Smoore International Holdings Limited

思摩爾國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6969)

ANNOUNCEMENT OF THE ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

The board (the "**Board**") of directors (the "**Directors**") of Smoore International Holdings Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2022 (the "**Reporting Period**" or the "**Review Period**"). The consolidated financial statements for the Reporting Period have been audited by Deloitte Touche Tohmatsu, the independent auditor of the Company (the "**Auditor**"), and the annual results for the Reporting Period have also been reviewed by the Audit Committee of the Company (the "**Audit Committee**").

FINANCIAL HIGHLIGHTS

	For the year ended/as at 31 December				
	2018 *RMB'000*	2019 *RMB'000*	2020 *RMB'000*	2021 *RMB'000*	**2022** ***RMB'000***
Revenue	3,433,709	7,610,601	10,009,937	13,755,242	**12,144,980**
Gross profit	1,190,505	3,352,352	5,295,813	7,377,039	**5,259,632**
Gross profit margin	34.7%	44.0%	52.9%	53.6%	**43.3%**
Profit for the year	733,952	2,173,789	2,399,921	5,286,967	**2,510,316**
Total comprehensive income for the year	733,952	2,173,789	2,399,921	5,286,991	**2,494,934**
*Adjusted total comprehensive income for the year ("**Adjusted net profit**")	734,760	2,265,391	3,893,428	5,442,613	**2,575,122**
Non-current assets	588,136	1,132,163	2,333,221	4,885,534	**5,160,544**
Current assets	1,841,116	2,169,740	12,440,588	17,985,772	**19,198,773**
Current liabilities	1,248,465	2,049,243	2,108,440	3,394,240	**3,588,957**
Net current assets	592,651	120,497	10,332,148	14,591,532	**15,609,816**
Total assets	2,429,252	3,301,903	14,773,809	22,871,306	**24,359,317**
Total assets less current liabilities	1,180,787	1,252,660	12,665,369	19,477,066	**20,770,360**
Total equity/net assets	968,958	734,673	12,399,721	19,246,359	**20,377,208**
Cash and cash equivalents	941,964	731,394	9,557,802	11,426,758	**9,762,933**

* The adjustment process of adjusted total comprehensive income for the year:

	For the year ended 31 December				
	2018	2019	2020	2021	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
Total comprehensive income for the year before adjustment	733,952	2,173,789	2,399,921	5,286,991	**2,494,934**
Less:					
Listing expenses	(808)	(26,299)	(72,988)	—	**—**
Share-based payment expenses related to pre-IPO share option scheme	—	(61,268)	(362,923)	(155,622)	**(80,188)**
Loss on fair value changes of convertible promissory notes	—	(3,635)	(38,487)	—	**—**
Loss on fair value changes of convertible preferred shares	—	(400)	(1,019,109)	—	**—**
Adjusted net profit	734,760	2,265,391	3,893,428	5,442,613	**2,575,122**

Our management considers that, except for the share-based payment expenses related to pre-IPO share option scheme before the Company's listing on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 10 July 2020 (the "**Listing**"), the listing expenses, loss on fair value changes of convertible promissory notes, loss on fair value changes of convertible preferred shares will not recur after the Listing since listing expenses are one-off expenses relating to the Listing and pre-IPO process, and the convertible preferred shares, including those converted pursuant to the convertible promissory notes, have been reclassified and re-designated to our ordinary shares prior to the completion of the capitalization issue and global offering. In addition, our management considers the loss on fair value changes of convertible promissory notes and loss on fair value changes of convertible preferred shares to be non-cash items. Due to the non-recurring and non-cash nature of the above mentioned items, our management does not track such items as key operating or financial metrics internally when reviewing our performance since these items do not relate to our daily operation. Therefore, by eliminating the impacts of such items in the calculation of adjusted net profit, it could better reflect our underlying operating performance and could better facilitate the comparison of operating performance from year to year.

The Board proposed to declare a final dividend of HK8 cents per ordinary share for the year ended 31 December 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Principal Business of the Group during the Review Period

The Group is a global leader in offering atomization technology solutions. During the Review Period, through our innovative and pioneering atomization technology solutions, we mainly operated three business segments: (1) research, design and manufacturing of closed system vaping devices, vaping components, heat-not-burn devices and components and vaping products for special purpose for a number of global leading tobacco companies, independent vaping and other corporate clients, and (2) research, design, manufacturing and sale of open system vaping devices, or advanced personal vaporizers ("**APV**"), for retail clients; and (3) new business such as atomization in medical treatment to provide patients with inhalation drug delivery products on a basis of atomization technology.

In 2022, the prolonged and recurring COVID-19 pandemic had a certain impact on the production, logistics and supply chain of the Group. Meanwhile, the increasing pressure on the global economy and the gradual introduction, refinement and implementation of regulatory policies and regulations in global major markets had certain short-term impact on market demand, but in a long run, will facilitate the healthy and orderly development of the industry with the gradual actual and exact implementation of policies.

In 2022, the Group faced a complex and dynamic external environment. The Group always keeps a long-term perspective with a focus on the construction of long-term competitiveness. During the Review Period, the Group continued to step up efforts in the research and development ("**R&D**") of core technologies, the development of talents and the improvement of management capability. In terms of policy, the Group actively cooperated with the State Tobacco Monopoly Administration to report production capacity and applied for the e-cigarette production enterprise licenses. As of 31 December 2022, the Group had obtained six e-cigarette production enterprise licenses.

The Group is committed to providing clients with comprehensive atomization technology solutions. During the Review Period, the Group made satisfactory breakthroughs in many technical fields. In respect of the vaping field, the Group launched in overseas markets a new generation of a ceramic coil technology platform FEELM Max, which boasted more excellent performance than competitors in the markets in terms of indicators such as atomization efficiency and puff number. The Group correspondingly made available on the overseas markets a new generation of disposable vaping devices, which has gained popularity from clients and users after launch and achieved rapid growth in sales volume. In respect of the heat-not-burn devices, the Group has successfully developed a variety of solutions on heating technology, which is expected to achieve a significant performance improvement. In respect of vaping products for special purpose, the Group further improved its product matrix during the Review Period and will actively expand the product line to more market segments in the future to further increase its market share in such field. In respect of the atomization in medical treatment, the Group independently completed the research and development of a domestic ventilator in combination of an atomization drug delivery device and has successfully obtained the production license. The product boasts international leading level in terms of various technical parameters and the Group will provide patients with more economical, efficient, convenient and safe drug delivery products.

In terms of management improvement, the Group focused on future developments and insisted on improving the level of management. During the Review Period, the Group has cooperated with an international well-known management consultation and system implementation team and successfully launched the SAP system covering all major business fields, laying a solid foundation for the long-term development of the Group.

For marketing and sales, the Group further optimized its product portfolio by understanding market demands, actively built local sales channels to enhance the channel penetration and to increase the availability of products, and established an overseas transit warehouse to achieve rapid delivery, helping us maintain the leading position in the industry.

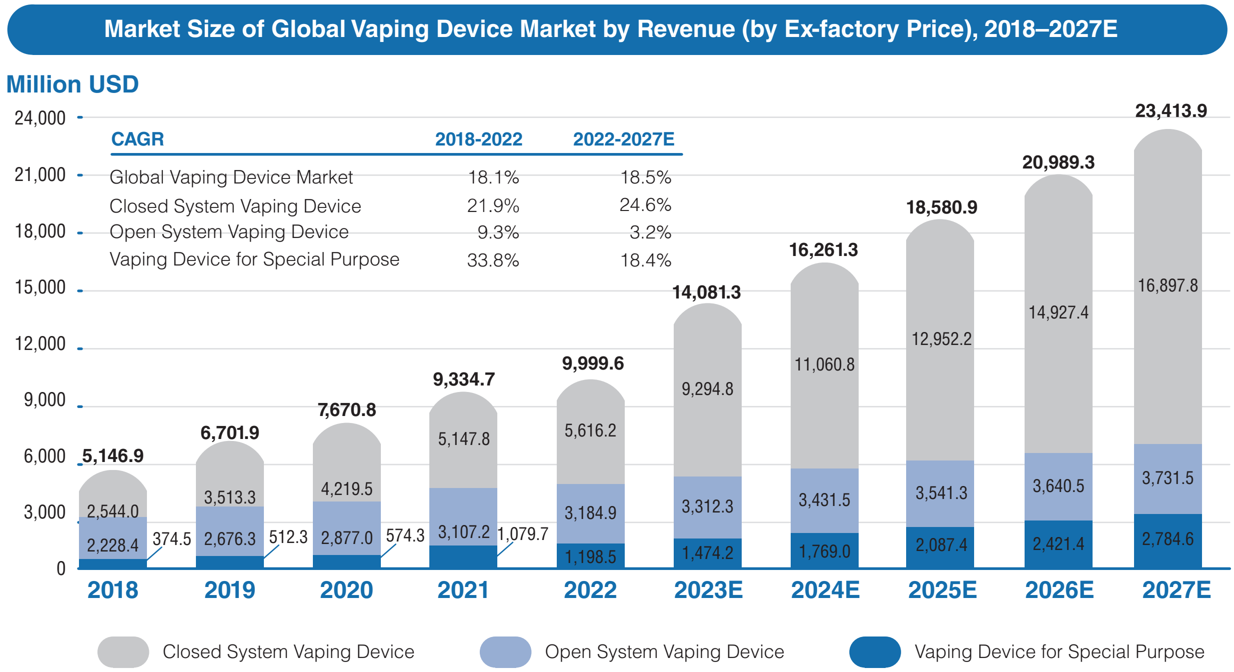
INDUSTRY OVERVIEW

The Group is a global leader in offering atomization technology solutions. During the Review Period, the Group's products for corporate clients oriented business mainly included closed system vaping devices, vaping components, heat-not-burn devices and components, and vaping products for special purpose. The products for the retail client oriented business included self-branded open system vaping devices. According to the independent market research report issued by industry consultant Frost & Sullivan in March 2023 (the "**Sullivan Report**"), the global vaping device market size increased at a compound growth rate of approximately 18.1% at ex-factory prices from 2018 to 2022, and is expected to increase at an estimated compound growth rate of approximately 18.5% from 2022 to 2027.

