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 2023

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 2023 (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				
	2019	2020	2021	2022	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
Revenue	7,610,601	10,009,937	13,755,242	12,144,980	**11,168,422**
Gross profit	3,352,352	5,295,813	7,377,039	5,259,632	**4,334,446**
Gross profit margin	44.0%	52.9%	53.6%	43.3%	**38.8%**
Profit before tax	2,567,051	3,117,766	6,209,342	2,954,326	**1,936,539**
Profit for the year	2,173,789	2,399,921	5,286,967	2,510,316	**1,645,090**
Total comprehensive income for the year*	2,173,789	2,399,921	5,286,991	2,494,934	**1,566,470**
Non-current assets	1,132,163	2,333,221	4,885,534	5,160,544	**5,937,532**
Current assets	2,169,740	12,440,588	17,985,772	19,198,773	**19,570,752**
Current liabilities	2,049,243	2,108,440	3,394,240	3,588,957	**3,566,333**
Net current assets	120,497	10,332,148	14,591,532	15,609,816	**16,004,419**
Total assets	3,301,903	14,773,809	22,871,306	24,359,317	**25,508,284**
Total assets less current liabilities	1,252,660	12,665,369	19,477,066	20,770,360	**21,941,951**
Total equity/net assets	734,673	12,399,721	19,246,359	20,377,208	**21,409,609**
Cash and cash equivalents	731,394	9,557,802	11,426,758	9,762,933	**5,332,076**

* As the impact of share-based payment expenses related to pre-IPO share option scheme in relation to employee incentive schemes was minor, adjusted total comprehensive income for the year was not disclosed subsequently.

The Board proposed to declare a final dividend of HK5 cents per ordinary share for the year ended 31 December 2023.

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; (2) research, design, manufacturing and sale of self-branded open system vaping devices, or advanced personal vaporizers ("**APV**"), for retail clients; and (3) new business such inhalation therapy and beauty atomization to provide patients with inhalation drug delivery products on a basis of atomization technology.

In 2023, in the overseas markets, benefiting from the Group's comprehensive product layout, strong technological advantages and proactive overseas expansion, the Group achieved solid growth in revenue in the United States, Europe and other overseas markets. At the same time, revenue from the Mainland China market declined by a relatively large percentage, resulting in a decrease in the Group's overall revenue.

In terms of technological research and product development, focusing on the segments such as electronic vaping products, heat-not-burn products, atomization products for special purpose, inhalation therapy and beauty atomization, and taking market-driven approach, the Group continued to optimize its research and development management system to achieve scientific classification management of its research and development projects, which effectively enhanced the efficiency of its research and development. During the Review Period, the Group launched a number of new product series to overseas markets to meet the needs of users in different markets, which were widely recognized by the market and the industry. For disposable electronic vaping products, the upgraded ceramic coil technology platform, FEELM Max, has successfully improved atomization efficiency and achieved more puffs under the same injection volume, which not only complied with the compliance requirements but also met the puffing needs of users, and it has quickly become a hot-selling product in the market. The burst power platform of ceramic series developed by the Group improved the explosive power and concentration of flavors of large-puff products. For our self-branded business products, we have developed the world's first intelligent electronic atomizing liquid supply system, COSS, which is equipped with functions such as automatic e-liquid refilling and automatic charging to meet the need for longer battery lifespan. The separation system between the heating elements and the atomizing liquid and the design of the vacuum-sealed oil container effectively prevent the tobacco tar from contacting with air so as to ensure fresh and consistent taste. The product has been recognized by the industry for its innovative design, making it the first self-branded product of the Group to win the Product Innovation Awards under the Golden Leaf Awards (金葉獎 — 產品創新獎).

In terms of marketing, the Group continued to enhance its user insight and channel control capabilities during the Review Period. By building a localized marketing team and store management system to increase the availability of products, as well as innovative ways of cooperation with customers to provide them with value-added services such as market insights and promotions, the Group not only extended the value chain of its services, but also helped its customers to better adapt to the fast-changing market demands. During the Review Period, the Group continued to increase its localization presence in overseas markets to further transform into a global enterprise and lay the foundation for future growth. As of 31 December 2023, the Group had operated 5 overseas warehouses in Europe and the United States and established certain overseas sales and research and development centers. The global presence is not only conducive to the Group's proximity to consumers and insights into changing market trends, but also helpful for its proximity to customers to save cost and improve speed of delivery.

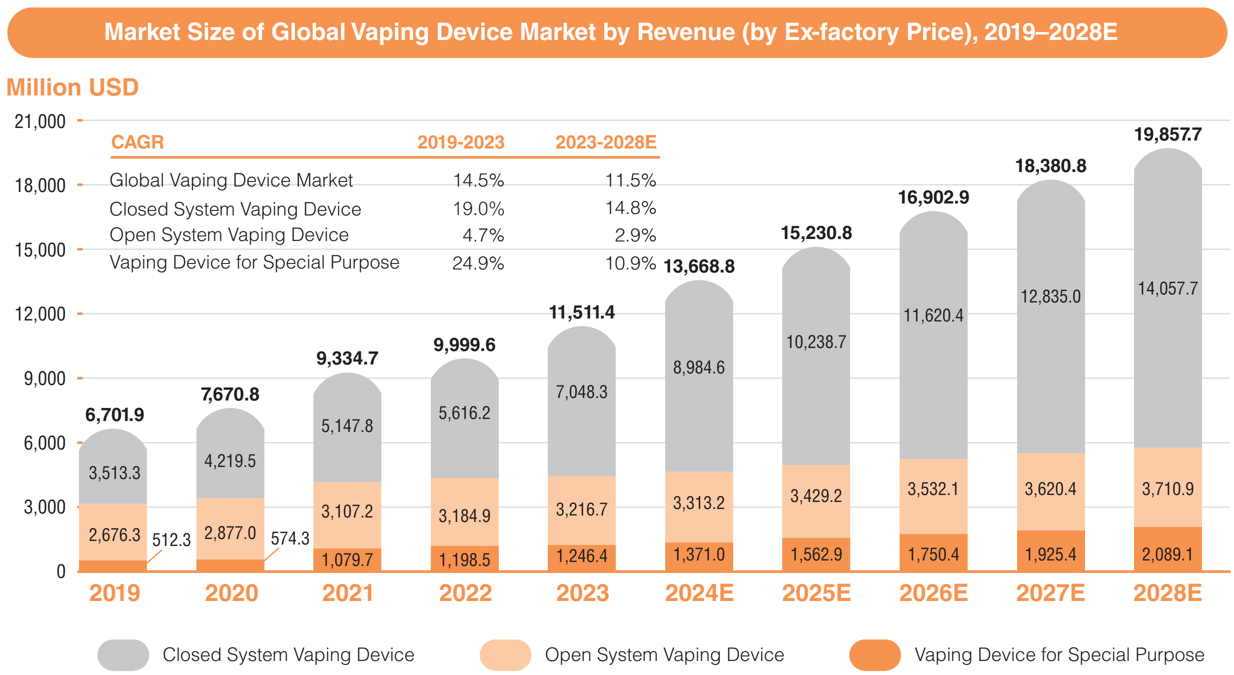
For internal management, the Group continued to promote cost reduction and efficiency enhancement. During the Review Period, by experimenting with the Amoeba management practice model, strengthening the budget management system and leveraging on the strengths of its information system, the Group continuously improved the operational efficiency and achieved a significant reduction in administrative expenses during the Review Period.

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 ("**Sullivan**") in March 2024 (the "**Sullivan Report**"), the global vaping device market size increased at a compound growth rate of approximately 14.5% at ex-factory prices from 2019 to 2023, and is expected to increase at an estimated compound growth rate of approximately 11.5% from 2023 to 2028.

The global market size of closed system vaping devices has maintained a compound growth rate of approximately 19.0% at ex-factory price from 2019 to 2023, and is expected to grow at a compound growth rate of approximately 14.8% from 2023 to 2028. The global market size of open system vaping devices has maintained a compound growth rate of approximately 4.7% at ex-factory price from 2019 to 2023, and is expected to grow at a compound growth rate of approximately 2.9% from 2023 to 2028. According to the Sullivan Report, in 2023, the Group maintained its position as the world's largest manufacturer of vaping devices and its market share was approximately 13.7% (2022: approximately 18.1%).

