republic of China (the “PRC”). The electronic cigarettes business in PRC is under the China’s E-cigarette Management Measures and the Group’s electronic cigarettes products are mainly made for export sales.

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

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

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

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES

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

2.1 Basis of preparation

(i) *Compliance with HKFRS and HKCO*

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

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

(ii) *Historical cost convention*

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

(iii) *Amended standards adopted by the Group*

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

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

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

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

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

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

3 SEGMENT INFORMATION

(a) Description of segments and principal activities

The Group manages its businesses by divisions. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management, being the chief operation decision maker, for the purposes of resource allocation and performance assessment, the Group's reportable and operating segments are as follows:

- Sales of electronic cigarettes — technology research and development, production and sales of e-cigarettes, e-cigarettes vaping devices and other electronic products
- Electronic cigarettes ancillary services — providing transportation and custom clearance services of electronic cigarettes related products

(b) Segment revenue

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

The segment results for the year ended 31 December 2024:

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

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

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

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

	2024 RMB'000	2023 RMB'000 (Restated)
Customer A	81,776	–
Customer B	49,300	48,912
Customer C	45,137	–
Customer D	34,969	N/A ¹
Customer E	33,586	40,845
Customer F	N/A¹	55,557
Customer G	N/A¹	43,944
Customer H	–	48,061

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

(c) Segment assets by location

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

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

4 FINANCE COSTS — NET

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

5 EXPENSES BY NATURE

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

6 INCOME TAX EXPENSE

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

(i) Current income tax

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

The subsidiaries incorporated in Hong Kong are subject to Hong Kong profits tax at the rate of 16.5% (2023: 16.5%).

Shenzhen Haohan Yangtian Technology Co., Ltd. has been qualified as a High New Tech Enterprises according to the Corporate Income Tax Law of the PRC and subject to a reduced corporate income tax (“CIT”) rate of 15% in 2024 (2023: 15%).

Shenzhen Coconut Biotechnology Co., Ltd. and Shenzhen South Intelligent Control Technology Co., Ltd. has been qualified as a High New Tech Enterprises according to the Corporate Income Tax Law of the PRC and subject to a reduced corporate income tax (“CIT”) rate of 15% in 2024 (2023: 25%).

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

(ii) PRC withholding income tax

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

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

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

7 EARNINGS PER SHARE

The basic earnings per share is calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the year.

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

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

8 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

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

(a) Trade receivables by aging

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

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

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

(b) Impairment of trade and other receivables

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

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

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

9 TRADE AND OTHER PAYABLES

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

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

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

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

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

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

	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
RMB	120,833	407,835
USD	7,953	16,548
Others	–	1,365
	<u>128,786</u>	<u>425,748</u>

10 DIVIDEND

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

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

11 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 packages and other paper packages segment is regarded as discontinued operations, which required the restatements of the consolidated statement of comprehensive income and consolidated statement of cash flows for the year ended 31 December 2023.

The financial information of Giant Group are summarised as below:

	For the period from 1 January 2024 to 25 October 2024 RMB'000	For the year ended 31 December 2023 RMB'000
Revenue	664,434	686,913
Cost of sales	(591,308)	(543,741)
Gross profit	73,126	143,172
Distribution costs	(26,163)	(36,731)
Administrative expenses	(41,723)	(62,143)
Net impairment losses on financial assets	(363)	(404)
Other income	5,383	6,795
Other gains/(losses) — net	(23,893)	(1,068)
Operating (loss)/profit	(13,633)	49,621
Finance income/(cost) — net	1,459	3,858
(Loss)/profit before income tax	(12,174)	53,479
Income tax expenses	(7,263)	(668)
(Loss)/profit after income tax	(19,437)	52,811
Gain on disposal of subsidiaries	48,801	—
Profit after income tax of discontinued operations	29,364	52,811
Profit attributable of discontinued operations to:		
— Owners of the Company	44,349	43,472
— Non-controlling interests	(14,985)	9,339
	29,364	52,811
Other comprehensive income		
— Currency translation differences	—	765
Total comprehensive income of discontinued operations	29,364	53,576
Total comprehensive income of discontinued operations attributable to:		
— Owners of the Company	44,349	44,237
— Non-controlling interests	(14,985)	9,339
	29,364	53,576

MARKET REVIEW

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

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

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

BUSINESS REVIEW

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

Sales and Distribution

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

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

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

Product Development and Design

Throughout the years, the Group has consistently driven itself to innovate. Capitalising on its technological expertise and development, including its advanced production lines and state-of-the-art production facilities, the Group has aimed to fully utilise its capacity to manufacture mid-range and high-end products, enabling it to maintain its status as a market leader.

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

Technology Development and Quality Control

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

environmental protection metrics, controlling inputs of all raw and auxiliary materials, and manufacturing processes to provide customers with high-quality, safe, environment-friendly products.

Cost Control

The Group has always sought to consolidate its core business and maximise efforts to control costs. Taking into account increases in the prices of raw materials, which have been a major factor affecting manufacturing industries, the Group adopted a series of measures during the reporting year to reduce those costs.