The global market size of closed system vaping devices has maintained a compound growth rate of approximately 21.9% at ex-factory price from 2018 to 2022, and is expected to grow at a compound growth rate of approximately 24.6% from 2022 to 2027. The global market size of open system vaping devices has maintained a compound growth rate of approximately 9.3% at ex-factory price from 2018 to 2022, and is expected to grow at a compound growth rate of approximately 3.2% from 2022 to 2027.

According to the Sullivan Report, in 2022, the Group maintained its position as the world's largest manufacturer of vaping devices and its market share was approximately 18.1% (2021: approximately 22.8%).

Global Vaping Device Market Overview



*E = estimated

BUSINESS REVIEW

Sales and Marketing

In 2022, the global economy was lastingly affected by COVID-19. In face of a complex and changeable trading and regulatory environment, the Group has committed to providing clients with competitive quality products, and satisfied clients' delivery requirements on time, in sufficient quantity and with guaranteed quality against difficulties. The Group realized revenue of RMB12,144,980,000 for the year of 2022, representing a decrease of 11.7% over 2021. Among which, direct and indirect export (export through traders) revenue ("**export revenue**") was RMB9,898,661,000, accounting for 81.5% (2021: 66.0%) of the total revenue, which was 70.0% of the total revenue in the first half of the year (59.2% in the same period last year) and increased to 91.6% in the second half of the year (73.0% in the same period last year). Domestic sales revenue was RMB2,246,319,000, accounting for 18.5% (2021: 34.0%) of the total revenue, which was 30.0% in the first half of the year (40.8% in the same period last year) and decreased to 8.4% in the second half of the year (27.0% in the same period last year).

During the Review Period, the Group's revenue growth from corporate client oriented sales showed notable differences in different markets around the world:

In the U.S. market, the principle business of the Group included the electronic nicotine delivery products and the sales of vaping products for special purpose. For the electronic nicotine delivery products, owing to the Group's continuous investment in product safety and compliance capabilities, the Group successfully assisted some major clients to get the Premarket Tobacco Application

(“**PMTA**”) approval from the Food and Drug Administration (“**FDA**”) in respect of their products. To our knowledge, we are the manufacturer with the most PMTA-approved vaping ENDS products during the Review Period. With FDA’s gradual progress of PMTA review and the intensified law enforcement efforts against non-compliance products, our competitiveness in the U.S. market will be further improved. Upholding the business philosophy of “Customer First”, we have successfully supported one of our major clients to become the largest closed system vaping brand by market share in the United States by improving the level of production intelligence, optimizing cost structure, etc. During the Review Period, the Group experienced a short-term sales decline in the U.S. vaping market mainly attributed to the negative effect on the overall sales growth rate of compliance products arising from the short-term impact of non-compliance products in the U.S. vaping market, and the downward-adjusted prices of some products in order to support some clients to improve their market share. For vaping products for special purpose, adverse macro factors such as the inflation in the U.S. caused a short-term decline in the sales of our vaping components during the reporting period. Taking into account products transshipped through Hong Kong, the revenue of corporate client oriented sales contribution from the U.S. market decreased by 22.7% compared with last year, the proportion of total revenue decreased from 35.5% for last year to 31.1% during the Review Period. We believe that with FDA’s intensified enforcement efforts, the Group’s products are expected to keep growing their capabilities in product compliance, safety performance and user experience, and we are strongly confident in maintaining a stable growth of our vaping products in the U.S. market in the long run. For vaping products for special purpose, we have improved the product matrix and will strengthen the sales system by means of channel penetration, etc, and are confident in further strengthening the leading market position in such field.

In the People’s Republic of China (“**PRC**”) market, during the Review Period, the Group has applied for and obtained production licenses for six entities under the Administrative Measures for E-Cigarettes. The PRC market has entered an era of orderly management, which is undoubtedly beneficial to the long-term healthy development of the industry and lays the foundation for subsequent compliance operations. On this basis, the Group’s sales in the PRC market during the Review Period decreased as compared to 2021, excluding export from traders, the revenue of corporate client oriented sales from the PRC market decreased by 51.9% compared with last year, including a decrease of 56.3% in the third quarter compared with the same period last year and a decrease of 82.5% in the fourth quarter compared with the same period last year (including a decrease of 90.1% in December compared with the same period last year), and the proportion of total revenue decreased from 34.0% in last year to 18.5% for the Review Period. The significant decline in the domestic revenue during a short time had significant negative impact on our revenue.

In the European and other markets, as the competitiveness of the Group’s products in terms of technology, quality and user experience has been widely recognized by the users, as well as the intensified marketing efforts by its core clients, the Group achieved impressive results in the European market and supported one of its major clients to become the largest vaping brand by market share in many countries. The revenue of corporate client oriented sales from the European and other markets during the Review Period increased by 53.4% compared to last year, and the proportion of total revenue increased to 38.3% for the Review Period from 22.1% in the previous year.

In terms of new product marketing, the Group has successively launched disposable electronic vaping products to overseas markets as scheduled and achieved rapid growth in sales volume during the Review Period. In particular, a large tobacco company client quickly entered major European markets through the disposable electronic vaping products produced by the Group and achieved a significant increase in market share in a short period of time. During the Review Period, the Group's disposable products realized revenue of RMB1,931,028,000, representing an increase of 1,919.2% as compared to RMB95,634,000 for 2021, including revenue of RMB1,611,090,000 realized in the second half of the year, up by 1,761.8% compared with the same period last year.

For the retail client oriented business, riding on the Group's strong research and development strength and manufacturing capabilities, as well as its in-depth understanding of end users' demands, the Group accurately identified the needs of consumers and launched many new technology solutions and competitively differentiated products during the Review Period. The new products deliver more excellent performance than the same type of products in the market in terms of vaping efficiency, flavor consistency and taste reductivity. During the second half of 2022, the Group upgraded the open-system flagship vaping product LUXE X, which quickly won the favor of consumers and is conducive for the Group to further increase the market share in such field. In the meantime, the Group further increased its promotion and marketing efforts during the Review Period by establishing local marketing teams and building channel penetration capability, enabling new products to go to more retail end-users in a quick manner. During the Review Period, the revenue from retail client oriented products amounted to RMB1,465,608,000, representing an increase of 26.2% over the last year, including revenue of RMB905,192,000 realized in the second half of the year, up by 28.3% compared with the same period last year.

Research and Development

The Group always believes that science and technology are the core driving forces for corporate development. We are committed to building world-leading atomization technology platforms, and realizing the extensive application of atomization technology in various fields in order to meet the pursuits of human beings for a healthy and better life. In 2022, despite various challenges from the external environment, we believe in the bright future of atomization, further increased investment in the basic research of atomization technology, especially in the fields of material science, atomization mechanism, atomization in medical treatment, etc., and made gratifying technical breakthroughs in many fields. In terms of talent recruitment, the Group recruited more than 320 R&D personnel during the Review Period, the number of R&D personnel exceeded 1,500 by the end of December, accounting for over 40% of the total non-production personnel of the Group. Regarding the establishment of research centers, the Group has newly established 7 research centers during the Review Period, focusing on the researches in the fields of new materials, medical research, atomization health, atomization beauty, etc.

In addition, the Group has continued to establish extensive and in-depth partnerships with various universities and research institutions around the world. The establishment of China's first non-clinical full-scale testing laboratory for U.S. FDA PMTA strongly supports the preparation and submission of PMTA applications by our clients in the U.S. As at the end of the Review Period, among the vaping electronic nicotine delivery system ("**ENDS**") products approved by the FDA for PMTA application, to our knowledge, the number of product models produced by the Group was higher than that of any other manufacturers.

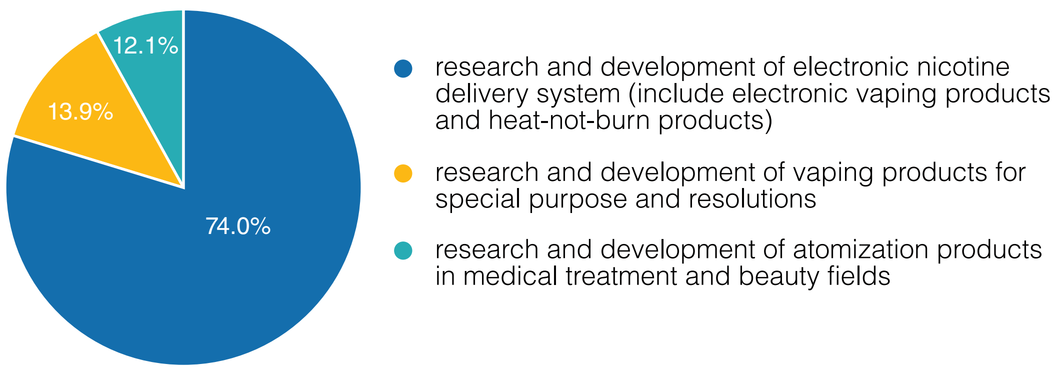
In respect of the vaping field, during the Review Period, the Group launched in overseas markets a new generation of a ceramic coil technology platform FEELM Max for closed system products, which boasted more excellent performance than competitors in the markets in terms of indicators such as atomization efficiency and puff number. In respect of open system products, the Group launched a brand-new anti-leakage technology, COREX cotton core technology platform with better performance, and smart electric core platform Axon Chip, providing consumers with more convenient use experiences with better taste and stronger suction, which were conducive to achieving sound growth in the sales of open system products of the Group. In respect of the heat-not-burn products, the Group has successfully reserved some new heating technology solutions other than the traditional heating method, which are expected to achieve a significant performance improvement.

In respect of vaping products for special purpose, the Group has further improved the product matrix during the Review Period and will enter more segment markets in the future to successively launch new products for a variety of agents, further increasing the market share in such field.

In respect of atomization in medical treatment, the medicine research center of the Group was established in the U.S. in 2021. Currently, the Group has set up a core team, the members of which have successful experiences of launching dozens of respiratory medicines in Europe and the U.S. During the Review Period, the Group has independently completed the research and development of a domestic ventilator in combination with an atomization drug delivery device and successfully obtained the production license. This product is suitable for regular prescription aerosolized drugs in combination with a ventilator. Compared with the same type of products in the market, this product features three characteristics including less dosage, high efficiency in drug delivery, and convenience and safety, and achieves international leading level in terms of various technical parameters. 8 patents have been granted for this device, 2 of which are for invention. At the same time, the Group has completed the development of two drug delivery devices targeting asthma and chronic obstructive pulmonary disease ("**COPD**") and started the development of relevant medicinal preparations. In the future, the Group will be committed to providing inhalation drug delivery products mainly against respiratory diseases, offering patients more safe, efficient and convenient therapies.

