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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 2024

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 2024 (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				
	2020	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue*	10,025,675	13,764,907	12,161,417	11,203,250	11,798,662
Gross profit	5,306,875	7,380,584	5,275,050	4,340,911	4,411,969
Gross profit margin	52.9%	53.6%	43.4%	38.7%	37.4%
Profit before tax	3,117,766	6,209,342	2,954,326	1,936,539	1,655,043
Profit for the year	2,399,921	5,286,967	2,510,316	1,645,090	1,303,255
Total comprehensive income for the year	2,399,921	5,286,991	2,494,934	1,566,470	1,416,913
Non-current assets	2,333,221	4,885,534	5,160,544	5,937,532	10,807,950
Current assets	12,440,588	17,985,772	19,198,773	19,570,752	16,846,428
Current liabilities	2,108,440	3,394,240	3,588,957	3,566,333	5,259,365
Net current assets	10,332,148	14,591,532	15,609,816	16,004,419	11,587,063
Total assets	14,773,809	22,871,306	24,359,317	25,508,284	27,654,378
Total assets less current liabilities	12,665,369	19,477,066	20,770,360	21,941,951	22,395,013
Total equity/net assets	12,399,721	19,246,359	20,377,208	21,409,609	21,904,711
Cash and cash equivalents**	9,557,802	11,426,758	9,762,933	5,332,076	5,170,700

* During the reporting period, in view of the significant increase in technical service revenue obtained by the Group from the provision of research and development design services to customers, the relevant revenue has been included in the revenue of 2024, and the comparable financial data for the years from 2020 to 2023 have been reclassified for presentation in order to ensure the comparability of financial data.

** Cash and cash equivalents = demand deposits + time deposits with maturities of three months or less as at the end of the year

The Board proposed to declare a final dividend of HK5 cents per ordinary share for the year ended 31 December 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

Principal Business of the Group During the Review Period

The Group is a global leader in offering atomization technology solutions. Through our innovative and pioneering atomization technology solutions, we derived our revenue for the Review Period primarily from three business segments: (1) research, design and manufacturing of closed system electronic vaping products, heat-not-burn products, and components for special purpose atomization products for a number of global leading tobacco companies, independent vaping and other corporate clients; (2) research, design, manufacturing and sale of self-branded electronic vaping products and beauty atomization products for retail clients; and (3) providing relevant research and development (“**R&D**”) services for our customers based on our atomization technology reserves.

In 2024, the Group continued to deepen its focus on the fields of electronic vaping products, heat-not-burn products, components for special purpose atomization products, inhalation therapy, and beauty atomization products. During the Review Period, the Group achieved revenue of approximately RMB11,798,662,000, representing a year-on-year increase of approximately 5.3% as compared to last year.

During the Review Period, the Group’s revenue mainly derived from corporate client oriented business and self-branded business. During the Review Period, there were favorable changes in the Group’s revenue structure, with an increase in the proportion of revenue from our self-branded business. Specifically, the corporate client oriented business primarily focused on the sales of closed system electronic vaping products and components for special purpose atomization products, while the self-branded businesses mainly sold open system electronic vaping products and beauty atomization products. The increase in the Group’s revenue during the Review Period was mainly attributable to the healthy growth of the Group’s self-branded electronic vaping business, which once again achieved strong performance by introducing market-popular products through the effective use of localization strategies, robust channel management, and deep consumer insights.

In terms of technology research and product development, the Group centered its efforts on electronic vaping products, heat-not-burn products, components for special purpose atomization products, inhalation therapy products, and beauty atomization products. Guided by market demand, the Group continuously optimized its R&D management system, implemented scientific classification management of R&D projects, and effectively improved R&D efficiency. During the Review Period, the Group launched multiple new product series in overseas markets across various fields to meet the needs of users in different segments. In addition, the Group achieved phased breakthroughs in R&D investment for both its heat-not-burn and inhalation therapy businesses. During the Review Period, the Group successfully supported our customers to launch heat-not-burn products, receiving high recognition from customers and positive feedback from consumers during the trial phase. In inhalation therapy, leveraging deep technical expertise in drug-device combination solutions to respiratory diseases, a wholly-owned subsidiary of the Group has successfully established cooperation with an international pharmaceutical company, driving the integrated development of innovative drugs and inhalation delivery devices. During the Review Period, the Luminous Essence Atomizer (精華超導儀), a product

under the Group's independent beauty brand MOYAL was officially launched, providing users with a new TPS atomization non-invasive transdermal technology, achieving a highly penetrative and non-invasive skincare method.

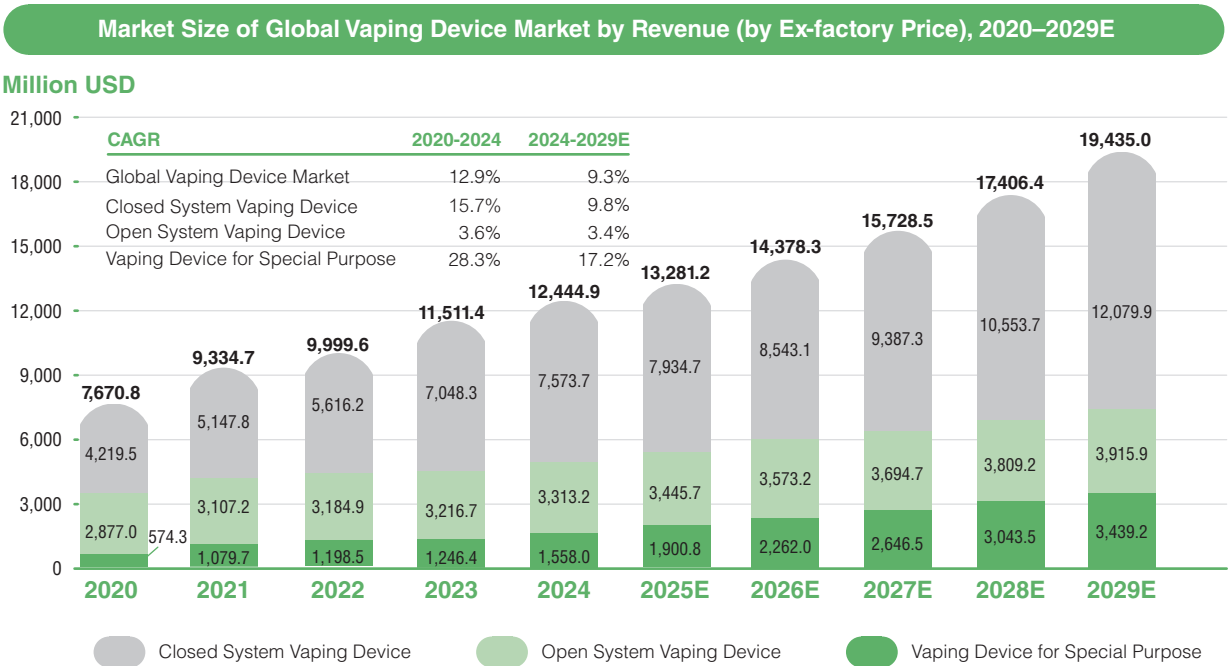
In terms of marketing, the Group continued to strengthen its localization in global markets across all business segments during the Review Period, enhancing market insights. The self-branded team of the Group's electronic vaping business continuously built localized marketing teams and online store management systems, monitored changes in consumer preferences, and increased product on-shelf rate. The Group is actively exploring innovative business cooperation models to provide customers with value-added services beyond R&D and production, such as market insights and brand promotion. This innovative business model not only extends the value chain of services but also helps customers better adapt to rapidly changing market demands. In addition to the layout of offline channels, the Group's beauty product MOYAL Luminous Essence Atomizer was launched on Mainland China mainstream e-commerce platforms, leveraging top social media platforms for marketing to build brand image and amplify brand presence. During major marketing festivals such as "Double 11", its sales revenue ranked among the top products in the same category.