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

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2024, the revenue from continuing operations (i.e. segments of sales of electronic cigarettes and providing electronic cigarettes ancillary services disclosed in Note 3) and discontinued operations (i.e. segment of Papar cigarette packages and other paper packages disclosed in Note 11) of the Company was approximately RMB1,434.9 million, representing a decrease of approximately 1.4% over the same period in 2023. The decrease was mainly due to the drop of revenue from paper cigarette packages and other paper packages segment by approximately 3.3% to RMB664.4 million for the year ended 31 December 2024 because of the drop in unit selling price of sales order in year 2024. Alternatively, electronic cigarettes featuring displays and eco-friendly, biodegradable packaging are poised to become a new trend and gain popularity in international markets, especially in Europe and the Americas. Although the operating environment of the electronic cigarette business is constantly changing that affecting short-term results of the Group, the Group will concentrate resources and expertise in the growing electronic cigarette sector by expanding in international markets for long-term development.

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

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

Gross Profit

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

Distribution Costs

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

Administrative Expenses

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

Other Income

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

Other Gains/(Losses) — net

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

Finance (Costs)/Income — net

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

Income Tax Expense

The income tax expense of continuing and discontinued operations of the Company decreased by approximately RMB14.4 million from approximately RMB31.3 million for the year ended 31 December 2023 to approximately RMB16.9 million for the year ended 31 December 2024. Decrease of income tax expense was mainly due to the decrease of profit during the year ended 31 December 2024.

Profit Attributable to Owners of the Company

As a result of the foregoing, the Group's profit attributable to owners of the Company decreased by approximately RMB48.7 million to approximately RMB50.6 million for the year ended 31 December 2024 as compared with the corresponding period in 2023.

Trade and Other Receivables and Prepayments

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

Trade and Other Payables

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

LIQUIDITY AND FINANCIAL RESOURCES

The Group recorded net current assets of approximately RMB407.7 million as at 31 December 2024, compared with net current assets of approximately RMB314.4 million as at 31 December 2023. The Group maintained a healthy liquidity position during the year ended 31 December 2023. The Group's operations were principally financed by internal resources and interest-bearing borrowings during the year.

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

Borrowings and Gearing Ratio

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

	As at 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Total borrowings	62,750	61,500
Less: cash and cash equivalents	275,136	311,156
Net cash	212,386	249,656
Total equity	492,296	540,023
Total capital	N/A	N/A
Gearing ratio (%)	N/A	N/A

It is the policy of the Group to adopt a consistently prudent financial management strategy. Sufficient liquidity is maintained with appropriate levels of borrowings to meet the funding requirements of the Group's investments and operations.

Capital Expenditure

During the year ended 31 December 2024, the Group's total capital expenditure for the continuing operation amounted to approximately RMB26.2 million (2023: approximately RMB37.0 million), which was mainly used in purchase of machineries.

Treasury Policies

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

Assets pledged as security

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

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

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 (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 “Target Company”), representing 70% of the issued share capital of the Target Company at the consideration of RMB115,000,000 (or equivalent amount in HK\$). The disposal was completed on 25 October 2024, therefore the paper cigarette and other paper packages segment is regarded as a discontinued operation. For details, please refer to the announcement of the Company dated 6 September 2024 and the circular of the Company dated 14 October 2024.

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

Contingent Liabilities

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

Foreign Exchange Risks

The Group's transactions were mainly conducted in RMB, the functional currency of the Group, and the major receivables and payables are denominated in RMB. The Group's exposure to foreign currency risk related primarily to certain bank balances and cash, trade receivables, contract liabilities and other payables maintained in Hong Kong Dollars and United States Dollars. The Group did not use derivative financial instruments to hedge against the volatility associated with foreign currency transactions and other financial assets and liabilities arising in the ordinary course of business during the year ended 31 December 2024.

HUMAN RESOURCES AND REMUNERATION

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

ADEQUACY OF PUBLIC FLOAT

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

FUTURE OUTLOOK

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

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

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

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

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

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

COMPETING BUSINESS AND CONFLICTS OF INTERESTS

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

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company on the Stock Exchange or any other stock exchange, by private arrangement or by general offer throughout the year ended 31 December 2024.

Corporate Governance

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

Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix C3 to the Listing Rules as the code of conduct regarding directors’ securities transactions. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the code of conduct and the required standard set out in the Model Code regarding directors’ securities transactions for the year ended 31 December 2024.

REVIEW OF ANNUAL RESULTS

The Group’s annual results for the year ended 31 December 2024 have been reviewed by the audit committee of the Company, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements as well as the Listing Rules and that adequate disclosures have been made. The current members of the audit committee of the Company are Mr. Wang Ping, Ms. Guo Wei and Mr. Gong Jinjun.

FINAL DIVIDEND

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

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

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

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

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

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated balance sheet, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2024 as set out in this announcement have been agreed with the Group's auditor, PricewaterhouseCoopers. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

ACKNOWLEDGEMENT

The chairman of the Board would like to thank the Board, the management and all of our staff for their hard work and dedication, as well as the shareholders of the Company for their support to the Group.

On behalf of the Board
Jia Yao Holdings Limited
Yang Yoong An
Chairman and Executive Director

Hong Kong, 28 March 2025

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

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