Global Vaping Device Market Overview



* E = estimated

BUSINESS REVIEW

Sales and Marketing

During the Review Period, the Group achieved sales revenue of approximately RMB11,168,422,000, which decreased by approximately 8.0% as compared to last year. Among which the revenue from Mainland China market was approximately RMB163,008,000, representing a decrease of approximately 92.7% compared to last year and the proportion of total revenue decreased from approximately 18.5% last year to approximately 1.5% in the Review Period; the revenue from overseas markets was approximately RMB11,005,414,000, representing an increase of approximately 11.2% compared to last year and the proportion of total revenue increased from approximately 81.5% last year to approximately 98.5% in the Review Period. Among which the revenue from corporate client oriented sales decreased by approximately 12.7% as compared to last year and the proportion of total revenue decreased from approximately 87.9% last year to approximately 83.5% in the Review Period; the revenue from self-branded business sales increased by approximately 26.0% as compared to last year and the proportion of total revenue increased from approximately 12.1% last year to approximately 16.5% in the Review Period.

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

In the U.S. market, the Group mainly sells electronic vaping products and atomization products for special purpose. Adhering to our customer-first business philosophy, we have successfully helped one of our major customers maintain its market share ranked No.1 and further increased its market share in the United States in the category of pod-based products and achieved further market share gains through measures such as improving the level of production intelligence and optimizing the cost structure. During the Review Period, the presence of a large number of non-compliance disposable electronic vaping products in the U.S. vaping market had a negative impact on the sales of the Group's customers' compliant products. With the recent urging from various sectors for the Food and Drug Administration ("**FDA**") to step up enforcement against non-compliant products, we believe that our customers' compliant products are expected to gradually gain greater market share in the U.S. market, and the Group's products will also benefit from this trend due to their strengths in compliance capability, safety and user experience. During the Review Period, the Group's atomization products for special purpose sold in the U.S. successfully resumed growth in the second half of 2023 by establishing local warehouses to enhance delivery speed, strengthening channel penetration to understand consumers' preferences, and refining the product matrix to attract more users. Taking into account the products transshipped through Hong Kong, revenue of approximately RMB4,083,779,000 was realized from corporate client oriented sales in the U.S. market, representing an increase of approximately 8.2% over the previous year, and its percentage of total revenue increased from approximately 31.1% last year to approximately 36.6% in the Review Period.

In the Mainland China market, the Group's corporate customers oriented business is mainly the sale of pod-based electronic vaping products. With the implementation of the Measures for the Administration of Electronic Cigarettes (《電子煙管理辦法》) (the "**Administrative Measures**"), the national standards for electronic cigarettes (the "**National Standards**") and relevant supporting measures, relevant market players are required to apply for licenses and product reviews under the Administrative Measures, National Standards and relevant supporting requirements, and the products are subject to consumption tax in the production and wholesale segments. The Mainland China market has entered an era of orderly management, which is conducive to the long-term healthy development of the industry. The Administrative Measures and the National Standards were officially implemented from 1 October 2022, and 2023 was the first full year after the implementation. Under the new policies and regulations, the choices of product flavors have been reduced and the consumption tax has increased the purchasing cost of consumers, the Group's sales in the Mainland China market for the Review Period recorded a significant decrease as compared to last year. The Group's sales revenue in the Mainland China market amounted to approximately RMB163,008,000, representing a significant decrease of approximately 92.7% as compared to last year, and its percentage of the total revenue dropped from approximately 18.5% last year to approximately 1.5% in the Review Period.

In the European and other markets, the Group's corporate customers oriented business, mainly comprising disposable electronic vaping products and pod-based electronic vaping products, realized revenue of approximately RMB5,074,276,000 in the Review Period, which increased by approximately 8.9% compared with last year, and its proportion of total revenue increased to approximately 45.4% in the Review Period from approximately 38.3% last year. During the Review Period, the Group launched FEELM Max, an upgraded ceramic coil technology platform. Disposable products equipped with this technology platform have been widely acclaimed by customers and users for achieving more puffs, better taste and less mouthfeel residue than similar mainstream products, as well as meeting local compliance requirements. During the Review Period, the technology platform successfully entered the supply chain of major customers and realized large-scale shipment. The burst power technology platform of ceramic series developed by the Group benefitted large-puff products in improving explosive power and concentration of flavors. During the Review Period, the Group's disposable electronic vaping products achieved revenue of approximately RMB3,370,149,000, representing a significant increase of approximately 74.5% as compared to 2022, and its proportion of revenue increased to approximately 30.2% from approximately 15.9% last year. During the Review Period, the overall proportion of disposable electronic vaping products in the market increased, and the share of sales of the Group's pod-based electronic vaping products in the European and other markets declined accordingly.

For the self-branded business, the Group adhered to the brand core of "innovation and high quality", and many differentiated innovative products successively launched during the Review Period were well received by consumers, which helped the Group continue to increase its market share in the open system product field while taking the leading position in global market. On the marketing front, the Group achieved digitization management of marketing channel by promoting marketing digitization in self-branded business in an all-around way, so as to keep abreast of market demands. Meanwhile, the Group put more efforts to exploit overseas market, completed local team building in major markets and constantly improved consumer insights, to make sure that new products can not only meet the diverse needs of consumers, but also be introduced to retail terminals in a rapid manner. During the Review Period, revenue of approximately RMB1,847,359,000 was realized from the self-branded business, representing an increase of approximately 26.0% as compared to last year. During the Review Period, the Group's VAPORESSO COSS series and VAPORESSO ARMOUR series featuring innovative automatic e-liquid refilling function, automatic charging function and longer service life were successively unveiled in overseas markets, attracting market and industry attention.

Research and Development

We are of the opinion that science and technology are the core driving forces for corporate development. Being a high-tech manufacturing enterprise, we regard innovative products meeting market demand as our life source, and investments in technology as the core of product innovation. By adhering to such concept, we have built a research and development team with a size of more than 1,400 persons and allocated investments in research and development far more than that of its peers, which has laid a solid foundation for innovation and provided strong support for long-term and healthy development of the Group. Taking full advantage of the innovative resources in the entire innovation ecosystem is vital to maintain innovative vigor for the Group. In this regard, in 2023, we have perfected organizing and working mechanisms, systematically identified and accessed to such various types of world-wide innovative institution as supplier, university, testing organization and association, as well as establishing a sound innovation and cooperation mode to jointly settle the innovation problems facing the vaping industry, with fruitful achievements made in cooperation.

Continuous investments in research and development in 2022 and 2023 has made higher management efficiency of research and development a crucial part for company development. To this end, we have taken various measures to further improve our management and decision-making systems of research and development, manage to respond to market changes in a timely and efficient manner and flexibly adjust research and development plan for higher research and development efficiency. Firstly, we reinforced market demand-oriented innovation and decision-making chain. More specifically, we provided guidance for product planning and technical planning based on market insights, which were taken as the basis when initiating and managing a research and development project, so as to ensure that all investments are made to research and development on a targeted basis. Secondly, all technical development projects are managed by level and category based on technical maturity with focus on key problems, so as to significantly enhance the effectiveness of fundamental research and the possibility of success in technical transformation. Thirdly, by fully introducing the product life circle management (PLM) system and the system for research and development project management (SRDM), we have cultivated our digital management capacity during the full life circle of new product under development. Consequently, we comprehensively achieved digital, intelligent and accurate management in terms of the allocation of research and development task and resources. Implementation of these innovative management measures ensures smooth and efficient operation of the innovative systems, and the obtaining of long-erm and sustained investments in innovation, thus comprehensively enhancing the Group's capability of applying innovative technology to production.

In the field of electronic vaping, on one hand, we have constantly promoted iterative upgrade of successful product platform to enhance both user experience and vaping efficiency, such as puffs increased by approximately 30% under the condition of same volume of injecting liquid for the recently launched new products; on the other hand, we have continuously developed new product platforms, such as the recently launched FEELM TURBO ceramic series, new compliant Tobacco Products Directive (the "**TPD**") series, automatic refilling and charging series, and tobacco flavored series that provide excellent experience. All these products have constantly met increasingly diversified demands from users with obvious commercial effects and significant increase in sales witnessed. They also received recognition from industry and were awarded the Golden Leaf Award, enabling the Group to take a leading position in various markets and fields. Among them, the XROS series under self-branded Vaporesso launched its first product in recent years, which has become the biggest sales contributor, representing a year-on-year increase of approximately 54%.

In the area of heat-not-burn products, various platforms with competitive product adopting heating technology were successfully developed. These products provided significantly improved user experience and tastes. The advanced heating technology enables balanced and controllable efficient heating process, which guarantees a maximum release of taste and fragrance, thus bettering user experience. In order to minimize hazardous substance as may be produced in heating, the Group has made innovation in material selection and the design of heating elements which realize more stable performance under high temperature conditions. Structurally, our heat-not-burn products not only pursue ultimate portability and durability, but are also packed with intelligent sensor and microprocessor, which enable intelligent adjustment to the heating process based on user habits and product features, thus bringing increasingly personalized and satisfying user experience to users.