The Group's total research and development expenses were RMB1,372,258,000, representing an increase of 104.6% as compared to the last year, and the percentage of revenue increased from 4.9% last year to 11.3% for the Review Period. Among them, the research and development expenses used for electronic nicotine delivery system (include electronic vaping products and heat-not-burn products) accounted for approximately 74.0% of the total expenses; for the vaping products for special purpose and the solutions, approximately 13.9%; for atomization products in medical treatment and beauty fields, approximately 12.1%.

Research and Development Expenses in 2022



While maintaining its technological leadership, the Group continues to build up a global intellectual property protection system to continuously strengthen its intellectual property barriers against core technologies and to protect its own product brands and technology brands. Moreover, the legal and intellectual property teams of the Group have actively carried out intellectual property protection activities in domestic and overseas markets, which has had a positive impact on maintaining and enhancing the market share of the Group's products. During the Review Period, the Group filed 2,254 new patent applications worldwide, including 1,125 patents for invention. As of 31 December 2022, the Group had filed, accumulatively, a total of 5,662 patents worldwide, including 2,695 patents for invention.

Production, Operation and Management

During the Review Period, the Group has successfully introduced the SAP system by overcoming a series of difficulties, which covers many aspects such as procurement, production, sales, and financial management. The constant in-depth application of the system will be conducive to the Group to continuously enhance its internal operation and management efficiency. Moreover, for production, operation and management, the Group has also introduced advanced warehouse management system and manufacturing execution system. Through review and standardization of business processes and flexible adjustment of production arrangements and shipment plans, the Group has strongly guarantee the production efficiency and effectively satisfied clients' growing orders, achieving orderly production and stable development.

We believe that in the process of value creation for customers, in addition to adhering to technology leadership, good products may not exist without leading manufacturing capability. In pursuit of manufacturing leadership, the Group adheres to independent research and development to continuously improve the level of production operation management. Benefiting from the Group's long-term experience and deep understanding of technology, products and processes, the Group has successfully established a professional R&D team for intelligent production line during the Review Period.

During the Review Period, the Group introduced an advanced product development management process, which fully considers the requirements of product manufacturing and importing automation equipment at the stage of product design. With a standard process library in place, a design review mechanism for manufacturability has been established to improve the manufacturability and automation feasibility of products. During the Review Period, the Group has implemented the product development management process in a number of product development projects with remarkable results.

During the Review Period, in response to the market demand quickly, the Group has launched many disposable electronic vaping products in major overseas markets. The Group utilized existing automated production lines, which strongly guaranteed the timely delivery and quality consistency of disposable vaping products and laid a solid foundation for the marketization of the disposable electronic vaping products in a fast manner.

E-cigarette Production License

In order to regulate the healthy and long-term development of the e-cigarette industry in accordance with laws, in April 2022, the State Tobacco Monopoly Administration of China issued Guoyanban (2022) Circular No. 44 (國煙辦[2022]44號文), stipulating the guiding opinion on the work of issuing tobacco monopoly production enterprise license for e-cigarette related production enterprises. The Group has complied with the national policies and regulatory guidances and actively applied for relevant e-cigarette production licenses in accordance with application requirements. As of the end of 2022, six subsidiaries of the Group had successfully obtained e-cigarette production enterprise licenses, which strongly ensured the production and operation of the Group.

FUTURE PROSPECTS AND STRATEGIES

The Group is committed to creating global leading atomization technology platform, pursuant to which we have made active layout in many fields such as electronic nicotine delivery system, vaping products for special purpose and atomization in medical treatment, and provides clients and users with comprehensive vaping technology solutions.

In terms of the vaping field, according to the Sullivan Report, the global market size of vaping devices is expected to grow at a compound growth rate of approximately 18.5% at ex-factory price from 2022 to 2027 and the global market size will reach approximately USD23,413.9 million in 2027. Being the world's largest manufacturer of vaping devices, we maintain full confidence in the future market prospects. In recent years, major countries have successively promulgated laws and regulations to regulate the vaping industry. The implementation of these laws and regulations helps to better protect the health of consumers and the long-term sustainable development of the industry as a whole. The Group will maintain its leading edge in the vaping field by continuously increasing investment in research and development. Currently, we have built deep technical reserves in heating methods, basic materials, major devices and other aspects. With further implementation and enforcement of laws against non-compliance vaping products by major countries, our leading technology and deep cooperation with clients will help the Group maintain a long-term stable growth in the vaping field.

In terms of heat-not-burn products, according to the Sullivan Report, the global market size of heat-not-burn products is expected to grow at a compound growth rate of approximately 18.5% at ex-factory price from 2022 to 2027 and the global market size will reach approximately USD16,600 million in 2027. The Group has successfully reserved some new heating technical solutions for heat-not-burn products and is expected to provide clients and consumers with more competitive differentiated products.

In terms of vaping products for special purpose, according to the Sullivan Report, the global market size of vaping devices for special purpose is expected to grow at a compound growth rate of approximately 18.4% at ex-factory price from 2022 to 2027 and the global market size will reach approximately USD2,784.6 million in 2027. Relying on the leading technical reserves of the Group in such field, the accurate insight of end users' needs and the expansion of overseas sales channels, we are confident in further increase of the market share in such field and to contribute more revenue to the Group.

In terms of the atomization in medical treatment, we have been committed to providing patients with inhalation drug delivery products mainly against respiratory diseases. During the Review Period, the Group has independently completed the research and development of a domestic ventilator in combination with atomization drug delivery device and successfully obtained the production license. During the Review Period, the Group has completed the development of two drug delivery devices targeting asthma and COPD and started the development of relevant medicinal preparations. According to the World Health Organization, COPD is a common lung disease and the third leading cause of death worldwide, causing 3.23 million deaths in 2019. Inhalation therapy is a major method for the treatment of this disease, enabling drugs reach a patient's lung directly. It has advantages such as less dosage, quicker effect and less adverse reaction, enjoying a very wide market. According to the report issued by an international market research company Verified Market Research in 2021, the global retail market size of inhalers and preparations for asthma and COPD reached USD33.0 billion in 2020. The Group has set up a first-class R&D team of medicine and device in the industry, which is currently conducting the research and development of inhalation drug delivery products in an orderly manner according to the scheduled product development and launch plan, achieving satisfactory progress of the project.

In terms of basic research, the Group will expand the field of basic research to lay a solid foundation for the long-term sustainable development of the Group. In 2022, the Group conducted in-depth research on new materials, innovative vaping technology, medical products and other aspects, and achieved gratifying progress, laying a solid foundation for the subsequent product development and new business expansion.

In terms of product development, the Group will fully apply basic research results, as well as innovative technologies and means such as innovation in materials, production processes, product structure to continuously optimize product performance. Leveraging on close cooperation with major clients, the Group will keep abreast of changes in product requirements and demands of legislators, regulators and consumers, and design more competitive and innovative products in a targeted manner. The Group plans to introduce the product life circle management (PLM) system in the near future, which will cover the whole process of a product life circle from initiation, design, manufacture, sales, services to exit. This will be helpful for the Group to further increase product development efficiency, shorten the time of launching products and reduce project costs.

For production and operations, the Group will continuously enhance the production operation management level, optimize supply chains, integrate resources of all parties and enhance the adaptation of production and manufacturing system so as to improve the competitiveness of the Group's products in terms of cost and quality.

With regard to product marketing, the Group will continue to strengthen in-depth cooperation with large-scale ODM clients, fully understand and respond to their needs in a timely manner, produce products that gain popularity from end users and provide strong support for clients' business growth. Meanwhile, we will further strengthen our product portfolio to achieve beneficial supplement to our existing product lines, maintaining the leading share in the industry. In addition to production of high-quality products through leading technology and improvement of product differentiation, the Group will invest more resources to build terminal channel promotion capabilities by increasing the number of local transit warehouses in overseas regions to achieve rapid delivery, in order to further enhance the Group's share in self-branded market through multiple methods.

For brand building, the Group will continue to focus on the manufacturing brand "SMOORE", to build the technology brand of closed system vaping products represented by FEELM, the technology brand of heat-not-burn products represented by METEX and the brand of open system vaping products represented by VAPORESSO, aiming to realize technology and product branding and strengthen technological competitiveness.

In the future, the Group plans to launch differentiated new products successively in the fields of electronic nicotine delivery system, vaping products for special purpose and atomization medical devices, and continue to expand the application areas of atomization technology, in a bid to create greater value for clients and consumers with its leading-edge technology and innovative products, and bring sustainable returns to shareholders with healthily growing business performance.

FINANCIAL REVIEW

During the Review Period, the total revenue of the Group was RMB12,144,980,000 (2021: RMB13,755,242,000), representing a decrease of 11.7% compared to last year. The gross profit for the Review Period was approximately RMB5,259,632,000 (2021: RMB7,377,039,000), representing a decrease of 28.7% compared to last year. The gross profit margin for the Review Period was 43.3% (2021: 53.6%). The total comprehensive income for the year of the Group decreased from RMB5,286,991,000 in 2021 to RMB2,494,934,000 this year. Adjusted net profit was RMB2,575,122,000 (2021: RMB5,442,613,000), representing a year-on-year decrease of 52.7%. The decrease in the Group's net profit for the Review Period was primarily due to the decrease in revenue from corporate clients, the decline of gross profit margin, and the increase in selling, administrative and research and development expenses.

1. Revenue — Categorized by Business Types

	For the year ended 31 December				
	2022		2021		Changes
	RMB'000	***%***	*RMB'000*	*%*	*%*
Corporate client oriented sales	**10,679,372**	**87.9**	12,593,523	91.6	(15.2)
Retail client oriented sales	**1,465,608**	**12.1**	1,161,719	8.4	26.2
Total	**12,144,980**	**100.0**	13,755,242	100.0	(11.7)

(1) ***Corporate client oriented sales***

During the Review Period, the revenue from corporate client oriented sales was RMB10,679,372,000 (2021: RMB12,593,523,000), representing a decrease of 15.2% compared with last year, which was mainly due to the followings: (i) in the U.S. market, we were impacted by non-compliance products in the short term, and we lowered the prices of some products in order to support some clients to improve their market share; and (ii) in the PRC market, an era of orderly management has begun in the market after a series of new regulatory policies came into effect, which has been beneficial to the long-term healthy development of the industry. But in the short term, there was a substantial decline in our revenue. During the Review Period, the revenue from corporate client oriented sales in the PRC market saw a decrease of approximately 51.9% compared to last year.