Industry Overview

The Group is a global leader in offering atomization technology solutions. During the Review Period, the Group continued to focus on electronic vaping products, heat-not-burn products, components for special purpose atomization products, inhalation therapy and beauty atomization products. According to the independent market research report issued by industry consultant Frost & Sullivan ("**Sullivan**") in March 2025 (the "**Sullivan Report**"), the global vaping device market size increased at a compound growth rate of approximately 12.9% at ex-factory prices from 2020 to 2024, and is expected to increase at an estimated compound growth rate of approximately 9.3% from 2024 to 2029.

The global market size of closed system vaping devices has maintained a compound growth rate of approximately 15.7% at ex-factory price from 2020 to 2024, and is expected to grow at a compound growth rate of approximately 9.8% from 2024 to 2029. The global market size of open system vaping devices has maintained a compound growth rate of approximately 3.6% at ex-factory price from 2020 to 2024, and is expected to grow at a compound growth rate of approximately 3.4% from 2024 to 2029. According to the Sullivan Report, in 2024, the Group maintained its position as the world's largest manufacturer of vaping devices and its market share was approximately 13.1% (2023: approximately 13.7%).

Global Vaping Device Market Overview



* E=estimated

BUSINESS REVIEW

Sales and Marketing

In 2024, the Group's revenue was approximately RMB11,798,662,000, representing an increase of approximately 5.3% as compared to last year. The Group's revenue during the Review Period came from self-branded business and corporate client oriented business. Among them, sales revenue from self-branded business amounted to approximately RMB2,475,033,000, representing an increase of approximately 34.0% as compared to last year, and the percentage of total revenue increased from approximately 16.5% for last year to approximately 21.0% for the Review Period. Revenue from corporate client oriented business amounted to approximately RMB9,323,629,000, representing a decrease of approximately 0.3% as compared to last year, and as a percentage of total revenue, decreased from approximately 83.5% for last year to approximately 79.0% for the Review Period.

Revenue from the Group's self-branded business, comprising the sale of electronic vaping products and beauty atomization products, for the Review Period amounted to approximately RMB2,475,033,000, representing an increase of approximately 34.0% as compared to last year. All of the Group's self-branded revenue from international markets was contributed by the sale of electronic vaping products. Among them, revenue in Europe and other markets amounted to approximately RMB2,023,744,000, representing a year-on-year increase of approximately 37.2%, while revenue in the U.S. market amounted to approximately RMB424,289,000, representing a year-on-year increase of approximately 14.0%. The Group's self-branded electronic vaping business continued its strategy of product serialization, streamlining product SKU and launching platform products to enhance product profitability and turnover. In the first half of the year, XROS 4 and XROS 4 Mini, the iterative versions of the mouth-to-lung product XROS, were launched, which once again garnered unanimous positive feedback from users and a high level of customer satisfaction. During the Review Period, iterations of products GEN and ARMOUR were launched to enhance the brand product portfolio. Meanwhile, the Group continued to deepen the digitalization of marketing, localization of sales and monitoring of terminal stores through self-built data system to enable quick response to market changes. This successful strategy strengthened brand services and user awareness, significantly increasing brand recognition and awareness among users in the United States and the United Kingdom. During the Review Period, the Group's proprietary brand, VAPORESSO, further increased its market share in the open-system product segment and became the leading brand in major global markets.

During the Review Period, the Group's self-branded business generated revenue of approximately RMB27,000,000 in the Mainland China market, primarily from the sale of beauty atomization products. During the Review Period, the Group's proprietary brand MOYAL, the beauty atomization product, was launched on the internet and is being actively marketed and promoted on the top social media platforms in Mainland China, leveraging live streaming for product promotion and establishing offline high-end store channels, in order to gradually build up its brand image and product mindset among consumers. During the Review Period, sales of MOYAL products made significant breakthroughs, and were gradually recognized by more users. Its sales performance during major marketing events ranked among the top in the beauty device category on leading online platforms.

During the Review Period, the performance of corporate client oriented business varied in different regions. During the Review Period, revenue from corporate client oriented business amounted to approximately RMB9,323,629,000, representing a decrease of approximately 0.3% as compared to last year, though showing a better recovery trend in the second half of 2024, when the revenue was approximately RMB5,356,819,000, representing an increase of approximately 9.7% as compared to last year.

In the United States market, taking into account the products transshipped through Hong Kong, China, the Group's revenue realized from corporate client oriented business in the United States market during the Review Period amounted to approximately RMB3,988,170,000, representing a decrease of approximately 2.4% as compared to last year, and a decrease in percentage of the total revenue to approximately 33.8% for the Review Period, as compared to approximately 36.5% for last year. In the second half of 2024, the Group's revenue from corporate client oriented business in the United States market amounted to approximately RMB2,127,557,000, representing an increase of approximately 5.1% as compared to last year. The Group's business for corporate clients in the United States is mainly sales of closed system electronic vaping products and components for special purpose atomization products. The Group's sales of electronic vaping products were significantly affected by the Food and Drug Administration ("FDA")'s enforcement efforts against non-compliant products. Benefiting from the strengthening of the enforcement of non-compliant electronic vaping products in the United States, the Group's revenue from sales of electronic vaping products in the United States resumed its growth year-on-year in the second half of the year. During the Review Period, the FDA, in conjunction with a number of federal agencies, took a series of enforcement actions against non-compliant electronic vaping products: in April, the FDA for the first time cooperated with the U.S. Department of Justice in seizing non-compliant electronic vaping products; in June, the FDA and the U.S. Department of Justice announced the establishment of a federal multi-agency task force focused on curbing the distribution and sale of unauthorized vaping products; and in October, the FDA and the U.S. Customs and Border Protection took a joint action to seize USD76 million worth of non-compliant electronic vaping products. On the other hand, the FDA authorized menthol-flavored electronic vaping products for the first time in 2024, while we supported our strategic customers in submitting several PMTA applications for flavored electronic vaping products with age verification technology. We believe that our customers' compliant products are expected to gradually gain greater market share in the U.S. market as enforcement of non-compliant products is strengthened and the FDA's reviews of compliant products are normalized. However, there still exists a significant amount of non-compliant electronic vaping products in the U.S. market, and the restoration of the compliant market will require stronger enforcement actions by the regulatory authority. In respect of components for special purpose atomization products, the Group continued to adjust its product mix, optimize its business model and deepen its localized operations during the Review Period. Meanwhile, the Group optimized the organization structure of this business during the Review Period in order to better grasp the changes in the end market. During the Review Period, the business was still in a period of adjustment, and revenue decreased as compared to last year.