In the field of atomization products for special purpose, targeting new niche market in the field, a brand-new product with taste and convenience of use significantly boosted was launched, which has comprehensively changed the user pattern and is warmly received by consumers and clients during the trial marketing period.

In respect of beauty atomization, MOYAL 嵐至 brand, the first beauty atomization product solution, made its debut in the first quarter of 2024. After launched, it has become the first beauty product that achieves atomization of high-viscosity skin-care essence in industry. This product platform comprises efficient media, atomizer and penetration enhancing appliance, which have made precise delivery and efficient penetration of skin care media possible and significantly boosted natural absorption efficiency. It is expected that the product will bring a new generation of contactless, efficient and safe way of skin care to the consumers.

In the field of inhalation therapy, a subsidiary of the Group engaging in the production of inhalation drugs was established in the United States in 2021, the core team members of which possess the experience in successfully researching and developing and launching tens of inhalation drugs in Europe and the United States. During the Review Period, the Group's research and development center for inhalation drugs based nearby Miami was put into official use, which was fully qualified for the research and development, production, quality testing, pharmacy and clinical study as well as registration and application of combinatory inhalation drug-device product. During the Review Period, the Group completed the research and development and the production deployment of three drug delivery devices targeting COPD, as well as the development of several medicinal preparations. All of these devices and preparations were recognized by drug regulatory administrations in Europe and the

United States. At the same time, the Group has reached consensus with numerous drug regulatory administrations in respect of the research and development planning of such products, which has entered the preclinical stage and been put into production for the registration batch.

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. During the Review Period, the Group filed 2,033 new patent applications worldwide, including 1,172 patents for invention. As of 31 December 2023, the Group had filed, accumulatively, a total of 7,695 patents worldwide, including 3,867 patents for invention.

The Group's total research and development expenditure amounted to approximately RMB1,482,846,000, representing an increase of approximately 8.1% as compared to last year and an increase as a percentage of revenue from approximately 11.3% last year to approximately 13.3% in the Review Period. The research and development expenditures by field were as below:

	For the year ended 31 December				
	2023		2022		Changes
	RMB'000	*%*	*RMB'000*	*%*	*%*
Research and development of electronic nicotine delivery system (including electronic atomizer and heat-not-burn products)	**1,033,899**	**69.7**	1,016,233	74.0	1.7
Research and development of atomization products for special purpose and solutions	**171,320**	**11.6**	190,171	13.9	(9.9)
Research and development of inhalation therapy and beauty atomization products	**277,627**	**18.7**	165,854	12.1	67.4
Total	**1,482,846**	**100.0**	1,372,258	100.0	8.1

Production, Operation and Management

In 2023, the Group focused on cost reduction in production of some strategic products. By constantly improving production process and procurement policy, the Group has effectively enhanced its production and operation efficiency, thereby meeting the demands of customers for cost-effective products. The Group's product marketing, research and development, procurement, production and operation teams cooperated to establish multiple disposable platforms for electronic vaping products, and set up a selection library targeting core element, greatly reducing the research and development cost and shortening the time to market of new product, which means that the Group is able to launch new products in shorter time and realize large-scale production rapidly in order to seize market opportunities. Great progress was also made in boosting the degree of automation for production line in

2023. In order to satisfy the demands of our customers, the Group established multiple forms of production models. To adopt a proper production model tailored to each lot size increased the flexibility of production, while maximizing the efficiency. At the same time, the Group implemented the Amoeba Incentive Mechanism on a trial basis, an innovative management mode which has sparked motivation and enhanced participation of the staff, thus making the staff pay more attention to all aspects of production and operation, therefore, making further contribution to cost saving and efficiency enhancement during the process of production and operation. All the above-mentioned efforts have not only served as a strong support for achieving our business objective in the short run, but also laid a solid foundation for the long-term growth of the Group.

Future Prospects and Strategies

The Group is committed to building the world's leading atomization technology platform and is confident in the long-term growth of the global atomization market. The Group will continue to increase investment in product innovation, especially in improving user experience and reducing harm. With changing market and regulatory environment, consumers are increasingly concerned about health issues, resulting in rising demand for safer and healthier products in the market. Based on this, the Group will proactively lay out its business in the fields of electronic vaping products, heat-not-burn products, automization products for special purposes, inhalation therapy and beauty atomization, so as to provide comprehensively leading atomization technology solutions to our customers and users, while increasing investment in compliance and sustainability issues to adapt to changing market demands and regulatory requirements.

In the field of electronic vaping, Sullivan report shows that the global market for electronic vaping products will reach approximately US$19.86 billion in 2028 based on ex-factory prices, with a projected compound growth rate of approximately 11.5% between 2023 and 2028. In recent years, regulatory policies and market trends of major countries around the world have undergone certain changes. In terms of regulation, the electronic vaping industry has stepped into the stage of compliance operation following the successive promulgation and implementation of the relevant laws and regulations governing the industry in major market globally. However, it is found during the process of regulation that the appearance of non-compliance products has posed negative impact on normal demands from users. The Group believes that the intensified efforts in regulation will be conducive to the long-term development of the industry as well as the development and growth of compliant enterprises. In terms of products, certain changes have taken place in the product landscape of the global electronic vaping market in recent years. The Group will continue to develop a comprehensive product portfolio to maintain its leading position in the industry during product transition with new technologies that are safer with better tastes and more responsive to consumer needs. With the rapid upsurge of disposable electronic vaping products globally in recent years, the Group will continue to launch differentiated innovative products by continuously relying on leading technology as well as focusing on accurate user insights, flexible business model and sales channels in lower-tier cities, in order to seize the market share of disposable products in a rapid manner. The Group launched new closed system oil tank tailored to the European market, which has successfully obtained the TPD compliance certification and will be officially launched to the market in 2024. In respect of pod-based products, the Group will continue to support its customers' product iteration needs on the basis of leading technology to help them continuously increase their market share. In terms of APV products, the Group will continue to strengthen its user insights and channel control capabilities to launch more innovative products in good time and achieve sustainable and healthy growth in this category.

In the area of Heat-not-burn Products, the Sullivan report indicates that the global market size for heat-not-burn products will reach approximately US$19.42 billion in 2028 based on ex-factory prices, with a projected compound growth rate of approximately 18.0% from 2023 to 2028. In the field of heat-not-burn products, after years of research and development, the Group has had differentiated leading technology reserve, laying a solid foundation for subsequent customer cooperation. The Group will also continue to seek cooperation with other industry leaders to jointly develop new products and expand market presence, and further develop its products in 2024 to lay a good foundation for future commercialization.

In the field of atomization products for special purpose, the Sullivan report indicates that the global market for atomization products for special purpose will reach approximately US$2.09 billion in 2028 based on ex-factory prices, with a projected compound growth rate of approximately 10.9% from 2023 to 2028. The Group will continue to launch innovative products, expand product offerings, and enter new market segments with larger market size. By forming a complete product matrix with existing products, the Group is confident that it will continue to increase its market share in this area, making it gradually become one of the key business pillars of the Group.

In the field of inhalation therapy, we are committed to providing patients with inhaled medication mainly for the treatment of respiratory diseases. According to a latest report in 2023 released by Market Research Future, an international market research firm, the global market for pulmonary drugs and drug delivery devices reached approximately US$56.01 billion in 2022 and is expected to reach approximately US$93.28 billion in 2030, representing a promising market outlook. The wholly-owned subsidiary of the Group in the United States has completed the construction of full-process hardware and software, and established a world-class core team with extensive experience. Team members are well versed in the rules and regulations of the whole process of development, production and regulation of inhalation drugs in Europe and the United States, and will gradually build a world-leading production and supply chain for inhalation drugs. Currently, we are making steady progress in development of inhalation drug products in accordance with the established product development plan. The project is progressing smoothly and has gained attention and recognition from international authorities for drug administration, which is expected to gradually contribute to the Group's revenue in the future.