(2) ***Retail client oriented sales***

The Group's products oriented to retail clients mainly include the self-branded open system vaping devices and related ancillary products. During the Review Period, the revenue from retail client oriented sales was RM1,465,608,000 (2021: RMB1,161,719,000), representing an increase of approximately 26.2% compared to last year, mainly attributable to the Group's strong R&D capabilities and manufacturing capacity, as well as its in-depth understanding of end-user needs, allowing the Group to launch more new technology solutions and competitive differentiated products tailored to the needs of consumers during the Review Period. Meanwhile, during the Review Period, the Group further stepped up its efforts in marketing and promotion, built up local marketing teams overseas and developed channel penetration capabilities, enabling new products to be quickly introduced to more retail end users.

Revenue — Categorized by Customers' Places of Incorporation

	For the year ended 31 December				
	2022		2021		Changes
	RMB'000	***%***	*RMB'000*	*%*	*%*
U.S.	**1,298,190**	**10.7**	1,677,274	12.2	(22.6)
Mainland China*	**3,199,847**	**26.3**	5,530,301	40.2	(42.1)
Hong Kong, China**	**3,348,893**	**27.6**	3,776,229	27.5	(11.3)
Europe and others	**4,298,050**	**35.4**	2,771,438	20.1	55.1
Total	**12,144,980**	**100.0**	13,755,242	100.0	(11.7)

* During the Review Period, the Group's sales to mainland China market was approximately RMB3,199,847,000 (2021: RMB5,530,301,000). To our knowledge, certain clients in mainland China are export trading companies. Those goods they purchase from the Group will be exported to overseas markets ultimately. Excluding effects of such clients, revenue generated by the Group from mainland China during the Review Period was approximately RMB2,246,319,000 (2021: approximately RMB4,672,926,000), accounting for 18.5% (2021: 34.0%) of total revenue and representing a decrease of approximately 51.9% compared to last year.

** Revenue generated from Hong Kong is on a re-export or transshipment basis and, to our knowledge, none of our products are distributed or sold in Hong Kong. Our clients incorporated in Hong Kong are mainly responsible for the transshipment for our overseas clients or trading companies. During the Review Period, revenue from products sold to the United States via Hong Kong amounted to approximately RMB2,817,080,000 (2021: approximately RMB3,421,565,000), representing 84.1% of revenue from Hong Kong, China (2021: 90.6%).

Taking into account the impact of the export sales revenue of Chinese traders and the transshipment revenue in the Hong Kong market, the distribution of the Group's product sales is as follows:

	For the year ended 31 December				
	2022		2021		Changes
	RMB'000	***%***	*RMB'000*	*%*	*%*
Corporate client oriented sales	**10,679,372**	**87.9**	12,593,523	91.6	(15.2)
— U.S.	**3,773,149**	**31.1**	4,882,823	35.5	(22.7)
— Mainland China	**2,246,319**	**18.5**	4,672,926	34.0	(51.9)
— Other countries and areas	**4,659,904**	**38.3**	3,037,774	22.1	53.4
Retail client oriented sales	**1,465,608**	**12.1**	1,161,719	8.4	26.2
Total sales revenue	**12,144,980**	**100.0**	13,755,242	100.0	(11.7)

2. Gross Profit and Cost of Sales

During the Review Period, the gross profit of the Group was RMB5,259,632,000 (2021: RMB7,377,039,000), representing a decrease of approximately 28.7% compared to 2021 while the gross profit margin fell to approximately 43.3% during the Review Period from approximately 53.6% last year. The decrease in gross profit margin was primarily due to the followings: (i) In order to support the long-term business development of its clients to increase market share, during the Review Period, the Group reduced the unit price of products sold to some clients; and (ii) During the Review Period, the revenue from the disposable electronic vaping products with lower gross profit margin showed decent growth, with higher proportion to the Group's overall business.

Proportion of major cost of sales to total cost of sales:

	For the year ended 31 December				
	2022		2021		Changes
	RMB'000	***%***	*RMB'000*	*%*	*%*
Raw material cost	**5,044,342**	**73.3**	4,467,152	70.0	12.9
Labor cost	**877,698**	**12.7**	1,011,034	15.9	(13.2)
Production overhead	**849,248**	**12.3**	773,797	12.1	9.8
Tax and surcharge	**114,060**	**1.7**	126,220	2.0	(9.6)
Total	**6,885,348**	**100.0**	6,378,203	100.0	8.0

During the Review Period, the proportion of raw material cost to the Group's total costs increased to 73.3% for the Review Period from 70.0% last year, mainly due to the higher proportion of the revenue from disposable electronic vaping products with lower gross profit to the total revenue and the higher proportion of raw material cost to the total costs resulted from the large proportion of material cost of disposable electronic vaping products to total costs. The proportion of labor cost to total costs dropped from 15.9% last year to 12.7% for the Review Period, mainly due to the Group's continuous improvement in the production operation management level resulting in a positive effect and a significant reduction in labor cost during the Review Period.

3. Distribution and Selling Expenses

The Group's distribution and selling expenses increased by 101.0% from RMB192,916,000 last year to RMB387,671,000 during the Review Period. The distribution and selling expenses as a percentage of revenue stood at 3.2% (2021: 1.4%). The increase in distribution and selling expenses compared to last year was mainly due to the Group's greater efforts to expand overseas markets, especially the expansion of disposable electronic vaping products and open system vaping products into overseas markets, in line with its established development strategy during the Review Period. In particular:

(1) Employee compensation and benefits increased by 129.1% from RMB81,434,000 last year to RMB186,549,000 during the Review Period. The proportion of employee salaries and benefits to total revenue increased from 0.6% last year to 1.5% during the Review Period. The increase in employee compensation and benefits was mainly due to the increase in marketing personnel from the build-up of overseas marketing teams to support the market development and promotion of disposable electronic vaping products and self-branded products and develop channel penetration capabilities during the Review Period.

(2) Marketing expenses increased by 48.2% from RMB61,229,000 last year to RMB90,711,000 during the Review Period. The proportion of marketing expenses to revenue increased from 0.4% last year to 0.7% for the Review Period. The increase in marketing expenses was mainly due to the Group's greater efforts in market development and product distribution, such as brand marketing, exhibitions, etc. during the Review Period.

(3) Business travel expenses increased by 668.9% from RMB3,669,000 last year to RMB28,210,000 during the Review Period. The proportion of business travel expenses to revenue increased from 0.03% last year to 0.2% for the Review Period. The increase in business travel expenses was mainly due to the fact that the Group further intensified its overseas marketing and promotion during the Review Period, thereby increasing the number of business trips made by its sales and marketing personnel.

(4) Professional service fees increased by 46.6% from RMB13,797,000 last year to RMB20,222,000 during the Review Period. The proportion of professional service fees to revenue increased from 0.1% last year to 0.2% for the Review Period. The increase in professional service fees was mainly due to the Group's increased efforts in the marketing of disposable electronic vaping products and open system vaping devices in overseas markets, as well as brand promotion, during the Review Period, which led to an increase in professional service fees for the related brand planning, brand public relations, exhibition planning and product testing and certification.

(5) Other expenses increased by 89.0% from RMB32,787,000 last year to RMB61,979,000 during the Review Period, with proportion to revenue increasing from 0.3% last year to 0.6% during the Review Period.

4. Administrative Expenses

The administrative expenses of the Group increased by 32.9% from RMB863,701,000 last year to RMB1,147,916,000 during the Review Period. Administrative expenses as a percentage of revenue increased from 6.3% last year to 9.5% for the Review Period. The increase in administrative expenses as a percentage of revenue was primarily due to the Group's increased investment in the establishment of information systems, and organization and processes improvement during the Review Period in order to further improve management capability to meet the needs of long-term development in the future. At the same time, the Group increased its investment in building a talent pipeline appropriately in order to support the development of new businesses in the future. In particular:

(1) Employee compensation and benefits increased by 19.0% from RMB576,261,000 last year to RMB685,873,000, and its percentage of revenue increased from 4.2% last year to 5.6% during the Review Period. The increase in employee compensation and benefits was mainly due to the addition of some new management personnel to accommodate future new business development, which led to an increase in management remuneration and other expenses during the Review Period.

(2) Professional service fees increased by 69.9% from RMB96,229,000 last year to RMB163,463,000 during the Review Period, and its percentage of revenue increased from 0.7% last year to 1.3% during the Review Period. The increase was mainly due to the engagement of external organizations to further enhance the corporate long-term competitiveness, which resulted in an increase in professional services fees incurred in relation to the information system building, management consultation, legal services, etc.

(3) Depreciation and amortization expenses increased by 180.2% from RMB35,160,000 last year to RMB98,505,000 during the Review Period, and its percentage of revenue increased from 0.3% last year to 0.8% during the Review Period. The increase was primarily due to the increase in amortization of land use rights of the new headquarters project, depreciation of equipment and amortization of office space renovation expenses as a result of the expansion of the Group's business scale.

5. Research and Development Expenses

The Group's research and development expenses increased by 104.6% from RMB670,629,000 in 2021 to RMB1,372,258,000 during the Review Period. The research and development expenses as a percentage of revenue increased from 4.9% in 2021 to 11.3% during the Review Period. The increase in research and development expenses as a percentage of revenue was primarily due to the Group's continuous increase in research and development investment, in order to enhance its long-term competitive edge and to develop growth opportunities in new areas in accordance with its established strategy during the Review Period. In particular:

(1) Employee compensation and benefits increased by 127.5% from RMB374,637,000 last year to RMB852,333,000 during the Review Period, and its percentage of revenue increased from 2.7% last year to 7.0% during the Review Period. The main reason of the increase in employee compensation and benefits was the fact that the Group introduced more R&D talents in the research and development field as planned.

(2) Development costs increased by 65.1% from RMB224,915,000 last year to RMB371,271,000 during the Review Period, and its percentage of revenue increased from 1.6% last year to 3.1% during the Review Period. The increase in development costs was mainly due to the increase in material sample costs, mould costs and testing and certification costs invested in the research areas including basic research, atomization, heat-not-burn technology in line with the corporate strategy during the Review Period.