In Europe and other markets, the Group's business to corporate clients is mainly in the sale of closed system electronic vaping products, including disposable electronic vaping products and pod-based electronic vaping products. Revenue of approximately RMB5,096,708,000 was realized during the Review Period, representing an increase of approximately 0.3% as compared to last year, and its percentage of total revenue decreased from approximately 45.3% for last year to approximately 43.2% for the Review Period. In the second half of 2024, the Group's revenue from corporate client oriented business in Europe and other markets amounted to approximately RMB3,115,515,000, representing an increase of approximately 14.2% as compared to last year. During the Review Period, regulatory measures in Europe regarding disposable electronic vaping products gradually intensified, with several countries banning or planning to ban disposable electronic vaping products which are non-rechargeable or non-replaceable. Users' demand gradually shifted to compliant closed pod-based and open-system products. The Group supported its strategic customers in launching a new generation of closed system electronic vaping products in Europe and other markets, which performed better in terms of safety compared to the previous generation, and helped the Group's closed pod-based products to show significantly higher growth in the second half of last year compared to the first half. Meanwhile, the strengthening regulatory measures impacted some clients' orders for disposable electronic vaping products, and the Group's disposable electronic vaping products decreased by approximately 9.5% year-on-year, with revenue amounting to approximately RMB3,050,109,000, which impacted the revenue performance of corporate clients in the region. Notwithstanding the above, the Group believes that the enhanced regulation of disposable electronic vaping products will be conducive to the sustainable and healthy development of the market and the long-term development of the Group.

In China market, the Group's corporate client oriented business is mainly the sale of closed system electronic vaping products and the provision of technical services. During the Review Period, the Group's revenue from China market amounted to approximately RMB238,751,000, representing a year-on-year increase of approximately 25.1%.

In addition, the Group is actively upgrading its services to customers by providing value-added services such as market insights and brand promotion in addition to R&D and production services to corporate clients of electronic vaping products. By closely integrating market insights with R&D and production, the Group will provide customers with more targeted product solutions and help them win larger markets.

Research and Development

Science and technology are the core driving forces for corporate development. As a high-tech manufacturing enterprise, we regard innovative products meeting market demand as our life source, and investments in technology as the cornerstone of product innovation. The Group's research and development expenses for the Review Period amounted to approximately RMB1,572,313,000, representing an increase of approximately 6.0% as compared to last year, and as a percentage of revenue increased slightly from approximately 13.2% last year to approximately 13.3% for the Review Period, with the main growth from inhalation therapy and heat-not-burn products.

With the increase in R&D investment, enhancing R&D management efficiency has become a crucial aspect in achieving the Company's strategy. In 2024, we continued to improve R&D efficiency based on R&D priorities. First, we further deepened the R&D philosophy, using market insights to guide technology and product planning, with product demand as the basis for R&D project initiation and management to ensure clear R&D investment goals. Second, through project classification and management, we allocate resources scientifically and accelerate the commercialization of technological outcomes. Third, we continued to strengthen budget management of R&D projects, and achieving full-process transparency and precision management through a digital R&D management system for goal setting, resource allocation, and progress tracking visualization. With these measures in place, the Group achieved various technological breakthroughs and R&D outcomes in various key business sectors in 2024.

In electronic vaping, consumers have been expressing more personalized demands for electronic vaping products in recent years. Based on market insights, on one hand, we continued to iterate and upgrade our successful product platforms. This not only enhanced user experience but also increased atomization efficiency. Our newly launched products achieved an approximately 30% increase in the number of puffs under the same liquid filling volume. On the other hand, we continuously explored new technological platforms and at the beginning of 2024, introduced the world's first high-burst flavor solution, FEELM TURBO. Subsequently, we launched the upgraded BLAST solution based on FEELM TURBO. The BLAST solution features an extremely simple structure and reduced costs, meets consumers' new sensory requirements and aligns with the new market trend. Multiple innovative products under our own brand, VAPORESSO, were launched one after another. As new additions to the XROS series, the mouth-to-lung products XROS 4 and XROS 4 Mini offer users richer flavors and a longer product lifespan. Since their launch, these products have quickly become bestsellers and are now among the world's most popular open-system series. GEN MAX and GEN SE are the latest products designed under VAPORESSO for open-system direct-to-lung users. They feature top-airflow and top-filling designs, making refilling easier and enhancing leak resistance.

In heat-not-burn products, we have successfully supported our customers to launch heat-not-burn products during the Review Period, receiving positive feedbacks from consumers and customers, with the experience and taste of the products being enhanced as compared to the existing mainstream products. The advanced heating technology enables balanced and controllable efficient heating process, which guarantees a maximum release of taste and aroma, thus bettering user experience. In order to reduce the potential generation of harmful substances in heating, the Group has made innovation in material selection and the design of heating elements, achieved greater stability at high temperatures. Structurally, our heat-not-burn products not only prioritize portability and durability, and equipped with intelligent sensor and microprocessor that can intelligently adjust heating programs based on user habits and product features, providing more personalized and satisfactory user experience.

In components for special purpose atomization products, we carried out organizational optimization of our research and development system during the Review Period. Products supported by new technology platforms were successfully commercialized during the Review Period, and new products are ready to be launched.

In beauty atomization, we launched the MOYAL brand and the first-generation of beauty atomization products solution in 2024 with great fanfare. This product became the industry's first beauty atomization product to achieve the atomization of high-viscosity skincare essence. Its 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 serum absorption efficiency bringing a new generation of contactless, efficient and safe way of skin care to the consumers. In the second half of 2024, we successfully launched MOYAL atomizer device targeted for beauty salons.

In inhalation therapy, the Group's research and development and production center for inhalation drugs near Miami is fully capable of the research and development, production, quality control, pharmaceutical research, clinical trial research and registration of combinatory inhalation drug-device products. During the Review Period, we completed the development for a number of drug-device combination products targeting asthma and chronic obstructive pulmonary disease ("COPD"). Key performance indicators have met the requirements set forth by regulatory authorities in the United States and Europe, providing robust support for forthcoming successful registration endeavors.

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 1,558 new patent applications worldwide, including 893 patents for invention. As of 31 December 2024, the Group had filed, accumulatively, a total of 9,253 patents worldwide, including 4,760 patents for invention.

The research and development expenditures by field were as below:

	For the year ended 31 December				
	2024		2023		Changes
	RMB'000	%	RMB'000	%	%
Research and development of electronic nicotine delivery system (including electronic vaping products and heat-not-burn products)	1,034,668	65.8	1,033,899	69.7	0.1
Research and development of special purpose atomization products and solutions	145,465	9.3	171,320	11.6	(15.1)
Research and development of inhalation therapy and beauty atomization products	392,180	24.9	277,627	18.7	41.3
Total	1,572,313	100.0	1,482,846	100.0	6.0

Production, Operation and Management

In 2024, the Group made significant progress in production and operations. Through close collaboration with the sales, research and development, procurement and other teams, the Group focused on business needs and improved quality and delivery efficiency, thereby further strengthening our comprehensive manufacturing competitiveness. In terms of production and manufacturing, by optimizing the design of product manufacturability and advancing the design of manufacturing processes for new products, the Group shortened the time required to ramp up to mass production and rapidly improved the efficiency of new products. Meanwhile, the Group continued to deepen the Amoeba incentive mechanism to fully mobilize employees and maximize production efficiency. In terms of delivery efficiency, in addressing the challenges of intensified market competition and shortened product iteration cycles, the Group's procurement department strengthened the management of key material suppliers, while upgrading the capacity of suppliers to control and shorten the delivery time of materials; and the Group's operations department improved efficiency by various means, including process optimization and the introduction of lower-cost automation to ensure the launch of new products as scheduled. In terms of quality management, the Group significantly improved customer satisfaction with product quality by aligning the reliability verification standards for key categories, establishing quality accountability and reward and punishment mechanism, and implementing cross-factory quality audits. In addition, the Group developed and launched a production and operation data dashboard, enabling the visualized management of key operation indicators and enhancing the efficiency of operation management.