In the field of beauty atomization, we are committed to providing users with a new skin care that is more effective and non-invasive. According to Euromonitor, an international market research firm, the market size of home beauty devices in China was approximately RMB10 billion in 2021 in terms of retail price, representing a year-on-year increase of approximately 10.7%, and is expected to reach approximately RMB25.1 to 37.4 billion in 2025 in terms of retail price. In addition, according to the forecast of Sullivan, the market size of skin care products in China increased from approximately RMB204.6 billion in 2015 to approximately RMB464.9 billion in 2021 in terms of retail price, with a compound growth rate of approximately 14.7%, and its market size will grow at a compound annual growth rate of approximately 10.1% since 2022 to reach approximately RMB752.7 billion in 2026 in terms of retail price. The Group's beauty atomization business is to provide users with efficient skincare solutions combining devices and agents. Its brand MOYAL 嵐至 has been successfully launched in the first quarter of 2024, which utilizes atomization technology to facilitate penetration, together with its proprietary skincare agents and photoelectric technology to promote efficient penetration of the agents into the skin. The Group's beauty atomization team has extensive experience in the field of devices and beauty media, and will launch new products in the future with a view to contributing more revenues to the Group.

In terms of research and development, the Group will adhere to the concept that "science and technology is the first productivity", and uphold the principle of compliance operation and the route of technological differentiation, so as to lay a good foundation for the launch of innovative products in the future. The Group will identify its main research and development tasks based on the above-mentioned business fields, continuously enhance consumer insights, and conduct research and development based on market, thus ceaselessly improving the efficiency of research and development and increasing the commercialization percentage of technology. In the future, the Group will continue to increase its investment in research and development in the fields such as electronic vaping products, heat-not-burn products and inhalation therapy products. Thanks to the Group's long-term accumulation of technologies and products over the years, we are confident that we will be able to switch our product portfolio quickly under the premise of compliance and continue to maintain our leading position in our key business areas.

In terms of market development and sales, the Group will continue to establish local sales teams, strengthen digital marketing construction, enhance its market insight and capabilities on channel selection, so as to achieve faster product delivery. On this basis, it will build a more flexible business cooperation model with its business partners and further expand sales channels, in order to satisfy the rapidly changing market demands and help customers succeed.

In 2024, we will continue to focus on improving the management of production operations to reduce manufacturing costs and enhance product competitiveness. By optimizing supply chain and production processes and reducing material and manufacturing costs, we provide customers with more valuable products. At the same time, we will further optimize our customer product order delivery process to respond more quickly to customer needs. Shortening order delivery circle and improving delivery efficiency will make our customers more satisfied and enhance our competitiveness in the market. Quality will always be our core concern. We will strengthen the building of quality capability. Through the continuous introduction of advanced quality management tools and the introduction of informationized and automated quality testing equipment, we will establish a comprehensive quality management system to ensure that we will continue to provide customers with high-quality products. Finally, we will deepen our manufacturing craftsmanship and establish standardized manufacturing processes, which will help improve production efficiency, ensure consistency in product quality, and provide a solid foundation for our continuous innovation. Working together with customers and suppliers, we will optimize green design process including removable battery, further explore more recyclable or degradable environment-friendly materials and continuously promote deplasticized and lightweight packaging materials, to create more environment-friendly and low-carbon green products, thus delivering greater value to the society.

In the future, the Group will launch differentiated innovative products in fields such as electronic vaping, heat-not-burn, atomization for special purpose, inhalation therapy and beauty atomization. Apart from that, the Group will also continue to expand the application of atomization technology and strive to create greater value for our customers and consumers with our leading technology and innovative products, by which we are able to bring sustainable returns to our shareholders with healthy growth in business.

FINANCIAL REVIEW

During the Review Period, the total revenue of the Group was approximately RMB11,168,422,000 (2022: approximately RMB12,144,980,000), representing a decrease of approximately 8.0% compared to last year. The gross profit for the Review Period was approximately RMB4,334,446,000 (2022: approximately RMB5,259,632,000), representing a decrease of approximately 17.6% compared to last year. The gross profit margin for the Review Period was approximately 38.8% (2022: approximately 43.3%). Total profit before tax for the Review Period was approximately RMB1,936,539,000 (2022: approximately RMB2,954,326,000), representing a decrease of approximately 34.5% compared to last year. The total comprehensive income for the year during the Review Period was approximately RMB1,566,470,000 (2022: approximately RMB2,494,934,000), representing a decrease of approximately 37.2% compared to last year. The decrease in the Group's total profit before tax for the Review Period was primarily due to the decrease in revenue from corporate clients and the decline of gross profit margin.

1. Revenue — Categorized by Business Types

	For the year ended 31 December				
	2023		2022		Changes
	RMB'000	*%*	*RMB'000*	*%*	*%*
Corporate client oriented sales	**9,321,063**	**83.5**	10,679,372	87.9	(12.7)
Self-branded business sales	**1,847,359**	**16.5**	1,465,608	12.1	26.0
Total	**11,168,422**	**100.0**	12,144,980	100.0	(8.0)

(1) *Corporate client oriented sales*

During the Review Period, revenue from sales to corporate clients amounted to approximately RMB9,321,063,000 (2022: approximately RMB10,679,372,000), representing a decrease of approximately 12.7% compared to last year, (i) revenue from Mainland China market amounted to approximately RMB163,008,000 (2022: approximately RMB2,246,319,000), representing a significant decrease of approximately 92.7% compared to last year, the proportion of total revenue decreased from approximately 18.5% last year to approximately 1.5% in the Review Period; (ii) revenue from the United States market amounted to approximately RMB4,083,779,000 (2022: approximately RMB3,773,149,000), representing an increase of approximately 8.2% compared to last year, the proportion of total revenue increased from approximately 31.1% last year to approximately 36.6% in the Review Period; and (iii) revenue from the European and other countries and regions amounted to approximately RMB5,074,276,000 (2022: approximately RMB4,659,904,000), representing an increase of approximately 8.9% compared to last year, the proportion of total revenue increased from approximately 38.3% last year to approximately 45.4% in the Review Period.

(2) ***Self-branded business sales***

The Group's self-branded business sales products are mainly APV products and related ancillary products. During the Review Period, revenue from self-branded business sales amounted to approximately RMB1,847,359,000 (2022: approximately RMB1,465,608,000), representing an increase of approximately 26.0% compared to last year, revenue from United States amounted to approximately RMB372,192,000 (2022: approximately RMB342,121,000), representing an increase of approximately 8.8% compared to last year, while revenue from Europe and other countries and regions amounted to approximately RMB1,475,167,000 (2022: approximately RMB1,123,487,000), representing an increase of approximately 31.3% compared to last year.

Revenue — Categorized by Customers' Places of Incorporation

	For the year ended 31 December				
	2023		2022		Changes
	RMB'000	*%*	*RMB'000*	*%*	*%*
Europe and other countries and regions	**5,065,271**	**45.4**	4,298,050	35.4	17.9
U.S.	**1,210,769**	**10.8**	1,298,190	10.7	(6.7)
Hong Kong, China**	**4,016,522**	**36.0**	3,348,893	27.6	19.9
Mainland China*	**875,860**	**7.8**	3,199,847	26.3	(72.6)
Total	**11,168,422**	**100.0**	12,144,980	100.0	(8.0)

* During the Review Period, the Group's sales to Mainland China market was approximately RMB875,860,000 (2022: approximately RMB3,199,847,000). To our knowledge, revenue from Mainland China market includes some of the revenue that exported to overseas markets ultimately. Excluding those effects, revenue generated by the Group from Mainland China during the Review Period was approximately RMB163,008,000 (2022: approximately RMB2,246,319,000), accounting for approximately 1.5% (2022: approximately 18.5%) of total revenue and representing a decrease of approximately 92.7% 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 RMB3,245,202,000 (2022: approximately RMB2,817,080,000), representing approximately 80.8% of revenue from Hong Kong, China (2022: approximately 84.1%).

Taking into account the above impact, the final distribution of the Group's product sales is as follows:

	For the year ended 31 December				
	2023		2022		Changes
	RMB'000	**%**	*RMB'000*	%	%
Corporate client oriented sales	**9,321,063**	**83.5**	10,679,372	87.9	(12.7)
— Europe and other countries and regions	**5,074,276**	**45.4**	4,659,904	38.3	8.9
— U.S.	**4,083,779**	**36.6**	3,773,149	31.1	8.2
— Mainland China	**163,008**	**1.5**	2,246,319	18.5	(92.7)
Self-branded business sales	**1,847,359**	**16.5**	1,465,608	12.1	26.0
— Europe and other countries and regions	**1,475,167**	**13.2**	1,123,487	9.3	31.3
— U.S.	**372,192**	**3.3**	342,121	2.8	8.8
Total sales revenue	**11,168,422**	**100.0**	12,144,980	100.0	(8.0)

2. Gross Profit and Cost of Sales

During the Review Period, the Group's gross profit was approximately RMB4,334,446,000 (2022: approximately RMB5,259,632,000), representing a decrease of approximately 17.6% compared to 2022, and the gross profit margin decreased from approximately 43.3% last year to approximately 38.8% in the Review Period. The decrease in gross profit margin was mainly attributable to (1) the decrease in revenue from the Mainland China market, which had relatively higher gross profit margins and accounted for a lower portion of the Group's overall business during the Review Period; and (2) the greater growth in revenue from disposable electronic vaping products, which had comparatively lower gross profit margins and accounted for a higher portion of the Group's overall business during the Review Period. As the Group continues to enhance its production and operation efficiency and scale effect, the gross profit margin of disposable electronic vaping products has increased quarter by quarter.