6. Other Income

During the Review Period, the total other income of the Group amounted to RMB496,984,000 (2021: RMB499,068,000), decreasing by 0.4% compared to last year, details of which are set out below:

Items	For the year ended 31 December 2022 *RMB'000*	2021 *RMB'000*	Changes %
Interest income from bank deposits	**415,648**	422,783	(1.7)
Interest income from rental deposits	**1,769**	1,449	22.1
Government grants	**69,925**	54,161	29.1
Compensation income from customers	**1,818**	4,457	(59.2)
Others	**7,824**	16,218	(51.8)
Total	**496,984**	499,068	(0.4)

7. Other Gains and Losses

During the Review Period, the total other gains of the Group were RMB133,266,000 (2021: RMB93,186,000), representing an increase of 43.0% compared to last year, details of which are set out below:

Items	For the year ended 31 December 2022 *RMB'000*	2021 *RMB'000*	Changes %
Net foreign exchange gains (losses)	**126,711**	(38,087)	N/A
(Loss) gain arising on forward foreign exchange contracts	**(50,029)**	67,821	N/A
Gain arising on short-term bank deposits with variable interest rate	**72,805**	66,129	10.1
Loss on disposal/write off of property, plant and equipment	**(20,251)**	(126)	15,972.2
Gain on early termination of leases	**271**	6,004	(95.5)
Others	**3,759**	(8,555)	N/A
Total	**133,266**	93,186	43.0

8. Finance Costs

During the Review Period, the finance costs of the Group increased by 15.7% to approximately RMB28,980,000 (2021: RMB25,046,000). The Group's finance costs during the Review Period mainly derived from the interest expenses on lease liabilities and the interest expenses on discount of bills receivables. The increase in finance costs was primarily due to the increase in interest expenses on lease liabilities as a result of increased office space leases and more finance costs arising from the discount of bills receivables during the Review Period.

9. Income Tax Expense

During the Review Period, the Group's income tax expense was RMB444,010,000 (2021: RMB922,375,000), representing a decrease of 51.9% compared to last year. Income tax expenses accounted for 14.6% (2021: 14.5%) of adjusted profit before tax. The main reason for the decrease in income tax was the decrease in taxable profit.

10. Total Comprehensive Income for the Year

During the Review Period, the Group's total comprehensive income for the year was approximately RMB2,494,934,000 (2021: RMB5,286,991,000), representing a decrease of 52.8% compared to last year. Adjusted net profit was RMB2,575,122,000 (2021: RMB5,442,613,000), representing a decrease of 52.7% compared to last year. Such decrease was mainly due to the decrease in revenue and gross profit margin, as well as the increase in other expenses during the Review Period.

11. Liquidity and Financial Resources

As at 31 December 2022, the net current assets of the Group were RMB15,609,816,000 (31 December 2021: RMB14,591,532,000). As at 31 December 2022, the Group's bank balance and cash were RMB9,762,933,000 (31 December 2021: RMB11,426,758,000), of which RMB9,505,643,000 was denominated in RMB, RMB161,679,000 was denominated in USD and RMB93,849,000 was denominated in HKD (31 December 2021: RMB11,348,674,000 were denominated in RMB, approximately RMB35,770,000 were denominated in USD, and RMB41,796,000 were denominated in HKD). As at 31 December 2022, the current ratio of the Group was 534.9% (31 December 2021: 529.9%).

For the year ended 31 December 2022, the turnover days of trade and bills receivables were 70.8 days (2021: 61.4 days). The increase in turnover days was mainly due to the change of client sales mix with different credit terms. For the year ended 31 December 2022, the turnover days of inventory were approximately 37.1 days (2021: 28.6 days). The increase in turnover days was mainly due to the increase in materials prepared for the orders of disposable electronic vaping business with lower gross profit and the slowdown of shipment as a result of the impact of the pandemic on logistics during the Review Period as well. For the year ended 31 December 2022, the turnover days of trade and bills payables were 52.4 days (2021: 43.8 days). The increase was mainly due to the increased procurement in response to the growing disposable electronic vaping business with low gross profit margin.

As at 31 December 2022, the current ratio was approximately 534.9%, compared with approximately 529.9% as at 31 December 2021. Such increase was due to fact that current assets grew faster than current liabilities, and the increase in current assets was mainly due to the increase in inventories and other receivables.

Treasury Management Policy

The treasury management policy of the Group is primarily to utilize surplus cash reserves to invest in low-risk products such as low-risk wealth management products, structured deposit or time deposit, etc. and to generate income without interfering with the Group's business operations or capital expenditures. With the aim of controlling risks to the Group, the Group generally invests in low-risk, short-term (normally with maturity periods not more than one year) and principal-protected wealth management products, structured deposit or ordinary time deposit, etc.

Borrowings

As at 31 December 2022, the Group did not have any bank or other financial institutions borrowings (31 December 2021: nil). As of 31 December 2022, the banking facilities secured by the Group were RMB4,460.0 million, of which RMB10.4 million had been used for the issuance of letter of credit, RMB29.7 million had been used for the bills payables and RMB1.0 million had been used for the issuance of letter of guarantee.

Gearing Ratio

As at 31 December 2022, the gearing ratio of the Group, calculated as the total debt divided by the total equity, was approximately 19.5% (31 December 2021: 18.8%).

12. Pledge of Assets

As at 31 December 2022, the Group did not have any pledge of assets (31 December 2021: pledged bank deposits of approximately RMB4.0 million for the purchase of forward foreign exchange contracts).

13. Exposure to Foreign Exchange Risk

For the year ended 31 December 2022, the Group recorded net foreign exchange gain of RMB126,711,000 (2021: net foreign exchange loss of RMB38,087,000). Meanwhile, the Group recorded loss arising on forward foreign exchange contracts of RMB50,029,000 during the Review Period (2021: net forward foreign exchange gain of RMB67,821,000).

The functional currency of the Group is RMB. The sales of the Group are mainly settled in USD and RMB. During the Review Period, approximately 60% of the Group's revenue was settled in USD and approximately 40% was settled in RMB. Meanwhile, materials, labors and various expenditures paid by the Group were mostly settled in RMB. The foreign exchange risk of the Group mainly refers to the risks of foreign exchange gain or loss arising from the net amount of monetary funds denominated in USD, trade and bills receivables denominated in USD deducted by trade and bills payables denominated in USD ("**U.S. dollars exposure**") as a result of changes in the exchange rate between USD and RMB.

Sensitivity Analysis

For the above-mentioned U.S. dollars exposure, the Group controls relevant foreign exchange risks through timely settlement of foreign currencies or entering into forward foreign exchange contracts with commercial banks. The Board believes that the relevant foreign exchange risks are acceptable to the Group and such risks will be monitored closely.

Based on the amounts of assets and liabilities of the Group denominated in USD as of 31 December 2022, if the exchange rate of USD against RMB rises by 10%, the Group's total comprehensive income for the year will increase by approximately RMB198,847,000 (31 December 2021: increase by RMB95,410,000). Otherwise, if the exchange rate of USD against RMB drops by 10%, the Group's total comprehensive income for the year will decrease by approximately RMB198,847,000 (31 December 2021: decrease by RMB95,410,000).

14. Employment, Training and Development

As of 31 December 2022, the Group has 14,787, 9 and 1,577 employees in mainland China, Hong Kong and overseas respectively. The Group provides comprehensive and attractive remunerations, retirement plans, share option schemes, share award scheme and benefits for its employees and also awards discretionary bonuses to its employees based on their work performance. The Group is required to contribute to the China Social Security Schemes. Both the Group and its employees in Mainland China are required to make contributions to pension insurance, medical insurance and unemployment insurance according to the rate set out in relevant laws and regulations of China. The Group has adopted the provident fund scheme for employees in Hong Kong in accordance with Mandatory Provident Fund Scheme Ordinance. The Group also pays for corresponding pension insurance and medical insurance, etc. for its employees in overseas countries according to the laws and regulations of the host countries. In addition, the Company also offers other incentives to promote the personal growth and career development of employees.

During the Review Period, in order to support its development and improve long-term competitive edge, the Group recruited outstanding talents in research and development, management, marketing and other fields worldwide. As of 31 December 2022, the Group has more than 140 employees with doctoral degree or above.

In respect of talent training and development, the Group established Smoore College (思摩爾學院), continued to excavate lecturers in research and development, marketing, production, management, financial, legal, human resources and other aspects, designed a scientific and comprehensive curriculum system, and continued to provide professional and management trainings for employees. All new employees of the Group are required to participate in induction training courses, and a 6-month systematic orientation arrangement is available for fresh graduates.

During the Review Period, the total staff costs (including management and administration staff) accounted for approximately 25.0% of the revenue of the Group (2021: 17.6%). The increase in total staff costs as a percentage of revenue was mainly due to the increase of R&D, management and marketing personnel to support the Group's long-term development strategy during the Review Period.

15. Capital Expenditures

During the Review Period, the total investment in property, plant and equipment and intangible assets of the Group was approximately RMB2,478,206,000 (2021: RMB1,234,123,000), which was mainly used for the increased equipment and renovation expenses to support the development of the Group, as well as the right-of-use assets of land for office use recognized for the Review Period (approximately RMB977 million was paid in 2021 for the construction of the Group's headquarters building and was recognized as the right-of-use assets of land during the Review Period).

16. Capital Commitments

As at 31 December 2022, the Group had contracted capital commitment for property, plant and equipment of approximately RMB625,062,000 (31 December 2021: RMB390,128,000), which will be financed with proceeds from the Listing and net proceeds generated from operations.

17. Material Acquisitions and Disposal

During the Review Period, the Group did not carry out any material acquisitions or disposals of any subsidiaries, associates or joint ventures.

18. Significant Investments

As at 31 December 2022, the Group did not have any significant investments (2021: RMB977 million).