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 focus on "Atomization Technology" as its core, and continue its in-depth efforts in electronic vaping, heat-not-burn, components for special purpose atomization products, inhalation therapy and beauty atomization, in order to provide comprehensive atomization technology solutions to our customers and users.

In electronic vaping, Sullivan Report shows that the global market for electronic vaping products will reach approximately USD91.42 billion in 2029 based on retail prices, with a projected compound growth rate of approximately 7.4% between 2024 and 2029. Currently, non-compliant products still exist in large numbers in major global markets, disrupting the market ecosystem and posing threats to product safety and consumer health. The Group believes that for the industry to achieve sustainable development, more effective regulation and enforcement against non-compliant products are essential. We are pleased to observe that in recent years, major countries around the world have gradually strengthened their regulatory efforts against non-compliant electronic vaping products, which will have a positive impact on the sales of the Group's electronic vaping products. Meanwhile, the iteration cycle for electronic vaping products in the global market has shortened. Consumers' demands for products have evolved beyond basic sensory and flavor to include more personalized options. This has set higher requirements for electronic vaping manufacturers in terms of market insights, product development, and brand promotion. The Group will continue to build on our technological and manufacturing leadership, strengthen market insights, accelerate our response to the terminal market, and introduce more

innovative products to meet evolving consumer demands. In 2025, the Group will continue to upgrade cooperation models with its customers. In addition to providing R&D and production services, we will offer more customized services, including market operations and brand promotion, to help customers achieve greater success in the rapidly changing market landscape. The electronic vaping market remains vast, with room for further penetration. The Group is confident that through precise market insights, leading technological reserves, and flexible business models, we will continue to maintain and improve our technological and product competitive edge in this business in 2025.

The heat-not-burn business is an important second horizon for the Group, and 2025 is a crucial stage for the implementation of this business. According to the Sullivan Report, the global heat-not-burn market size, calculated by retail prices, is projected to reach approximately USD66.86 billion by 2029, with a projected compound annual growth rate of about 10.1% from 2024 to 2029. Heat-not-burn products are targeted at experienced cigarette users, offering them a reduced-harm and efficient way to intake nicotine. We believe that as more consumer-friendly products emerge in the market, the user base in this field is expected to expand further. In 2025, the Group anticipates to support more customers in launching heat-not-burn products in global markets. We will closely monitor user feedback and support our customers in optimizing and iterating their products. Starting from 2025, the new products are expected to gradually present more opportunities for revenue growth to the Group. Meanwhile, the Group will continue to invest in R&D in heat-not-burn products, accumulate more technologies and product solutions, and actively seek cooperation with other industry leaders to establish a solid foundation for the second horizon.

In components for special purpose atomization products, the Sullivan Report indicates that the global market for special purpose atomization devices will reach approximately USD3.44 billion in 2029 based on ex-factory prices, with a projected compound growth rate of approximately 17.2% from 2024 to 2029. The market for special purpose atomization products is broad and has significant growth potential. In 2025, the Group will continue to launch innovative products, improve product categories, enhance end-market insights through localized operations, and further optimize our business model to improve operational efficiency. We are confident that this business will contribute more revenue growth to the Group in the future.

As the prevalence of respiratory diseases continues to rise globally, the inhalable drugs market embraces a promising future. According to the latest 2023 report of Market Research Future, an international market research company, the global market for pulmonary drugs and drug delivery devices reached approximately USD56.01 billion in 2022 and is expected to reach approximately USD93.28 billion by 2030, representing a solid compound annual growth rate. The Group's core inhalation therapy team has an extensive understanding of the development, production and regulatory requirements on inhalation drug-device combination in European and the U.S. markets, and is highly experienced in registration. Looking forward to 2025, the Group will, on the one hand, steadily push forward the clinical development, experimentation and registration process of drug-device combination products for the treatment of respiratory diseases, such as asthma and COPD, in accordance with the established product development roadmap; and on the other hand, the Group will expand external cooperation, seek to collaborate with more international pharmaceutical enterprises and fully utilize

internal research and development resources and industrialization capabilities to promote the launch of more products into the market. The Group will keep improving research and development efficiency to ensure that the whole processes from research and development, mass production, marketing approval to commercialization of our products are progressed in a stable manner.

In beauty atomization, we are committed to providing users with a new skin care that is more effective and safer. 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 billion to RMB37.4 billion in 2025. In addition, according to the forecast of Sullivan, the market size of skin care products in China was approximately RMB463 billion in 2023 in terms of retail price, with a compound growth rate of approximately 8.7% from 2023 to 2028, and is expected to reach approximately RMB876.3 billion by 2028. The Group's beauty atomization business is to provide users with comprehensive skincare and beauty solutions integrating clinic treatment and home care, including the provision of sensitive skin repair treatment and other post-operative repair treatments to beauty salons (ToB); and efficient skincare solutions with the combination of home devices and media to consumers (ToC). In 2025, the Group will further strengthen the promotion of the MOYAL brand, enhance its brand image among end consumers, and expand the promotion of MOYAL professional products in beauty salons (ToB) to deepen its professional skincare brand and expand application scenarios. In the meantime, we will continue to optimize the "ToB+ToC dual-engine" business model to achieve collaborative development of the MOYAL brand between the ToB business and ToC business, which is expected to bring greater brand value and revenue contribution to the Group in the future.

In R&D, the Group will continue to adhere to the concept of "science and technology are the primary productive forces". Driven by market demand, we will continue to strengthen technological reserves and efficiently promote their commercialization. The Group will follow the established business strategy, continuously strengthen consumer insights, conduct R&D based on the market, and focus on addressing core technological pain points in the industry, creating a product platform with strategic commercial value. In 2025, heat-not-burn products and inhalation therapy products will remain the key R&D focuses for the Group. We will continue to build technological barriers and promote the commercialization of technologies. In electronic vaping, we will focus on key technologies to create technological platforms that can provide consumers with a significantly differentiated experience and plan to launch several competitive new products. In addition to self-developed R&D projects, the Group will also collaborate with customers on R&D and share the results of cooperation. Thanks to our progress in technology, products, and system construction, we are confident that we can quickly iterate our product mix under compliance and continue to maintain our leading position in the main business areas.

In terms of market development and sales, the Group will continue to strengthen market insights and channel control. By establishing local sales teams, enhancing digital marketing capabilities, and strengthening market insights and channel penetration capabilities, we will achieve more precise user insights and more efficient product delivery. On this basis, the Group will continue to deepen commercial cooperation with business partners, providing one-stop services for customers in R&D, production, branding, marketing, and promotion to help them meet rapidly changing market demands and achieve success.