Proportion of cost of sales to sales revenue:

	For the year ended 31 December				
	2023		2022		Changes
	RMB'000	*%*	*RMB'000*	*%*	*%*
Raw material cost	**5,519,133**	**49.4**	5,044,342	41.5	9.4
Labor cost	**608,898**	**5.5**	877,698	7.2	(30.6)
Production overhead	**671,787**	**6.0**	849,248	7.0	(20.9)
Tax and surcharge	**34,158**	**0.3**	114,060	0.9	(70.1)
Total	**6,833,976**	**61.2**	6,885,348	56.6	(0.7)

The Group's cost of raw materials as a percentage of revenue during the Review Period increased from approximately 41.5% last year to approximately 49.4% in the Review Period, which was mainly attributable to the increase in revenue from comparatively lower gross profit margin disposable electronic vaping products, with higher proportion to the Group's overall business and the greater proportion of material costs of disposable electronic vaping products in the total costs, which increased the proportion of raw material costs in the revenue; and the decrease in labor costs as a percentage of total revenue from approximately 7.2% last year to approximately 5.5% in the Review Period was mainly attributable to the increase in the level of production operation management and the level of automation of the Group and the reduction in the number of frontline production staff during the Review Period, which led to a certain reduction in labor costs during the Review Period. Production overhead as a percentage of revenue decreased from approximately 7.0% last year to approximately 6.0% in the Review Period, which was mainly due to the decrease in the percentage of production overhead related to disposable products.

3. Distribution and Selling Expenses

The Group's distribution and selling expenses increased by approximately 35.7% from approximately RMB387,671,000 last year to approximately RMB526,238,000 during the Review Period. The distribution and selling expenses as a percentage of revenue increased from approximately 3.2% last year to approximately 4.7% for the Review Period. The increase in distribution and selling expenses compared to last year was mainly due to the Group's continued efforts in building up localized marketing team and increased efforts in expanding overseas market and marketing new products during the Review Period. In particular:

(1) Staff salaries and benefits increased by approximately 44.4% from approximately RMB186,549,000 last year to approximately RMB269,416,000 during the Review Period, and staff remuneration and benefits as a percentage of total revenue increased from approximately 1.5% last year to approximately 2.4% during the Review Period. The increase in staff remuneration and benefits was mainly attributable to the Group's continued efforts in building up localized marketing team with increased marketing staff remuneration during the Review Period in order to increase the development in overseas markets.

(2) Market development expenses increased by approximately 42.4% from approximately RMB90,711,000 last year to approximately RMB129,155,000 during the Review Period, and market development expenses as a percentage of revenue increased from approximately 0.7% last year to approximately 1.2% during the Review Period. The increase in marketing development expenses was mainly attributable to the increase in the Group's related marketing expenses for stepping up product promotion, such as organizing brand marketing events and holding exhibitions, since it has successfully launched a series of new products in overseas market during the Review Period.

(3) Travelling expenses increased by approximately 22.4% from approximately RMB28,210,000 last year to approximately RMB34,525,000 for the Review Period, and travelling expenses as a percentage of revenue increased from approximately 0.2% last year to approximately 0.3% during the Review Period. The increase in travelling expenses was mainly attributable to the increase in travelling expenses of sales and marketing personnel as a result of the Group's further efforts on development of overseas market and promotion during the Review Period.

(4) Professional service fees increased by approximately 2.1% from approximately RMB20,222,000 last year to approximately RMB20,639,000 during the Review Period. The proportion of professional service fees to revenue slightly increased from approximately 0.17% last year to approximately 0.18% for the Review Period.

4. Administrative Expenses

The administrative expenses of the Group decreased by approximately 24.5% from approximately RMB1,147,916,000 last year to approximately RMB867,154,000 during the Review Period. Administrative expenses as a percentage of revenue decreased from approximately 9.5% last year to approximately 7.8% for the Review Period. The decrease in administrative expenses as a percentage of revenue was primarily due to the fact that the Group continuously promoted Amoeba management practice and improved its management efficiency during the Review Period, leading to a significant reduction in management overheads during the period. In particular:

(1) Staff salaries and benefits decreased by approximately 17.8% from approximately RMB685,873,000 last year to approximately RMB564,044,000 for the Review Period, and as its percentage of revenue decreased from approximately 5.6% last year to approximately 5.1% for the Review Period. The decrease in staff remuneration and benefits was mainly attributable to the decrease of management remuneration expenses brought by the increase of management efficiency of the Group during the Review Period.

(2) Professional service fees decreased by approximately 38.8% from approximately RMB163,463,000 last year to approximately RMB100,073,000 for the Review Period, and its percentage of revenue decreased from approximately 1.3% last year to approximately 0.9% for the Review Period. The decrease in professional service fees was mainly attributable to the decrease of the Group's spending on legal advice, recruitment service and management consultancy services during the Review Period as compared to last year.

(3) Depreciation and amortization expenses decreased by approximately 5.0% from approximately RMB98,505,000 last year to approximately RMB93,618,000 during the Review Period, and its percentage of revenue slightly increased from approximately 0.81% last year to approximately 0.84% during the Review Period.

5. Research and Development Expenses

The Group's research and development expenses increased by approximately 8.1% from approximately RMB1,372,258,000 last year to approximately RMB1,482,846,000 during the Review Period. As a percentage of revenue, research and development expenses increased from approximately 11.3% last year to approximately 13.3% during the Review Period. The increase in research and development expenses as a percentage of revenue was primarily due to the Group increase the investment in the atomization of medical treatment during the Review Period. Except for the atomization of medical treatment, the investment in other fields was nearly the same as the previous year. The research and development expenses used for electronic nicotine delivery (including electronic vaping products and heat-not-burn products) have increased by approximately 1.7% compared with last year; for the vaping products for special purposes and the solutions have decreased by approximately 9.9%; and for inhalation therapy and beauty atomization products have increased by approximately 67.4%. In particular:

(1) Employee compensation and benefits decreased by approximately 3.7% from approximately RMB852,333,000 last year to approximately RMB820,555,000 during the Review Period, and as a percentage of revenue, increased slightly from approximately 7.0% last year to approximately 7.3% during the Review Period. The decrease in employee compensation and benefits was mainly due to the Group enhanced efficiency of research and development and

strengthened management of research and development projects, which resulted in a corresponding decrease in the remuneration expenses of research and development personnel during the Review Period.

(2) Development costs increased by approximately 25.8% from approximately RMB371,271,000 last year to approximately RMB466,953,000 during the Review Period, and as a percentage of revenue increased from approximately 3.1% last year to approximately 4.2% during the Review Period. The increase in development costs was mainly due to the increase in consulting service fees, mold costs, material sample costs and other expenses invested in the field of atomization in medical treatments in accordance with the Group's strategy during the Review Period.

(3) Depreciation and amortization expenses increased by approximately 29.1% from approximately RMB69,997,000 last year to approximately RMB90,385,000 during the Review Period, and as a percentage of revenue increased from approximately 0.6% last year to approximately 0.8% during the Review Period. The increase in depreciation and amortization expenses was mainly due to the increase in depreciation of research and development equipment acquired by the Group.

6. Other Income

During the Review Period, the Group's total other income amounted to approximately RMB619,147,000, representing an increase of approximately 24.6% as compared to approximately RMB496,984,000 last year, as set out below:

	For the year ended December 31		
	2023	2022	Changes
	RMB'000	*RMB'000*	*%*
Interest income from bank deposits	**515,056**	415,648	23.9
Government grants	**74,536**	69,925	6.6
Compensation income from customers	**19,231**	1,818	957.8
Interest income from rental deposits	**1,644**	1,769	(7.1)
Others	**8,680**	7,824	10.9
Total	**619,147**	496,984	24.6

7. Other Gains and Losses

During the Review Period, the Group's total other losses amounted to approximately RMB103,740,000, compared with total other gains of approximately RMB133,266,000 last year, as set out below:

	For the year ended December 31		
	2023	2022	Change
	RMB'000	*RMB'000*	%
Net foreign exchange gains	**19,509**	126,711	(84.6)
Loss arising on forward foreign exchange contracts	**(95,810)**	(50,029)	91.5
Gain arising on short-term bank deposits with variable interest rate	**52,638**	72,805	(27.7)
Gain on early termination of leases	**4,336**	271	1500.0
Loss on disposal/write off of property, plant and equipment and intangible assets	**(75,325)**	(20,251)	272.0
Others	**(9,088)**	3,759	N/A
Total	**(103,740)**	133,266	N/A

8. Finance Costs

During the Review Period, the finance costs of the Group amounted to approximately RMB27,192,000 (2022: approximately RMB28,980,000), representing a decrease of approximately 6.2% as compared to last year. The finance costs of the Group during the Review Period were mainly derived from the interest expenses on lease liabilities and the interest expenses on discount of bills receivables.