19. Contingent Liabilities

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

20. Future Plans for Material Investments or Capital Expenditures

Save as the investment plan disclosed under the section "Future Plans for Material Investments or Capital Expenditures" in the 2021 annual report of the Group, and save as disclosed under the section "Future Plans and Use of Proceeds" in the prospectus of the Company dated 29 June 2020 (the "**Prospectus**") and the section "Intended Use of Net Proceeds" in the announcement of the Company dated 4 February 2021 in relation to the completion of top-up placing, the Company has no other plans for material investments or capital expenditures.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	**2022** **RMB'000**	2021 RMB'000
Revenue	3	**12,144,980**	13,755,242
Cost of sales		**(6,885,348)**	(6,378,203)
Gross profit		**5,259,632**	7,377,039
Other income	4(a)	**496,984**	499,068
Other gains and losses	4(b)	**133,266**	93,186
Distribution and selling expenses		**(387,671)**	(192,916)
Administrative expenses		**(1,147,916)**	(863,701)
Research and development expenses		**(1,372,258)**	(670,629)
Finance costs	5	**(28,980)**	(25,046)
Impairment loss recognised on trade receivables, net		**1,269**	(7,659)
Profit before tax		**2,954,326**	6,209,342
Income tax expense	6	**(444,010)**	(922,375)
Profit for the year	7	**2,510,316**	5,286,967
Other comprehensive (loss) income:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(15,382)**	24
Other comprehensive (loss) income for the year		**(15,382)**	24
Total comprehensive income for the year		**2,494,934**	5,286,991
Earnings per share	9		
Basic (RMB cents)		**41.66**	88.54
Diluted (RMB cents)		**40.62**	85.40

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	**2022** **RMB'000**	2021 RMB'000
Non-current assets			
Property, plant and equipment		**4,274,994**	2,107,839
Intangible assets		**79,011**	66,399
Deposits paid for acquisition of property, plant and equipment		**222,998**	1,154,085
Deferred tax assets		**16,417**	15,778
Long-term bank deposits		**544,690**	1,516,030
Rental deposits		**22,434**	25,403
		5,160,544	4,885,534
Current assets			
Inventories		**840,602**	560,070
Trade and bills receivables	*10*	**2,301,628**	2,409,254
Other receivables, deposits and prepayments		**860,856**	335,245
Financial assets at fair value through profit or loss ("**FVTPL**")		**—**	6,385
Restricted bank deposits		**1,138**	12,412
Short-term bank deposits over three months		**5,431,616**	3,235,648
Bank balances and cash		**9,762,933**	11,426,758
		19,198,773	17,985,772
Current liabilities			
Trade and bills payables	*11*	**1,150,234**	826,800
Other payables and accrued expenses		**1,821,680**	1,434,129
Tax payables		**64,759**	294,972
Contract liabilities		**288,966**	250,183
Lease liabilities		**156,872**	145,513
Deferred income		**4,702**	5,138
Advances drawn on bills receivables discounted with recourse		**101,744**	437,505
		3,588,957	3,394,240
Net current assets		**15,609,816**	14,591,532
Total assets less current liabilities		**20,770,360**	19,477,066

	2022	2021
	RMB'000	*RMB'000*
Non-current liabilities		
Lease liabilities	**299,938**	174,562
Deferred income	**5,275**	5,084
Deferred tax liability	**87,939**	51,061
	393,152	230,707
Net assets	**20,377,208**	19,246,359
Capital and reserves		
Share capital	**424,043**	419,451
Reserves	**19,953,165**	18,826,908
Total equity	**20,377,208**	19,246,359

CONDENSED STATEMENT OF CASH FLOWS

	2022	2021
	RMB'000	*RMB'000*
NET CASH FROM OPERATING ACTIVITIES	**469,864**	3,588,332
NET CASH USED IN INVESTING ACTIVITIES	**(2,423,984)**	(5,225,624)
NET CASH FROM FINANCING ACTIVITIES	**276,192**	3,522,418

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

1. GENERAL INFORMATION

Smoore International Holdings Limited (the "**Company**") was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law, Cap.22 on 22 July 2019. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 10 July 2020 ("**Listing Date**"). The addresses of the Company's registered office and principal place of business are Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands and Office B, 28/F, EGL Tower, No. 83 Hung To Road, Kowloon, Hong Kong, respectively.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (collectively referred to as the "**Group**") are (i) the research, design and manufacture of vaping devices and components, other than self-branded advanced personal vaporizers ("**APV**") and (ii) the research, design, manufacture and sale of APV.

The consolidated financial statements are presented in Renminbi ("**RMB**"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time, which are mandatorily effective for the Group's annual periods beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS16	Covid-19 Related Rent Concession beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17 (including the October 2020 and February 2022 amendments to HKFRS 17)	Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendment to HKFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1	Non-current Liabilities with Covenants[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

[1] Effective for annual periods beginning on or after 1 January 2023.
[2] Effective for annual periods beginning on or after a date to be determined.
[3] Effective for annual periods beginning on or after 1 January 2024.

Except for the above mentioned, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents the amounts received and receivable from the sale of APV and vaping devices and components other than APV, net of discounts and sales related taxes.

Revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specific location (the "**delivery**"). Following the delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility on selling the goods and bears the risks of obsolescence and loss in relation to the goods. The normal credit term is 0 to 90 days upon the delivery.

The Group has one operating segment based on information reported to the chief operating decision maker (the "**CODM**"), of the Group, being the executive directors of the Company, for the purpose of resource allocation and performance assessment, which is the consolidated results of the Group. No analysis of segment assets or segment liabilities is presented as such information is not regularly provided to the CODM.

An analysis of the Group's revenue for the year is as follows:

	2022	2021
	RMB'000	*RMB'000*
Vaping devices and components, other than APV	**10,679,372**	12,593,523
APV	**1,465,608**	1,161,719
Total revenue that recognised at a point in time	**12,144,980**	13,755,242

The following is an analysis of the Group's revenue and results by reportable segment:

	2022	2021
	RMB'000	*RMB'000*
Segment revenue	**12,144,980**	13,755,242
Segment profit	**2,921,847**	6,190,729
Unallocated income	**40,357**	33,851
Unallocated expenses	**(7,878)**	(15,238)
Profit before tax	**2,954,326**	6,209,342

Geographical information

The following table sets out information about the Group's revenue from external customers by the location of customers:

	2022	2021
	RMB'000	*RMB'000*
The PRC (excluding Hong Kong)	**3,199,847**	5,530,301
Hong Kong, China (Note)	**3,348,893**	3,776,229
United Kingdom	**2,811,503**	1,527,295
United States of America	**1,298,190**	1,677,274
France	**328,999**	243,984
Japan	**284,461**	199,490
Croatia	**177,711**	46,904
New Zealand	**129,995**	158,776
Others	**565,381**	594,989
	12,144,980	13,755,242

Note: Revenue generated from Hong Kong are on re-export or transshipment basis and none of the Group's products are distributed or sold in Hong Kong.

The Group's non-current assets are substantially located in the PRC by location of assets and no geographical information is presented.

The Group applies the practical expedient in HKFRS 15 and does not disclose information about its remaining performance obligation as the performance obligation is part of a contract that has an original expected duration of one year or less.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2022	2021
	RMB'000	*RMB'000*
Customer A	**5,149,555**	4,722,995
Customer B	**1,886,831**	3,739,263

4. OTHER INCOME AND OTHER GAINS AND LOSSES

(a) Other income

	2022	2021
	RMB'000	*RMB'000*
Interest income from bank deposits	**415,648**	422,783
Interest income from rental deposits	**1,769**	1,449
Government grants	**69,925**	54,161
Compensation income from customers	**1,818**	4,457
Others	**7,824**	16,218
	496,984	499,068

(b) Other gains and losses

	2022	2021
	RMB'000	*RMB'000*
Net foreign exchange gains (losses)	**126,711**	(38,087)
(Loss) gain arising on forward foreign exchange contracts	**(50,029)**	67,821
Gain arising on short-term bank deposits with variable interest rate	**72,805**	66,129
Loss on disposal/write off of property, plant and equipment	**(20,251)**	(126)
Gain on early termination of leases	**271**	6,004
Others	**3,759**	(8,555)
	133,266	93,186

5. FINANCE COSTS

	2022	2021
	RMB'000	*RMB'000*
Interest expense on lease liabilities	**18,840**	15,467
Interest expense on bills receivables discounted with recourse	**10,140**	9,579
	28,980	25,046

6. INCOME TAX EXPENSE

	2022	2021
	RMB'000	*RMB'000*
Current tax:		
— PRC Enterprise Income Tax ("**EIT**")	**393,549**	915,851
— Hong Kong Profits Tax	**2,100**	9,933
	395,649	925,784
Underprovision in prior years		
— PRC EIT	**12,122**	753
	407,771	926,537
Deferred tax	**36,239**	(4,162)
	444,010	922,375

Hong Kong

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first Hong Kong dollars ("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.

PRC

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% except for Shenzhen Smoore Technology Co, Ltd (深圳麥克韋爾科技有限公司) ("**Smoore Shenzhen**"), Jiangmen Moore Technology Co., Ltd# (江門摩爾科技有限公司) ("**Moore Jiangmen**") and Shenzhen Maishi Technology Co., Ltd# (深圳麥時科技有限公司) ("**Maishi Technology**"), three major operating subsidiaries in the PRC. Smoore Shenzhen was qualified as High Technology and New Enterprise in November 2015 which was subsequently renewed in November 2018 and December 2021, and therefore Smoore Shenzhen is entitled to a preferential income tax rate of 15% for the years ended 31 December 2021 and 2022. Moore Jiangmen and Maishi Technology were qualified as High Technology and New Enterprise in

December 2021, and therefore Moore Jiangmen and Maishi Technology are entitled to a preferential income tax rate of 15% for the year ended 31 December 2021 and 2022. The qualification as a High and New Technology Enterprise is subject to review by the relevant tax authority in the PRC for every three years.

The Company is tax exempt under the laws of the Cayman Islands.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

English name is for identification purpose only

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2022	2021
	RMB'000	*RMB'000*
Profit before tax	**2,954,326**	6,209,342
Income tax expense calculated at 15% *(Note i)*	**443,149**	931,401
Tax effect of expense not deductible for tax purpose	**57,692**	68,803
Tax effect of income not taxable for tax purpose	**(344)**	(2,557)
Tax effect of tax losses not recognised	**36,103**	9,656
Utilisation of tax losses previously not recognised	**(1,455)**	(176)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**14,928**	4,524
Tax relief related to additional tax deduction on research and development costs incurred *(Note ii)*	**(159,856)**	(95,330)
Underprovision in prior years	**12,122**	753
Withholding tax on distributed profits of a subsidiary	**36,878**	—
Others	**4,793**	5,301
	444,010	922,375

Notes:

(i) The PRC EIT rate of Smoore Shenzhen, Moore Jiangmen and Maishi Technology that accounts for substantial operation of the Group is 15%.