In terms of operations, the Group will continue to focus on enhancing manufacturing competitiveness as a core objective, concentrating on key products and critical issues to drive continuous optimization of production operations. In terms of production and manufacturing, the Group will further integrate resources to promote synergy, reduce resource and cost wastage, and provide support for the business. In the meantime, we will continue to optimize production processes, improve automation and strengthen employee incentive mechanism. In terms of delivery efficiency, the operations team will engage in evaluation and review early from the R&D stage, conduct process design and verification in advance, shorten the lead time for the commencement of mass production and provide all-round support for key new product projects to ensure the smooth launch of such new products to satisfy market demand. Leading quality is an unchanging pursuit of the Group. While providing customers with high-quality products, the Group will focus on the validation of new materials and the quality assurance of suppliers to minimize quality loss in the manufacturing process, and, through continuous training and quality culture building, further enhance the quality awareness of all employees. Moreover, the Group will establish a scientific operation evaluation system and drive internal benchmarking improvements, and continue to deepen the application of data dashboard to further enhance the transparency and management efficiency of production and operation.

2025 marks a pivotal milestone for the Group as we enter into the second horizon. The Group will optimize its organizational structure, strengthen market insights, enhance research and development efficiency and promote technology commercialization. Meanwhile, we will continue to expand the application areas of atomization technology and cultivate new businesses such as atomization therapy and beauty atomization. We will strive to create greater value for our customers and consumers with our leading technology and innovative products, and bring sustainable returns to our shareholders with healthy growth in business performance.

FINANCIAL REVIEW

During the Review Period, the total revenue of the Group was approximately RMB11,798,662,000 (2023: approximately RMB11,203,250,000), representing an increase of approximately 5.3% as compared to last year. During the Review Period, the gross profit of the Group was approximately RMB4,411,969,000 (2023: approximately RMB4,340,911,000), representing an increase of approximately 1.6% as compared to last year. During the Review Period, the gross profit margin of the Group was approximately 37.4% (2023: approximately 38.7%). During the Review Period, the total profit before tax of the Group was approximately RMB1,655,043,000 (2023: approximately RMB1,936,539,000), representing a decrease of approximately 14.5% as compared to last year. During the Review Period, the total comprehensive income for the year of the Group was approximately RMB1,416,913,000 (2023: approximately RMB1,566,470,000), representing a decrease of approximately 9.5% as compared to last year. The decrease in the Group's total profit before tax for the Review Period as compared to last year was mainly due to the increase in selling expenses and research and development expenses outweighing the positive impact of the growth in other income and gains and gross profit.

1. Revenue — Categorized by Business Types

	For the year ended 31 December				
	2024		2023		Changes
	RMB'000	%	RMB'000	%	%
Self-branded business	2,475,033	21.0	1,847,359	16.5	34.0
Corporate client oriented business	9,323,629	79.0	9,355,891	83.5	(0.3)
Total	<u>11,798,662</u>	<u>100.0</u>	<u>11,203,250</u>	<u>100.0</u>	<u>5.3</u>

(1) *Self-branded business*

The Group's self-branded business sales products are mainly open system vaping products and beauty atomization products. During the Review Period, revenue from sales of self-branded business amounted to approximately RMB2,475,033,000 (2023: approximately RMB1,847,359,000), representing an increase of approximately 34.0% as compared to last year, and its percentage of revenue increased from approximately 16.5% last year to approximately 21.0% during the Review Period. Among which, (i) revenue from Europe and other countries and regions market amounted to approximately RMB2,023,744,000 (2023: approximately RMB1,475,167,000), representing an increase of approximately 37.2% as compared to last year, all derived from sales of electronic vaping products; (ii) revenue from the U.S. market amounted to approximately RMB424,289,000 (2023: approximately RMB372,192,000), representing an increase of approximately 14.0% as compared to last year,

all derived from sales of electronic vaping products; and (iii) revenue from the Mainland China market amounted to approximately RMB27,000,000 (2023: nil), mainly derived from sales of beauty atomization products.

(2) *Corporate client oriented business*

During the Review Period, revenue from corporate clients oriented business amounted to approximately RMB9,323,629,000 (2023: approximately RMB9,355,891,000), representing a decrease of approximately 0.3% as compared to last year, and its percentage of revenue decreased from approximately 83.5% last year to approximately 79.0% during the Review Period. Among which, (i) revenue from Europe and other countries and regions markets amounted to approximately RMB5,096,708,000 (2023: approximately RMB5,080,154,000), representing an increase of approximately 0.3% as compared to last year, and also a decrease in percentage of total revenue from approximately 45.3% last year to approximately 43.2% for the Review Period, mainly derived from sales of electronic vaping products and heating-not-burn products; (ii) revenue from the U.S. market amounted to approximately RMB3,988,170,000 (2023: approximately RMB4,084,825,000), representing a decrease of approximately 2.4% as compared to last year, and also a decrease in percentage of total revenue from approximately 36.5% last year to approximately 33.8% for the Review Period, mainly derived from sales of electronic vaping products and components for special purpose atomization products; and (iii) revenue from China market amounted to approximately RMB238,751,000 (2023: approximately RMB190,912,000), representing an increase of approximately 25.1% as compared to last year, and an increase in percentage of total revenue from approximately 1.7% last year to approximately 2.0% for the Review Period, mainly derived from sales of electronic vaping products and provision of technical services.

Revenue Categorized by Customers' Places of Incorporation

	For the year ended 31 December				
	2024		2023		Changes
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	%
Europe and other countries and regions	5,512,071	46.7	5,071,147	45.3	8.7
Hong Kong, China*	3,876,049	32.8	4,024,664	35.9	(3.7)
U.S.	1,399,337	11.9	1,211,815	10.8	15.5
Mainland China**	1,011,205	8.6	895,624	8.0	12.9
Total	<u>11,798,662</u>	<u>100.0</u>	<u>11,203,250</u>	<u>100.0</u>	<u>5.3</u>

- * Revenue generated from Hong Kong, China is on a re-export or transshipment basis and, to our knowledge, none of our products are distributed or sold in Hong Kong, China. Our clients incorporated in Hong Kong, China are mainly responsible for the transshipment for our international clients or trading companies. During the Review Period, revenue from sales of products to the United States via Hong Kong, China amounted to approximately RMB3,013,123,000 (2023: approximately RMB3,245,202,000), which accounted for approximately 77.7% (2023: approximately 80.6%) of the revenue from Hong Kong, China.
- ** During the Review Period, the Group's revenue in the Mainland China market amounted to approximately RMB1,011,205,000 (2023: approximately RMB895,624,000). To our knowledge, the revenue in the Mainland China market included part of the revenue ultimately sold to the international market.