9. Income Tax Expense

During the Review Period, the Group's income tax expense amounted to approximately RMB291,449,000 (2022: approximately RMB444,010,000), representing a decrease of approximately 34.4% as compared to last year. The decrease in income tax was mainly due to the decrease in taxable profit, the effect of preferential tax rates for the relevant entities of the Group and the tax effect of the relevant preferential tax policy in the PRC, which allows additional tax credits for eligible research and development expenses.

10. Total Comprehensive Income for the Year

During the Review Period, the Group's total comprehensive income for the year was approximately RMB1,566,470,000 (2022: approximately RMB2,494,934,000), representing a decrease of approximately 37.2% as compared to last year. The decrease was mainly due to the decrease in revenue as well as the decrease in gross profit margin.

11. Liquidity and Financial Resources

As at 31 December 2023, the net current assets of the Group were approximately RMB16,004,419,000 (31 December 2022: approximately RMB15,609,816,000). As at 31 December 2023, the Group's bank balances and cash were approximately RMB5,332,076,000 (31 December 2022: approximately RMB9,762,933,000), which mainly consisted of approximately RMB4,957,792,000 denominated in RMB, approximately RMB365,215,000 denominated in USD and approximately RMB8,664,000 denominated in HKD (31 December 2022: mainly consisted of approximately RMB9,505,643,000 denominated in RMB, approximately RMB161,679,000 denominated in USD and approximately RMB93,849,000 denominated in HKD). As at 31 December 2023, the current ratio of the Group was approximately 548.8% (31 December 2022: approximately 534.9%).

For the year ended 31 December 2023, the turnover days of trade and bills receivables were approximately 68.5 days (2022: approximately 70.8 days). The decrease in turnover days was mainly due to the change of client sales mix with different credit terms. For the year ended 31 December 2023, the turnover days of inventory were approximately 43.3 days (2022: approximately 37.1 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, which led to the increase in turnover days of inventory. The turnover days of trade and bills payables for the year ended 31 December 2023 was approximately 64.6 days (2022: approximately 52.4 days). The increase in the turnover days was mainly due to the increase in payables resulting from the increased procurement in response to the growing disposable electronic vaping business with low gross profit margin.

As at 31 December 2023, the current ratio was approximately 548.8%, compared to approximately 534.9% as at 31 December 2022. 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 short-term bank deposits with maturity over three months.

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 2023, the Group did not have any bank or other financial institutions borrowings (31 December 2022: nil). As at 31 December 2023, the banking facilities secured by the Group were RMB6,000.0 million, of which approximately RMB1,102.2 million was utilized.

Gearing Ratio

As at 31 December 2023, the gearing ratio of the Group, calculated as the total debt divided by the total equity, was approximately 19.1% (31 December 2022: approximately 19.5%).

12. Pledge of Assets

At 31 December 2023, the Group did not have any pledge of assets (31 December 2022: nil).

13. Exposure to Foreign Exchange Risk

For the year ended 31 December 2023, the Group recorded foreign exchange gain of approximately RMB19,509,000 (2022: foreign exchange gain of approximately RMB126,711,000), Meanwhile, the Group recorded loss arising on forward foreign exchange contracts of approximately RMB95,810,000 during the Review Period (2022: net forward foreign exchange loss of approximately RMB50,029,000).

The functional currency of the Company 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. The Group adheres to a risk-neutral philosophy in foreign exchange management to hedge against foreign exchange risk. During the Review Period, on the one hand, there was a faster appreciation of USD against RMB, which resulted in a corresponding increase in the average exchange rate of the Group's USD income against RMB during the Review Period as compared to last year, which had a positive impact on revenue and profit. On the other hand, the Group usually estimates its U.S. dollars exposure for the month at the beginning of the month and enters into forward exchange contracts with commercial banks at the beginning of the month for settlement at the end of the month. As the exchange rate of USD against RMB appreciated more rapidly during the Review Period, the exchange rate recorded at the end of the month was generally higher than the rate locked in the forward exchange contracts at the beginning of the month, resulting in a higher amount of loss on forward exchange contracts during the Review Period.

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 2023, if the exchange rate of USD against RMB rises by 10%, the Group's total comprehensive income for the year will increase by approximately RMB599,744,000 (31 December 2022: increase by approximately RMB198,847,000). 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 RMB599,744,000 (31 December 2022: decrease by approximately RMB198,847,000).

14. Employment, Training and Development

As of 31 December 2023, the Group has 11,556, 18 and 1,732 employees in Mainland China, Hong Kong and overseas countries respectively. The Group provides its employees with comprehensive and attractive remuneration, retirement schemes, share option schemes and benefit packages, and also grants discretionary bonuses to the Group's employees based on their performance. The Group is required to contribute to the PRC social security scheme. Each of the Group and its employees in Mainland China is required to make contributions to pension insurance, medical insurance and unemployment insurance at rates specified in the relevant PRC laws and regulations. The Group has adopted a provident fund scheme for its Hong Kong employees under the Mandatory Provident Fund Schemes Ordinance. The Group also pays corresponding pension insurance, pension scheme, medical insurance, etc. for its employees in accordance with the laws and regulations of overseas countries where it operates.

Moreover, the Group offers other incentives to motivate the personal growth and career development of employees. For example, the Group continuously provides training to its employees to enhance their knowledge of technology, product knowledge and industry quality standards. 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, and all employees can also participate in various types of training programs, continuously enriching the mode of learning of the employees, and progressively building up online learning platforms, etc. As of the date of this announcement, the Group has been awarded the approved employer certification by the Hong Kong Institute of Certified Public Accountants (HKICPA) and the approved employer certification by the Association of Chartered Certified Accountants (ACCA).

During the Review Period, the total staff costs (including management and administration staff) accounted for approximately 23.0% of the revenue of the Group (2022: approximately 25.0%). The decrease in total staff costs as a percentage of revenue was mainly due to the decrease in labor costs during the Review Period as a result of the reduction in the number of frontline production staff as a result of the Group's continuous enhancement of its production operation management efficiency during the Review Period, and the corresponding decrease in remuneration expenses of management personnel and R&D personnel as a result of the improvement in the management efficiency of the Group 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 RMB1,155,547,000 (2022: approximately RMB2,478,206,000), which was mainly from recognition of capital expenditure related to the Jiangmen Industrial Park, the headquarter building and the overseas research institute premises, and expenditure on equipment related to production, research and development.

16. Capital Commitments

As at 31 December 2023, the Group had contracted capital commitment for property, plant and equipment of approximately RMB494,304,000 (31 December 2022: approximately RMB625,062,000), 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 2023, the Group did not have any significant investments (2022: nil).

19. Contingent liabilities

As at 31 December 2023, the Group did not have any material contingent liabilities (2022: nil).

20. Future Plans for Material Investments or Capital Expenditures

Save as disclosed below, the Company has no other plans for material investments or capital expenditures:

(1) The section headed "Future Plans and Use of Proceeds" in the Prospectus;

(2) The section headed "Intended Use of Net Proceeds" in the Company's announcement dated February 4, 2021 in connection with the completion of top-up placing; and

(3) The Group's investment plans as disclosed in the 2021 Annual Report "Future Plans for Material Investments or Capital Expenditures".