(ii) Pursuant to Caishui 2018 circular No. 99, Smoore Shenzhen, Moore Jiangmen, Maishi Technology, 深圳麼爾霧化健康醫療科技有限公司, 海南麼爾兄弟科技有限公司 and 江門思麼爾新材料科技有限公司 are entitled to additional tax deduction on qualifying research and development costs expenditures.

7. PROFIT FOR THE YEAR

	2022 *RMB'000*	2021 *RMB'000*
Profit before tax has been arrived at after charging (crediting):		
Directors' remuneration:	**43,939**	61,471
Other staff costs:		
— Salaries, bonus and other benefits	**2,695,139**	2,356,706
— Retirement benefit scheme contributions	**247,257**	214,195
— Share-based payment expense	**346,016**	224,362
	3,332,351	2,856,734
Less: amounts capitalised as cost of inventories manufactured	**(1,426,905)**	(1,389,966)
amounts capitalised in intangible assets	**—**	(5,475)
	1,905,446	1,461,293
Depreciation of right-of-use assets for buildings and land use rights	**210,467**	140,197
Depreciation of property, plant and equipment other than right-of-use assets	**335,236**	168,492
Amortisation of intangible assets	**20,830**	23,317
	566,533	332,006
Less: amounts capitalised as cost of inventories manufactured	**(344,489)**	(244,267)
	222,044	87,739
Expenses related to short-term leases	**20,144**	20,971
Auditor's remuneration	**4,309**	4,030
Cost of inventories recognised as expense	**6,871,909**	6,359,637
Allowance for inventories included in cost of sales	**8,791**	719
Impairment loss recognised on intangible assets included in		
— cost of sales	**4,648**	17,847

8. DIVIDENDS

	2022	2021
	RMB'000	*RMB'000*
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2022 Interim dividend — HK10 cents (2021 Interim dividend — HK21 cents) per share	**532,898**	1,048,371
2021 Final dividend — HK18 cents (2020 Final dividend — HK27 cents) per share	**915,205**	1,321,534
	1,448,103	2,369,905

During the year, a final dividend of HK18 cents per share in respect of the year ended 31 December 2021(2020: HK27 cents) was declared and paid to owners of the Company by deduction of the share premium of the Company. The aggregate amount of the final dividend paid in the year amounted to HK$1,078,409,000 (equivalent to approximately RMB915,201,000) (2021: HK$1,610,840,000 (equivalent to approximately RMB1,321,534,000)). An interim dividend of HK10 cents per share in respect of the six months period ended 30 June 2022 (six months period ended 30 June 2021: HK21 cents) was declared and paid to the owners of the Company. The aggregate amount of the interim dividend paid in the year amounted to HK$606,834,000 (equivalent to approximately RMB532,681,000) (six months period ended 30 June 2021: HK$1,262,033,000 (equivalent to approximately RMB1,048,371,000)).

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2022 of HK8 cents per share, in an aggregate amount of approximately HK$486,293,000, has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is as follows:

	2022	2021
	RMB'000	*RMB'000*
Earnings:		
Earnings for the purpose of basic and diluted earnings per share	**2,510,316**	5,286,967
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating earnings per share	6,025,194	5,971,560
Effect of dilutive potential ordinary shares:		
Share options/award shares	155,153	219,586
	6,180,347	6,191,146

The computation of diluted earnings per share does not assume the exercise of certain of the Company's share options/award shares as the averaged adjusted exercise prices of the share options/award shares exceeded the average market price for the years ended 31 December 2022 and 2021.

10. TRADE AND BILLS RECEIVABLES

	31/12/2022	31/12/2021
	RMB'000	*RMB'000*
Trade receivables from contracts with customers	**2,212,365**	1,703,163
Less: allowance for credit losses	**(12,481)**	(16,562)
	2,199,884	1,686,601
Bills receivables	**101,744**	722,653
	2,301,628	2,409,254

The Group allows a credit period of 0 to 90 days (2021: 0 to 75 days) to its trade customers.

As at 1 January 2021, trade receivables from contracts with customers amounted to RMB2,217,590,000.

The following is an analysis of trade receivables net of allowance for credit losses, presented based on the date of revenue recognised at the end of each reporting period:

	31/12/2022	31/12/2021
	RMB'000	*RMB'000*
Within 30 days	**940,087**	998,721
31 to 60 days	**675,017**	438,734
61 to 90 days	**415,547**	248,221
Over 90 days	**169,233**	925
	2,199,884	1,686,601

The maturity dates of bills receivables are within two months as at 31 December 2022 (2021: two months).

As at 31 December 2022, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB338,541,000 (2021: RMB35,125,000), which are past due at the end of the reporting period for which the Group has not provided for impairment loss as the Group considers such balances could be recovered based on historical experience. The Group does not hold any collateral over these balances.

As at 31 December 2022, RMB 8,536,000 (2021: RMB438,000) have been past due over 90 days or more and is not considered as in default because there had not been significant change in credit quality and the amounts are still considered recoverable.

As of 16 March 2023, RMB1,617,098,000 of trade and bills receivables as of 31 December 2022 had been settled subsequent to the end of the reporting period.

At the end of the reporting period, included in trade receivables are the following amounts denominated in currencies other than the functional currency of the relevant group entities which they relate.

	31/12/2022	31/12/2021
	RMB'000	*RMB'000*
US$	**1,270,045**	1,221,678

11. TRADE AND BILLS PAYABLES

	31/12/2022	31/12/2021
	RMB'000	*RMB'000*
Trade payables		
— third parties	**980,385**	764,060
— a related party	**140,105**	62,740
	1,120,490	826,800
Bills payables	**29,744**	—
	1,150,234	826,800

The Group is normally granted credit terms of 30 to 75 days (2021: 30 to 60 days).

The following is an analysis of trade payables by age, presented based on the earlier of the date of goods/services received and invoice date at the end of each reporting period:

	31/12/2022	31/12/2021
	RMB'000	*RMB'000*
Within 30 days	**773,679**	763,272
31–60 days	**246,012**	61,708
61–90 days	**100,599**	1,737
Over 90 days	**200**	83
	1,120,490	826,800

OTHER INFORMATION

CORPORATE GOVERNANCE

Corporate Governance Practices

The Board and the management of the Company are committed to the maintenance of good corporate governance practices and procedures. The corporate governance principles of the Company emphasize a quality Board, sound internal controls, and transparency and accountability to all shareholders.

For the year ended 31 December 2022, the Company had applied the principles and complied with all code provisions (except code provision C.2.1 of the CG Code) and, where applicable, the recommended best practices of the Corporate Governance Code ("**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**"). In respect of code provision C.2.1 of the CG Code, the positions of the chairman of the Board and the chief executive officer are held by the same individual, namely, Mr. Chen Zhiping. The Board is of the view that this is the most appropriate arrangement in the interest of the shareholders as a whole at present, and will not impair the balance of power between the Board and the Company's management, which is mainly in view of the following considerations:

(1) The decision of the Board requires the approval of a majority of Directors. The Board of the Company consists of eight Directors, comprising three independent non-executive Directors and one non-executive Director, in which the number of independent non-executive Directors is more than the Listing Rules requirement of one-third, and therefore the Board believes that there are sufficient checks and balances within the Board;

(2) Mr. Chen and other Directors have already undertaken to fulfill their fiduciary duties as Directors, which require them to act for the benefits and in the best interests of the Company;

(3) The balance of power guarantees the functioning of the Board. The Board of the Company consists of experienced talents in different fields. These members meet regularly to discuss significant issues relating to the business strategies and operations of the Group;

(4) The Group's development strategies and other major operating decisions are jointly made by the management team, the Board, and special committees under the Board after regular discussions.

The Group will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of chairman of the Board and chief executive officer is necessary.

RESPONSIBILITIES AND DELEGATION

The Board is responsible for the leadership and supervision of the Company's affairs and acting in the best interests of the Company and the shareholders. The Board, directly and indirectly through its committees, provides directions to manage (by laying down strategies and overseeing their implementation) and monitor the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including non-executive Director and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. All Directors have full and timely access to all the data of the Company, and may upon request, seek independent professional advice in appropriate circumstances at the Company's expenses for fulfilling their duties to the Company. The Directors need to disclose to the Company details of other offices held by them.

The Board reserves for its discretion on all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial data, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the chief executive officer and management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the aforesaid personnel.

INDEPENDENT NON-EXECUTIVE DIRECTORS

For the year ended 31 December 2022, the Board has met the requirements of the Listing Rules regarding the appointment of at least three independent non-executive Directors (representing at least one-third of the Board), with at least one of whom possessing appropriate professional qualifications, or accounting, or related financial management expertise. To provide transparency to the investment community and in compliance with the Listing Rules and the CG Code, the independent non-executive Directors of the Company are clearly identified in all corporate communications containing the names of the Directors. The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") set forth in Appendix 10 to the Listing Rules as a code of conduct of the Company for Directors and relevant employees' securities transactions. Having made specific enquiry of all the Directors and relevant employees, they all confirmed that they have complied strictly with the provisions of the Model Code for the year ended 31 December 2022.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Board believes that effective communication with shareholders is of great importance in enhancing investor relation. The annual report and interim report offer comprehensive operation and financial performance information to shareholders while the annual general meeting provides a forum for shareholders to express their opinions directly to the Board. The Board welcomes comments from shareholders and encourages them to attend general meetings to raise concerns with the Board or management directly. The Board members and appropriate senior management personnel of the Company will respond issues raised by shareholders at the meeting. To safeguard shareholders' interests and rights, a separate resolution will be proposed for each issue at general meetings. For the year ended 31 December 2022, the Company has held one annual general meeting on 27 May 2022 and one extraordinary general meeting on 15 December 2022.

The Company establishes different communication channels with shareholders and investors, including (i) printed copies of corporate communications (including but not limited to annual reports, interim reports, notices of meetings, circulars and proxy forms) required under the Listing Rules, and shareholders can choose to receive such documents using electronic means through the Company's website; (ii) the annual general meeting provides a forum for shareholders to raise comments and exchange views with the Board; (iii) updated and key information of the Group is available on the website of the Company; (iv) the Company's website offers a communication channel between the Company and its shareholders; (v) press conferences and briefing meetings with analysts are arranged from time to time to update on the performance of the Group; (vi) the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, deals with shareholders for all share registration and related matters; and (vii) the dedicated team of the Company handles general enquiries from shareholders and investors.