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

	For the year ended 31 December				
	2024		2023		Changes
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	%
Self-branded business	2,475,033	21.0	1,847,359	16.5	34.0
— Europe and other countries and regions (electronic vaping products)	2,023,744	17.2	1,475,167	13.2	37.2
— U.S. (electronic vaping products)	424,289	3.6	372,192	3.3	14.0
— Mainland China (beauty atomization products)	27,000	0.2	—	—	N/A
Corporate client oriented business	9,323,629	79.0	9,355,891	83.5	(0.3)
— Europe and other countries and regions (electronic vaping products, and heat-not-burn products, and technical service)	5,096,708	43.2	5,080,154	45.3	0.3
— U.S. (electronic vaping products and components for special purpose atomization products, and technical service)	3,988,170	33.8	4,084,825	36.5	(2.4)
— China (electronic vaping products, and technical service)	238,751	2.0	190,912	1.7	25.1
Total	<u>11,798,662</u>	<u>100.0</u>	<u>11,203,250</u>	<u>100.0</u>	<u>5.3</u>

2. Gross Profit and Cost of Revenue

During the Review Period, the gross profit of the Group amounted to approximately RMB4,411,969,000 (2023: approximately RMB4,340,911,000), representing an increase of approximately 1.6% as compared to last year, and the gross profit margin decreased from approximately 38.7% last year to approximately 37.4% for the Review Period. The decrease in gross profit margin was mainly due to the impact of changes in the product mix of the Group during the Review Period.

Cost of revenue as a percentage of revenue:

	For the year ended 31 December				
	2024		2023		Changes
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	%
Cost of raw materials	5,624,366	47.7	5,531,383	49.5	1.7
Labor cost	773,765	6.6	621,395	5.5	24.5
Overhead	925,507	7.8	675,403	6.0	37.0
Tax and surcharge	63,055	0.5	34,158	0.3	84.6
Total	<u>7,386,693</u>	<u>62.6</u>	<u>6,862,339</u>	<u>61.3</u>	<u>7.6</u>

During the Review Period, the Group's cost of raw materials as a percentage of revenue decreased from approximately 49.5% for last year to approximately 47.7% for the Review Period, which was mainly attributable to (i) the decrease in the proportion of revenue from disposable electronic vaping products, which reduced the proportion of cost of raw materials to total revenue; and (ii) the Group's continued promotion of cost-efficient measures on products, resulting in a continuous decline in cost of materials.

3. Distribution and Selling Expenses

The Group's distribution and selling expenses increased by approximately 74.7% from approximately RMB526,238,000 last year to approximately RMB919,552,000 during the Review Period. The distribution and selling expenses as a percentage of revenue increased from approximately 4.7% last year to approximately 7.8% for the Review Period. The increase in distribution and selling expenses as a percentage of revenue was mainly attributable to the increase of the Group's marketing efforts in the global market of our self-branded business and the increase in marketing expenditures associated with the launch of beauty atomization products in Mainland China market with continuously deepening our global operational capabilities during the Review Period. In particular:

- (1) Staff salaries and benefits increased by approximately 33.5% from approximately RMB269,416,000 last year to approximately RMB359,586,000 during the Review Period, and its percentage of revenue increased from approximately 2.4% last year to approximately 3.0%

during the Review Period. The increase in staff salaries and benefits was mainly attributable to the Group's further expansion into the international market during the Review Period to consolidate and expand its leading position in the international market, as well as the increase in the remuneration of the marketing staff as a result of the construction of the marketing team related to the beauty atomization business.

- (2) Market development expenses increased by approximately 66.1% from approximately RMB129,155,000 last year to approximately RMB214,586,000 during the Review Period, and its percentage of revenue increased from approximately 1.2% last year to approximately 1.8% during the Review Period. The increase in market development costs was mainly attributable to (i) the promotion expenses related to the beauty atomization product solutions launched by the Group during the Review Period; and (ii) the increased efforts to promote electronic vaping products and components for special purpose atomization products in the international market.
- (3) Travelling expenses increased by approximately 12.0% from approximately RMB34,525,000 last year to approximately RMB38,677,000 for the Review Period, and its percentage of revenue kept nearly unchanged from last year, both at approximately 0.3%.
- (4) Other expenses increased by approximately 229.3% from approximately RMB93,142,000 last year to approximately RMB306,703,000 during the Review Period, and its percentage of revenue increased from approximately 0.8% last year to approximately 2.6% in the Review Period. The increase in other expenses was primarily due to an increase in the Group's provisions for product related expenses during the Review Period in light of expected product changes in connection with regulatory and compliance requirements.

4. Administrative Expenses

The administrative expenses of the Group increased by approximately 5.4% from approximately RMB867,154,000 last year to approximately RMB914,109,000 during the Review Period. Administrative expenses as a percentage of revenue kept nearly unchanged from last year, both at approximately 7.7%. In particular:

- (1) Staff salaries and benefits decreased by approximately 3.8% from approximately RMB564,044,000 last year to approximately RMB542,788,000 for the Review Period, and its percentage of revenue decreased from approximately 5.0% last year to approximately 4.6% for the Review Period. The decrease in staff salaries and benefits was mainly attributable to the decrease in staff costs as a result of the Group's continuous improvement in management efficiency during the Review Period.
- (2) Professional service fees increased by approximately 11.1% from approximately RMB100,073,000 last year to approximately RMB111,182,000 for the Review Period, and its percentage of revenue kept nearly unchanged from last year, both at approximately 0.9%.

- (3) Depreciation and amortization expenses increased by approximately 11.3% from approximately RMB93,618,000 last year to approximately RMB104,231,000 during the Review Period, and its percentage of revenue slightly increased from approximately 0.8% last year to approximately 0.9% during the Review Period.

5. Research and Development Expenses

The Group's research and development expenses increased by approximately 6.0% from approximately RMB1,482,846,000 last year to approximately RMB1,572,313,000 during the Review Period. Research and development expenses as a percentage of revenue increased slightly from approximately 13.2% last year to approximately 13.3% during the Review Period. The increase in research and development expenses was primarily due to the fact that the Group increased investment in the fields of inhalation therapy and heat-not-burn products during the Review Period. The research and development expenses used for electronic nicotine delivery system (including electronic vaping and heat-not-burn products) increased by approximately 0.1% as compared to last year; special purpose atomization products and solutions decreased by approximately 15.1% as compared to last year; and for inhalation therapy and beauty atomization products increased by approximately 41.3% as compared to last year. In particular:

- (1) Staff salaries and benefits increased by approximately 13.7% from approximately RMB820,555,000 last year to approximately RMB932,937,000 during the Review Period, and its percentage of revenue increased from approximately 7.3% last year to approximately 7.9% during the Review Period. The increase in staff salaries and benefits was mainly due to the increase in the remuneration of research and development personnel in the inhalation therapy field and the heat-not-burn products field during the Review Period.
- (2) Development costs decreased by approximately 10.3% from approximately RMB466,953,000 last year to approximately RMB418,830,000 during the Review Period, and its percentage of revenue decreased from approximately 4.2% last year to approximately 3.5% during the Review Period. The decrease in development costs was mainly attributable to the decrease in research and development related mold costs, development costs and technical consultancy services through the Group's enhancement of research and development efficiency and strengthening of research and development project management during the Review Period.
- (3) Depreciation and amortization expenses increased by approximately 29.8% from approximately RMB90,385,000 last year to approximately RMB117,303,000 during the Review Period, and its percentage of revenue increased from approximately 0.8% last year to approximately 1.0% 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 during the Review Period.