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	2023 RMB'000	2022 RMB'000
Revenue	*3*	**11,168,422**	12,144,980
Cost of sales		**(6,833,976)**	(6,885,348)
Gross profit		**4,334,446**	5,259,632
Other income	*4(a)*	**619,147**	496,984
Other gains and losses	*4(b)*	**(103,740)**	133,266
Distribution and selling expenses		**(526,238)**	(387,671)
Administrative expenses		**(867,154)**	(1,147,916)
Research and development expenses		**(1,482,846)**	(1,372,258)
Finance costs	*5*	**(27,192)**	(28,980)
Impairment loss recognised on trade receivables, net		**(9,884)**	1,269
Profit before tax		**1,936,539**	2,954,326
Income tax expense	*6*	**(291,449)**	(444,010)
Profit for the year	*7*	**1,645,090**	2,510,316
Other comprehensive expense:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(78,620)**	(15,382)
Other comprehensive expense for the year		**(78,620)**	(15,382)
Total comprehensive income for the year		**1,566,470**	2,494,934
Earnings per share	*9*		
Basic (RMB cents)		**27.01**	41.66
Diluted (RMB cents)		**26.67**	40.62

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	**2023** **RMB'000**	2022 RMB'000
Non-current assets			
Property, plant and equipment		**4,675,648**	4,274,994
Intangible assets		**90,126**	79,011
Deposits paid for acquisition of property, plant and equipment		**97,777**	222,998
Deferred tax assets		**34,120**	16,417
Long-term bank deposits		**1,017,889**	544,690
Rental deposits		**21,972**	22,434
		5,937,532	5,160,544
Current assets			
Inventories		**781,204**	840,602
Trade and bills receivables	*10*	**1,888,208**	2,301,628
Other receivables, deposits and prepayments		**729,271**	860,856
Restricted bank deposits		**4,116**	1,138
Short-term bank deposits over three months		**10,835,877**	5,431,616
Bank balances and cash		**5,332,076**	9,762,933
		19,570,752	19,198,773
Current liabilities			
Trade and bills payables	*11*	**1,269,804**	1,150,234
Other payables and accrued expenses		**1,478,708**	1,821,680
Tax payables		**61,822**	64,759
Contract liabilities		**242,395**	288,966
Lease liabilities		**118,415**	156,872
Deferred income		**2,166**	4,702
Advances drawn on bills receivables discounted with recourse		**393,023**	101,744
		3,566,333	3,588,957
Net current assets		**16,004,419**	15,609,816
Total assets less current liabilities		**21,941,951**	20,770,360

	2023	2022
	RMB'000	*RMB'000*
Non-current liabilities		
Lease liabilities	**264,957**	299,938
Deferred income	**4,992**	5,275
Deferred tax liability	**262,393**	87,939
	532,342	393,152
Net assets	**21,409,609**	20,377,208
Capital and reserves		
Share capital	**428,272**	424,043
Reserves	**20,981,337**	19,953,165
Total equity	**21,409,609**	20,377,208

CONDENSED STATEMENT OF CASH FLOWS

	2023	2022
	RMB'000	*RMB'000*
NET CASH FROM OPERATING ACTIVITIES	**3,192,893**	469,864
NET CASH USED IN INVESTING ACTIVITIES	**(7,015,919)**	(2,423,984)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(612,360)**	276,192

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. GENERAL INFORMATION

Smoore International Holdings Limited 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 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 Group are (i) the research, design and manufacture of vaping devices and components, other than self-branded advanced personal vaporizers ("**APV**"), (ii) the research, design, manufacture and sale of APV, and (iii) new business such as inhalation therapy and beauty atomization to provide patients with inhalation drug delivery products on a basis of atomization technology.

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")

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants for the first time, which are mandatorily effective for the Group's annual periods beginning on or after 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to IFRS 17)	Insurance Contracts
Amendment to HKFRS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of the new and 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.

Impacts on application of Amendments to HKAS 8 Definition of Accounting Estimates

The Group has applied the amendments for the first time in the current year. The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to HKAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

The application of the amendments in the current year had no material impact on the consolidated financial statements.

Impacts on application of Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Group has applied the amendments for the first time in the current year. The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 *Income Taxes* so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

In accordance with the transition provision:

(i) the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after 1 January 2022;

(ii) the Group also, as at 1 January 2022, recognised a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use-assets and lease liabilities.

The application of the amendments has had no material impact on the Group's financial position and performance and it has no impact on the retained earnings at the earliest period presented.

Impacts on application of Amendments to HKAS 12 Income Taxes International Tax Reform-Pillar Two model Rules

The Group has applied the amendments for the first time in the current year. HKAS 12 is amended to add the exception to recognising and disclosing information about deferred tax assets and liabilities that are related to tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (the "**Pillar Two legislation**"). The amendments require that entities apply the amendments immediately upon issuance and retrospectively. The amendments also require that entities to disclose separately its current tax expense/income related to Pillar Two income taxes in periods which the Pillar Two legislation is in effect, and the qualitative and quantitative information about its exposure to Pillar Two income taxes in periods in which the Pillar Two legislation is enacted or substantially.

The Group has applied the temporary exception immediately upon issue of these amendments and retrospectively, i.e. applying the exception from the date Pillar Two legislation is enacted or substantially enacted. The detail information is set out in note 6.

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. HKAS 1 Presentation of Financial Statements is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial positions and performance.

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:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendment to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangement[2]
Amendments to HKAS 21	Lack of Exchangeability[3]

1 Effective for annual periods beginning on or after a date to be determined.
2 Effective for annual periods beginning on or after 1 January 2024.
3 Effective for annual periods beginning on or after 1 January 2025.

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

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) (the "2020 Amendments") and Amendments to HKAS 1 Non-current Liabilities with Covenants (the "2022 Amendments")

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

In addition, the 2022 Amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if an entity classifies liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The 2022 Amendments also defer the effective date of applying the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The 2022 Amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 Amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

Except as described above, the application of the 2020 and 2022 Amendments will not affect the classification of the Group's other liabilities as at 31 December 2023.

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:

	2023	2022
	RMB'000	*RMB'000*
Vaping devices and components, other than APV	**9,321,063**	10,679,372
APV	**1,847,359**	1,465,608
Total revenue that recognised at a point in time	**11,168,422**	12,144,980

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

	2023	2022
	RMB'000	*RMB'000*
Segment revenue	**11,168,422**	12,144,980
Segment profit	**1,949,597**	2,921,847
Unallocated (loss) gain	**(12,718)**	28,337
Unallocated income	**6,298**	12,020
Unallocated expenses	**(6,638)**	(7,878)
Profit before tax	**1,936,539**	2,954,326

Geographical information

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

	2023	2022
	RMB'000	*RMB'000*
Hong Kong, China *(Note)*	**4,016,522**	3,348,893
United Kingdom	**2,548,612**	2,811,503
United States of America	**1,210,769**	1,298,190
The PRC (excluding Hong Kong)	**875,860**	3,199,847
Japan	**368,440**	284,461
France	**360,742**	328,999
Croatia	**288,101**	177,711
The United Arab Emirates	**216,625**	17,761
Others	**1,282,751**	677,615
	11,168,422	12,144,980

Note: Revenue generated from Hong Kong are on re-export or transhipment 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:

	2023	2022
	RMB'000	*RMB'000*
Customer A	**4,560,144**	5,149,555
Customer B	**N/A[1]**	1,886,831

[1] The corresponding revenue did not contribute over 10% of the total sales of the Group.

4. OTHER INCOME AND OTHER GAINS AND LOSSES

(a) Other income

	2023	2022
	RMB'000	*RMB'000*
Interest income from bank deposits	**515,056**	415,648
Interest income from rental deposits	**1,644**	1,769
Government grants	**74,536**	69,925
Compensation income from customers	**19,231**	1,818
Others	**8,680**	7,824
	619,147	496,984

(b) Other gains and losses

	2023	2022
	RMB'000	*RMB'000*
Net foreign exchange gains	**19,509**	126,711
Loss arising on forward foreign exchange contracts	**(95,810)**	(50,029)
Gain arising on short-term bank deposits with variable interest rate	**52,638**	72,805
Loss on disposal/write off of property, plant and equipment and intangible assets	**(75,325)**	(20,251)
Gain on early termination of leases	**4,336**	271
Others	**(9,088)**	3,759
	(103,740)	133,266

5. FINANCE COSTS

	2023	2022
	RMB'000	*RMB'000*
Interest expense on lease liabilities	**20,452**	18,840
Interest expense on bills receivables discounted with recourse	**6,740**	10,140
	27,192	28,980

6. INCOME TAX EXPENSE

	2023	2022
	RMB'000	*RMB'000*
Current tax:		
— PRC Enterprise Income Tax ("**EIT**")	**112,842**	391,684
— Hong Kong Profits Tax	**4,126**	2,100
— Other countries and regions	**2,801**	1,865
	119,769	395,649
Underprovision in prior years		
— PRC EIT	**14,929**	12,122
	134,698	407,771
Deferred tax	**156,751**	36,239
	291,449	444,010

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 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 2022 and 2023. 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 years ended 31 December 2022 and 2023. 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.

The Group has applied the temporary exception issued by the HKICPA in July 2023 from the accounting requirements for deferred taxes in HKAS 12. Accordingly, the Group neither recognises nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes.