Shareholders and investors can send written inquiries or requests to the attention of the Board and put forward a resolution at the general meeting in the following ways:

Address:	Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
Email:	IR@smooreholdings.com

The Company has formulated communication policy for shareholders aimed at promoting continuously effective communication between the Company and shareholders so as to make them informed when exercise their rights. The Company will review the shareholder communication policy on a regular basis to ensure its effectiveness. During the Review Period, the Board has reviewed the implementation and effectiveness of the communication policy for shareholders and was satisfied with the results.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK8 cents per ordinary share for the year ended 31 December 2022 to shareholders which shall be subject to approval by shareholders at the forthcoming annual general meeting (the "**AGM**"). It is expected that the dividend will be paid on or around 16 June 2023.

The Company has adopted a dividend policy regrading to the payment of dividends, which is subject to the financial conditions of the Company and the Group and the conditions and factors as set out in the dividend policy. Dividends may be proposed to declare by the Board during a review period and any final dividend for a review period will be subject to the shareholders' approval.

ANNUAL GENERAL MEETING

The AGM of the Company will be held on 25 May 2023, notice of which will be published and despatched to the shareholders as soon as practicable in accordance with the requirements of the Company's Articles of Association and Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 22 May 2023 to 25 May 2023, both dates inclusive, during which period no transfer of shares will be registered. In order to determine the shareholders who are entitled to attend and vote at the AGM, all transfers of shares accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on 19 May 2023.

The Register of Members of the Company will be closed from 1 June 2023 to 5 June 2023, both dates inclusive, during such period no transfer of shares will be registered. In order to determine the shareholders who are entitled to the said final dividend which will be resolved and voted at the AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on 31 May 2023.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2022, the Company repurchased a total of 18,820,000 shares of the Company on the Stock Exchange at an aggregate consideration of HK$298,771,320 (before brokerage and expenses). All the repurchased shares were cancelled. For details of the Share Repurchase Plan, please refer to the Company's announcement dated 14 March 2022.

The Board considers that the trading price of the shares does not fully reflect their intrinsic value and business prospects of the Group. The Board believes that the financial resources of the Company enable it to implement the Share Repurchase Plan, and that the Share Repurchase Plan will enhance earnings per share and overall shareholders return. The Share Repurchase Plan also reflects the confidence of the Board and the management team in the long-term strategy and growth of the Group. The Board considers that the Share Repurchase Plan is in the best interest of the Company and the shareholders as a whole. The specific details of the repurchase are as follows:

Repurchase date	**Number of shares**	**Average (HK$)**	**Highest (HK$)**	**Lowest (HK$)**
7 April 2022	2,913,000	17.12	17.48	16.72
8 April 2022	2,902,000	17.19	17.36	17.04
11 April 2022	3,022,000	16.50	16.62	16.22
12 April 2022	3,051,000	16.35	16.88	15.70
Total in April 2022	11,888,000			
26 August 2022	3,332,000	14.96	15.00	14.84
29 August 2022	3,600,000	13.73	13.86	13.66
Total in August 2022	6,932,000			
Total	**18,820,000**			

PURCHASE OF THE COMPANY'S SHARES BY THE DIRECTORS

On 5 September 2022 and 6 September 2022, Mr. Chen Zhiping purchased 4,090,000 shares and 3,840,000 shares of the Company, respectively, an aggregate of 7,930,000 shares, through SMR & Alon Limited at a total consideration of HK$99,791,400 (before brokerage and expenses).

On 5 September 2022 and 6 September 2022, Mr. Xiong Shaoming purchased 5,499,000 shares and 2,500,000 shares of the Company, respectively, an aggregate of 7,999,000 shares, through Andy Xiong Holding Limited at a total consideration of HK$101,618,620 (before brokerage and expenses).

The Board considers that the abovementioned share purchase reflects the confidence of Mr. Chen and Mr. Xiong in the future prospect and long-term value of the Group.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The shares of the Company were successfully listed on the Main Board of the Stock Exchange on 10 July 2020 by offering a total of 660,504,000 shares (including the issuance of the over-allotment shares upon the full exercise of the over-allotment option) at offer price of HK$12.40 per share (the "**Listing**"). The gross and net proceeds raised by the Company from the Listing were approximately HK$8,190.3 million and approximately HK$7,909.9 million, respectively.

The net proceeds from the Listing have been and will be utilised in the same manner and proportion as set out in the prospectus of the Company dated 29 June 2020 under the section headed "Future Plans and Use of Proceeds". The table below sets out the planned applications of the net proceeds and actual usage up to 31 December 2022:

	Use of proceeds	**Approximate percentage of total amount**	**Amount of net proceeds allocated upon Listing** *(HK$ million)*	**Actual usage up to 31 December 2022** *(HK$ million)*	**Unutilised amount as at 31 December 2022** *(HK$ million)*	**Expected timeline**
(i)	Expand our production capacity, including the establishment of industrial parks in Jiangmen and Shenzhen, Guangdong province**	50%	3,954.9	903.0	3,051.9	By the end of 2026
(ii)	Implement automated production and assembly lines at our new production bases, upgrade our group-level ERP system and upgrade our existing factories	25%	1,977.5	1,977.5	—	By the end of 2026
(iii)	Invest in research and development, including building a group-level research center in Shenzhen, developing new heating technology and paying for product certification expenses	20%	1,582.0	896.4	685.6	By the end of 2027
(iv)	Provide funding for our working capital and other general corporate purposes	5%	395.5	395.5	—	—
		100%	7,909.9	4,172.4	3,737.5	

* The figures above are rounded to the nearest one decimal place and may not add up due to rounding.

** According to the Administrative Measures for E-Cigarettes published on 11 March 2022, e-cigarette manufacturers should obtain tobacco monopoly production enterprise license. The Group has obtained the relevant licenses, and any future expansion of production capacity must comply with the relevant regulations.

PLACING

On 27 January 2021, the Company, Aletech Holding Limited ("**Top-up Vendor**"), and CLSA Limited ("**Placing Agent**") entered into the placing and subscription agreement. Pursuant to which, the Top-up Vendor agreed to sell, and the Placing Agent agreed to procure purchasers to purchase, the 60,000,000 shares of the Company held by Top-up Vendor at a price of HK$74.40 per share (the "**Placing**"). Subject to completion of the Placing, the Top-up Vendor agreed to subscribe for 60,000,000 new shares of the Company at a subscription price of HK$74.40 per share (the "**Subscription**"). The net share price for the Subscription after deduction of all expenses incurred by the Top-up Vendor, including legal fees and fees of other advisers, in connection with the Subscription is approximately HK$74.09 per subscription share. The market price of the shares on the date when the terms of the Placing and Subscription were determined (i.e. 27 January 2021) was HK$80.

The Placing and the Subscription were completed on 1 February 2021 and 4 February 2021, respectively. The Company's net proceeds for the Placing and Subscription (after deducting related costs and expenses) were approximately HK$4,445.5 million, equivalent to approximately RMB3,705.6 million.

For details of the Placing and Subscription, please refer to the Company's announcements dated 27 January 2021, 28 January 2021 and 4 February 2021.

The intended and actual use of proceeds from the Placing and Subscription up to 31 December 2022 are set out as follows:

Use of proceeds		Approximate percentage of total amount	Amount of net proceeds allocated *(HK$ million)*	Actual usage up to 31 December 2022 *(HK$ million)*	Unutilised amount as at 31 December 2022 *(HK$ million)*	Expected timeline
(i)	Expansion of production capacity*	55%	2,445.0	252.9	2,192.1	By the end of 2026
(ii)	Allocating more resources and funds in the PMTA application for more products rollout in the market of the United States once approved	10%	444.5	—	444.5	By the end of 2026
(iii)	Investing in the R&D on the atomization devices for healthcare and pharmaceutical industry	35%	1,556.0	941.1	614.9	By the end of 2025
		100%	4,445.5	1,194.0	3,251.5	

* According to the Administrative Measures for E-Cigarettes published on 11 March 2022, e-cigarette manufacturers should obtain tobacco monopoly production enterprise license. The Group has obtained the relevant licenses, and any future expansion of production capacity must comply with the relevant regulations.

ADEQUACY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public on 31 December 2022.

AUDIT COMMITTEE

The Company established the Audit Committee in compliance with Rules 3.21 to 3.23 of the Listing Rules. The Audit Committee consists of three independent non-executive Directors, namely Mr. Zhong Shan, Mr. Yim Siu Wing, Simon and Dr. Liu Jie. Mr. Zhong Shan is the Chairman of the Audit Committee. His expertise in accounting, auditing and finance enables him to lead the Audit Committee.

The principal responsibilities of the Audit Committee are to conduct critical and objective reviews of the Group's financial and accounting practices, risk management and internal controls. These include determining the nature and scope of statutory audit, reviewing the Group's interim and annual accounts and assessing the completeness and effectiveness of the Group's accounting and financial controls.

The terms of reference of the Audit Committee are consistent with the recommendations as set out in A Guide for Effective Audit Committee published by the HKICPA and the provisions of the CG Code, and are updated and amended according to the relevant requirements from time to time.

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2022. It has also discussed with the Company's senior management and auditors regarding the accounting policies, risk management and internal control adopted by the Company.

SCOPE OF WORK OF THE EXTERNAL AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements of the Group for the year as approved by the Board of Directors on 20 March 2023. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

EVENTS AFTER THE REVIEW PERIOD

There are no major events after 31 December 2022 that are required to be disclosed by the Company.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The annual results announcement for the year ended 31 December 2022 of the Company has been published on the website of the Stock Exchange and the website of the Company. The annual report will be despatched to the shareholders and published on the websites of the Stock Exchange and the Company in due course.

By Order of the Board
Smoore International Holdings Limited
Mr. Chen Zhiping
Chairman of the Board

Hong Kong, 20 March 2023

As at the date of this announcement, the Executive Directors of the Company are Mr. Chen Zhiping, Mr. Xiong Shaoming, Mr. Wang Guisheng and Ms. Wang Xin; the Non-executive Director of the Company is Ms. Jiang Min; and the Independent Non-executive Directors of the Company are Mr. Zhong Shan, Mr. Yim Siu Wing, Simon and Dr. Liu Jie.