6. Other Income and Expenses

During the Review Period, the Group's total other income amounted to approximately RMB721,775,000, representing an increase of approximately 17.8% as compared to approximately RMB612,682,000 last year, as set out below:

	For the year ended 31 December		
	2024 RMB'000	2023 RMB'000	Changes %
Interest income from bank deposits	609,769	515,056	18.4
Interest income from investment notes at amortized cost	36,501	—	N/A
Government grants	65,474	74,536	(12.2)
Compensation income from customers	9,305	19,231	(51.6)
Interest income from rental deposits	1,292	1,644	(21.4)
Others	(566)	2,215	N/A
Total	<u>721,775</u>	<u>612,682</u>	<u>17.8</u>

7. Other Gains and Losses

During the Review Period, the Group's total other losses amounted to approximately RMB14,584,000, representing a decrease of approximately 85.9% compared with total other losses of approximately RMB103,740,000 last year, as set out below:

	For the year ended 31 December		
	2024 RMB'000	2023 RMB'000	Changes %
Gain arising on short-term bank deposits with variable interest rate	7,463	52,638	(85.8)
Net foreign exchange gains	26,217	19,509	34.4
Gain/Loss arising on forward foreign exchange contracts/swap contracts	1,036	(95,810)	N/A
Gain on early termination of leases	3,194	4,336	(26.3)
Loss on disposal/write off of property, plant and equipment and intangible assets	(59,157)	(75,325)	(21.5)
Others	6,663	(9,088)	N/A
Total	<u>(14,584)</u>	<u>(103,740)</u>	<u>(85.9)</u>

8. Finance Costs

During the Review Period, the finance costs of the Group amounted to approximately RMB37,863,000 (2023: approximately RMB27,192,000), representing an increase of approximately 39.2% as compared to last year. The finance costs of the Group were mainly derived from the interest expenses on discount of bills receivables and the interest expenses on lease liabilities.

9. Income Tax Expense

During the Review Period, the Group's income tax expense amounted to approximately RMB351,788,000 (2023: approximately RMB291,449,000), representing an increase of approximately 20.7% as compared to last year.

10. Total Comprehensive Income for the Year

During the Review Period, the Group's total comprehensive income for the year was approximately RMB1,416,913,000 (2023: approximately RMB1,566,470,000), representing a decrease of approximately 9.5% as compared to last year. The decrease was primarily due to increases in selling expenses and research and development expenses outweighing the positive impact of the growth in other income and gains and gross profit.

11. Liquidity and Financial Resources

As at 31 December 2024, the net current assets of the Group were approximately RMB11,587,063,000 (31 December 2023: approximately RMB16,004,419,000). As at 31 December 2024, the Group's cash and cash equivalents were approximately RMB5,170,700,000 (31 December 2023: approximately RMB5,332,076,000), which mainly consisted of approximately RMB3,779,750,000 denominated in RMB, approximately RMB1,226,397,000 denominated in USD and approximately RMB160,507,000 denominated in HKD (31 December 2023: 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). As at 31 December 2024, the current ratio of the Group was approximately 320.3% (31 December 2023: approximately 548.8%).

For the year ended 31 December 2024, the turnover days of trade and bills receivables were approximately 61.5 days (2023: approximately 68.3 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 2024, the turnover days of inventory were approximately 41.8 days (2023: approximately 43.1 days). The decrease in turnover days was mainly due to the decrease in materials prepared for the orders of disposable electronic vaping business with lower gross profit, which led to the decrease in turnover days of inventory. For the year ended 31 December 2024, the turnover days of trade and bills payables was approximately 65.2 days (2023: approximately 64.4 days). The increase in turnover days was mainly due to the extension of the billing period of some suppliers.

As at 31 December 2024, the current ratio was approximately 320.3%, compared to approximately 548.8% as at 31 December 2023. The decrease was due to a decrease in current assets and an increase in current liabilities. The decrease in current assets was mainly due to a decrease in short-term bank deposits with maturity over three months, and the increase in current liabilities was mainly due to an increase in short-term borrowings resulting from discounted bills.

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.

Borrowings

As at 31 December 2024, the Group did not have any bank or other financial institutions borrowings (31 December 2023: nil). As at 31 December 2024, the banking facilities secured by the Group were approximately RMB9,200.0 million, of which approximately RMB1,811.2 million had been utilized mainly for issuing and discounting bills and letters of credit.

Gearing Ratio

As at 31 December 2024, the gearing ratio of the Group, calculated as the total debt divided by the total equity, was approximately 26.2% (31 December 2023: approximately 19.1%).

12. Pledge of Assets

At 31 December 2024, except for the bank deposits of the Group in the aggregate amount of approximately RMB590.0 million, the Group did not have any other pledge of assets (31 December 2023: nil).

13. Exposure to Foreign Exchange Risk

For the year ended 31 December 2024, the Group recorded foreign exchange gain of approximately RMB26,217,000 (2023: foreign exchange gain of approximately RMB19,509,000). Meanwhile, the Group recorded gain arising on forward foreign exchange contracts and swap contracts of approximately RMB1,036,000 during the Review Period (2023: net forward foreign exchange loss of approximately RMB95,810,000).

The functional currency of the Company is RMB. The Group's revenue 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 approximately 80% 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 payables denominated in USD ("**U.S. Dollars Exposure**") as a result of changes in the exchange rate between USD and RMB.

Sensitivity Analysis

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

Based on the amounts of assets and liabilities of the Group denominated in USD as of 31 December 2024, if the exchange rate of USD against RMB rises by 10%, the Group's total comprehensive income will increase by approximately RMB874,306,000 (31 December 2023: increase by approximately RMB599,744,000). 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 RMB874,306,000 (31 December 2023: decrease by approximately RMB599,744,000).

14. Employment, Training and Development

As of 31 December 2024, the Group has 16,595 and 1,971 employees in China (including Mainland China and Hong Kong) and other countries and regions respectively. The Group provides its employees with comprehensive and attractive remuneration, retirement schemes, share incentive 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 Mainland China 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 Mainland China 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 other countries where it operates.

In addition, the Group attaches great importance to the individual education and career development of employees, and has formulated targeted talent development programs tailored to different groups of talents, such as the “Hong Yi” program designed to cultivate outstanding director-level talents, the “Zhen Yu” program designed to cultivate excellent managerial talents, and the “1-3-5-7-10” ten-year cultivation and development path especially designed for fresh graduates, with a six-month induction training and a one-year apprenticeship, to help them adapt to the workplace better and faster. Meanwhile, the Group upgrades its online learning platform from time to time to enrich the on-line courses, so that all employees can enjoy on-line learning in real time.

During the Review Period, total staff costs (including management and administrative staff) accounted for approximately 26.3% (2023: approximately 22.9%) of the Group’s revenue. The increase in total staff costs as a percentage of revenue was mainly attributable to (i) the increase in the Group’s investment in the field of inhalation therapy during the Review Period and the corresponding increase in the remuneration of research and development personnel; and (ii) further expansion into the international market to consolidate and expand the leading position in the international market, as well as due to the building up of the marketing team in relation to the beauty atomization business which in turn led to an increase in the total remuneration of marketing personnel.

15. Capital Expenditures

During the Review Period, the Group’s total investment in property, plant and equipment and intangible assets amounted to approximately RMB817,052,000 (2023: approximately RMB1,155,547,000), which was mainly attributable to the recognition of capital expenditure in relation to the headquarter building, equipment expenditure in relation to production, research and development as well as research and development expenditure capitalized.

16. Capital Commitments

As at 31 December 2024, the Group had contracted capital commitment for property, plant and equipment of approximately RMB707,750,000 (31 December 2023: approximately RMB494,304,000), 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 2024, the Group did not have any significant investments (2023: nil).