As at 31 December 2023, the Group mainly operates in the Mainland of China, in which the Pillar Two income taxes legislation is not yet enacted. Besides, the government of the Netherlands, France and the United Kingdom, where certain group entities are incorporated, has enacted the Pillar Two income taxes legislation, but not yet in effect.

As at 31 December 2023, the Pillar Two income taxes legislation would not have the actual impact on the Group's results. The Group has engaged independent tax specialists and will continue assessing its exposure of the Pillar Two income taxes legislation on its future financial performance.

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:

	2023	2022
	RMB'000	*RMB'000*
Profit before tax	**1,936,539**	2,954,326
Income tax expense calculated at 15% *(Note i)*	**290,481**	443,149
Tax effect of expense not deductible for tax purpose	**792**	57,692
Tax effect of income not taxable for tax purpose	**(89,286)**	(344)
Tax effect of tax losses not recognised	**42,855**	36,103
Utilisation of tax losses previously not recognised	**—**	(1,455)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**20,808**	14,928
Tax relief related to additional tax deduction on research and development costs incurred *(Note ii)*	**(156,568)**	(159,856)
Underprovision in prior years	**14,929**	12,122
Withholding tax on undistributed profits of subsidiaries	**174,454**	36,878
Others	**(7,016)**	4,793
	291,449	444,010

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, 深圳摩爾霧化健康醫療科技有限公司, and 江門思摩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

	2023	2022
	RMB'000	*RMB'000*
Profit before tax has been arrived at after charging (crediting):		
Directors' remuneration	**23,302**	43,939
Other staff costs:		
— Salaries, bonus and other benefits	**1,982,466**	2,695,139
— Retirement benefit scheme contributions	**221,386**	247,257
— Share-based payment expense	**281,654**	346,016
	2,508,808	3,332,351
Less: amounts capitalised as cost of inventories manufactured	**(1,009,224)**	(1,426,905)
	1,499,584	1,905,446
Depreciation of right-of-use assets for buildings and land use rights	**211,653**	210,467
Depreciation of property, plant and equipment other than right-of-use assets	**436,135**	335,236
Amortisation of intangible assets	**30,950**	20,830
	678,738	566,533
Less: amounts capitalised as cost of inventories manufactured	**(407,305)**	(344,489)
	271,433	222,044
Expenses related to short-term leases	**22,817**	20,144
Auditor's remuneration	**3,680**	4,309
Cost of inventories recognised as expense	**6,772,800**	6,871,909
Allowance for inventories included in cost of sales	**61,176**	8,791
Impairment loss recognised on intangible assets included in		
— cost of sales	**—**	4,648

8. DIVIDENDS

	2023	2022
	RMB'000	*RMB'000*
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2023 Interim dividend — HK 5 cents (2022 Interim dividend — HK 10 cents) per share	**279,735**	532,898
2022 Final dividend — HK 8 cents (2021 Final dividend — HK18 cents) per share	**439,332**	915,205
	719,067	1,448,103

During the year, a final dividend of HK8 cents per share in respect of the year ended 31 December 2022 (2021: HK18 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$485,943,000 (equivalent to approximately RMB439,156,000) (2022: HK$1,078,409,000 (equivalent to approximately RMB915,201,000)). An interim dividend of HK5 cents per share in respect of the six months period ended 30 June 2023 (2022: HK10 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$305,595,000 (equivalent to approximately RMB279,735,000) (2022: HK$606,834,000 (equivalent to approximately RMB532,681,000)).

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2023 of HK5 cents per share, in an aggregate amount of approximately HK$306,885,000, 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:

	2023	2022
	RMB'000	*RMB'000*
Earnings:		
Earnings for the purpose of basic and diluted earnings per share	**1,645,090**	2,510,316
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating earnings per share	**6,090,246**	6,025,194
Effect of dilutive potential ordinary shares:		
Share options/award shares	**77,268**	155,153
	6,167,514	6,180,347

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 prices for the years ended 31 December 2023 and 2022.

10. TRADE AND BILLS RECEIVABLES

	31/12/2023	31/12/2022
	RMB'000	*RMB'000*
Trade receivables from contracts with customers	**1,891,413**	2,212,365
Less: allowance for credit losses	**(18,228)**	(12,481)
	1,873,185	2,199,884
Bills receivables	**15,023**	101,744
	1,888,208	2,301,628

The Group allows a credit period of 0 to 90 days (2022: 0 to 90 days) to its trade customers.

As at 1 January 2022, trade receivables from contracts with customers amounted to RMB2,409,254,000.

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:

	31/12/2023	31/12/2022
	RMB'000	*RMB'000*
Within 30 days	**690,863**	940,087
31 to 60 days	**608,095**	675,017
61 to 90 days	**301,103**	415,547
Over 90 days	**273,124**	169,233
	1,873,185	2,199,884

The maturity dates of bills receivables are within three months as at 31 December 2023 (2022: two months).

As at 31 December 2023, included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB286,713,000 (2022: RMB338,541,000), 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 2023, RMB27,413,000 (2022: RMB8,536,000) 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 15 March 2024, RMB1,332,307,000 of trade and bills receivables as of 31 December 2023 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.

	31/12/2023	31/12/2022
	RMB'000	*RMB'000*
US$	**1,203,176**	1,270,045
IDR	**2,837**	—

11. TRADE AND BILLS PAYABLES

	31/12/2023	31/12/2022
	RMB'000	*RMB'000*
Trade payables		
— third parties	**924,206**	980,385
— a related party	**90,109**	140,105
	1,014,315	1,120,490
Bills payables		
— third parties	**253,794**	29,744
— a related party	**1,695**	—
	255,489	29,744
	1,269,804	1,150,234

The Group is normally granted credit terms of 30 to 75 days (2022: 30 to 75 days).

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

	31/12/2023	31/12/2022
	RMB'000	*RMB'000*
Within 30 days	**746,870**	773,679
31–60 days	**125,777**	246,012
61–90 days	**123,469**	100,599
Over 90 days	**18,199**	200
	1,014,315	1,120,490

The maturity dates of bills payables are within six months as at 31 December 2023 (2022: twelve months).

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 2023, the Company had applied the principles and complied with all code provisions (except code provisions C.2.1 and C.5.1 of the CG Code) and, where applicable, the recommended best practices of the Corporate Governance Code ("**CG Code**") as set out in Appendix C1 to the 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; and

(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.

Moreover, according to code provision C.5.1 of the CG Code, the Board should meet regularly and Board meetings should be held at least four times a year at quarterly intervals. During the year ended 31 December 2023, the Board only held three regular Board meetings. The significant matters concerning the business activities and operation of the Group had been either duly reported, discussed and resolved at the three regular Board meetings or dealt with by the Board by way of written resolutions for expeditious commercial decisions making purposes. The Company will make appropriate arrangement for holding at least four Board meetings in the forthcoming year at approximately quarterly intervals.

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 2023, 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 C3 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 2023.

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 2023, the Company held one annual general meeting on 25 May 2023.

The Company establishes different communication channels with shareholders and investors, including (i) electronic 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 will be published on the websites of the Stock Exchange and the Company; (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 HK5 cents per ordinary share for the year ended 31 December 2023 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 17 June 2024.

The Company has adopted a dividend policy regarding 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 24 May 2024, notice of which will be published on the websites of the Stock Exchange and the Company 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 21 May 2024 to 24 May 2024, 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 20 May 2024.

The Register of Members of the Company will be closed from 3 June 2024 to 5 June 2024, 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 2024.

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

During the year ended 31 December 2023, the Company did not purchase, sell or redeem any of its shares.

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 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 2023:

Use of proceeds	Approximate percentage of total amount	Amount of net proceeds allocated upon Listing *(HK$ million)*	Actual usage up to 31 December 2023 *(HK$ million)*	Unutilized amount as at 31 December 2023 *(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	1,196.3	2,758.6	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	—	—
(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	1,504.5	77.5	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	5,073.8	2,836.1	

* 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 2023 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 2023 *(HK$ million)*	Unutilized amount as at 31 December 2023 *(HK$ million)*	Expected timeline
(i) Expansion of production capacity*	55%	2,445.0	450.0	1,995.0	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	1,556.0	—	By the end of 2025
	100%	4,445.5	2,006.0	2,439.5	

* 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 as at 31 December 2023.

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. Wang Gao. 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 2023. 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 2023 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 18 March 2024. 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 2023 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 2023 of the Company has been published on the website of the Stock Exchange and the website of the Company. The annual report of the Company will be 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, 18 March 2024

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. Wang Gao.