19. Contingent liabilities

As at 31 December 2024, the Group did not have any material contingent liabilities (2023: 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 of the Company dated 29 June 2020;
- (2) The section headed “Intended Use of Net Proceeds” in the Company’s announcement dated 4 February 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

		2024	2023
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	3	11,798,662	11,203,250
Cost of revenue		<u>(7,386,693)</u>	<u>(6,862,339)</u>
Gross profit		4,411,969	4,340,911
Other income and expenses	4(a)	721,775	612,682
Other gains and losses	4(b)	(14,584)	(103,740)
Distribution and selling expenses		(919,552)	(526,238)
Administrative expenses		(914,109)	(867,154)
Research and development expenses		(1,572,313)	(1,482,846)
Finance costs	5	(37,863)	(27,192)
Impairment loss recognised on trade receivables, net		<u>(20,280)</u>	<u>(9,884)</u>
Profit before tax		1,655,043	1,936,539
Income tax expense	6	<u>(351,788)</u>	<u>(291,449)</u>
Profit for the year	7	<u>1,303,255</u>	<u>1,645,090</u>
Other comprehensive income (expense):			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		<u>113,658</u>	<u>(78,620)</u>
Other comprehensive income (expense) for the year		<u>113,658</u>	<u>(78,620)</u>
Total comprehensive income for the year		<u>1,416,913</u>	<u>1,566,470</u>
Earnings per share	9		
Basic (RMB cents)		<u>21.42</u>	<u>27.01</u>
Diluted (RMB cents)		<u>21.22</u>	<u>26.67</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		2024	2023
	NOTES	RMB'000	RMB'000
Non-current assets			
Property, plant and equipment		4,637,073	4,675,648
Intangible assets		196,363	90,126
Deposits paid for acquisition of property, plant and equipment		258,745	97,777
Deferred tax assets		34,904	34,120
Long-term bank deposits		3,106,699	1,017,889
Rental deposits		21,449	21,972
Other financial assets		<u>2,552,717</u>	<u>—</u>
		<u>10,807,950</u>	<u>5,937,532</u>
Current assets			
Inventories		910,425	781,204
Trade and bills receivables	10	2,084,825	1,888,208
Other receivables, deposits and prepayments		769,816	729,271
Restricted bank deposits		590,195	4,116
Short-term bank deposits over three months		7,319,610	10,835,877
Bank balances and cash		5,170,700	5,332,076
Financial assets at fair value through profit or loss (“FVTPL”)		<u>857</u>	<u>—</u>
		<u>16,846,428</u>	<u>19,570,752</u>
Current liabilities			
Trade and bills payables	11	1,369,576	1,269,804
Other payables and accrued expenses		1,721,052	1,478,708
Tax payables		76,638	61,822
Contract liabilities		399,947	242,395
Lease liabilities		115,789	118,415
Deferred income		1,863	2,166
Advances drawn on bills receivables discounted with recourse		<u>1,574,500</u>	<u>393,023</u>
		<u>5,259,365</u>	<u>3,566,333</u>
Net current assets		<u>11,587,063</u>	<u>16,004,419</u>
Total assets less current liabilities		<u>22,395,013</u>	<u>21,941,951</u>

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Non-current liabilities		
Lease liabilities	190,214	264,957
Deferred income	13,965	4,992
Deferred tax liabilities	<u>286,123</u>	<u>262,393</u>
	<u>490,302</u>	<u>532,342</u>
Net assets	<u>21,904,711</u>	<u>21,409,609</u>
Capital and reserves		
Share capital	431,299	428,272
Reserves	<u>21,465,789</u>	<u>20,981,337</u>
Equity attributable to owners of the Company	21,897,088	21,409,609
Non-controlling interests	<u>7,623</u>	<u>—</u>
Total equity	<u>21,904,711</u>	<u>21,409,609</u>

CONDENSED STATEMENT OF CASH FLOWS

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
NET CASH FROM OPERATING ACTIVITIES	<u><u>1,753,336</u></u>	<u><u>3,192,893</u></u>
NET CASH USED IN INVESTING ACTIVITIES	<u><u>(1,864,953)</u></u>	<u><u>(7,015,919)</u></u>
NET CASH USED IN FINANCING ACTIVITIES	<u><u>(45,706)</u></u>	<u><u>(612,360)</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

1. GENERAL INFORMATION

Smoores 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 (1) research, design and manufacturing of closed system electronic vaping products, heat-not-burn products and components for special purpose atomization products for a number of global leading tobacco companies, independent vaping and other corporate clients; (2) research, design, manufacturing and sale of self-branded electronic vaping products and beauty atomization products for retail clients; and (3) providing relevant R&D services for our customers based on our atomization technology reserve.

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants for the first time, which are mandatorily effective for the Group's annual periods beginning on 1 January 2024 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangement

New and amendments to HKFRSs in issue but not yet effective

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

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments ³
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards — Volume 11 ³
Amendments to HKAS 21	Lack of Exchangeability ²
HKFRS 18	Presentation and Disclosure in Financial Statements ⁴

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 2025.

³ Effective for annual periods beginning on or after 1 January 2026.

⁴ Effective for annual periods beginning on or after 1 January 2027.

Except for new 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.

HKFRS 18 Presentation and Disclosure in Financial Statements

HKFRS 18 *Presentation and Disclosure in Financial Statements*, which sets out requirements on presentation and disclosures in financial statements, will replace HKAS 1 *Presentation of Financial Statements*. This new HKFRS Accounting Standard, while carrying forward many of the requirements in HKAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some HKAS 1 paragraphs have been moved to HKAS 8 and HKFRS 7. Minor amendments to HKAS 7 *Statement of Cash Flows* and HKAS 33 *Earnings per Share* are also made.

HKFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the statement of profit or loss and disclosures in the future financial statements. The Group is in the process of assessing the detailed impact of HKFRS 18 on the Group's consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

(i) Disaggregation of revenue from contracts with customers

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Corporate client oriented business	9,323,629	9,355,891
Self-branded business	<u>2,475,033</u>	<u>1,847,359</u>
Total revenue	<u><u>11,798,662</u></u>	<u><u>11,203,250</u></u>

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Timing of revenue recognition for contracts with customers		
At a point in time	11,569,036	11,168,422
Over time	<u>229,626</u>	<u>34,828</u>
Total revenue	<u><u>11,798,662</u></u>	<u><u>11,203,250</u></u>

(ii) Revenue accounting policies and performance obligations for contracts with customers

Sales of goods

Revenue from sales of goods 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 105 days upon the delivery.

Technology service income

The Group entered into research and development agreements with customers. The Group earns revenue by providing research services to the customers, and the revenue is recognised over time as these services met one of the following criteria: The customers simultaneously receive and consume the benefits provided by the Group's performance as the Group performs; or the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. The Group generally measures the progress using output method or input method. Under the output method, the progress of performance determined based on the goods or services delivered to customers. Under the input method, the progress of performance determined based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation.

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

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Segment revenue	<u>11,798,662</u>	<u>11,203,250</u>
Segment profit	1,640,180	1,949,597
Unallocated losses	(14,466)	(12,718)
Unallocated income	36,819	6,298
Unallocated expenses	<u>(7,490)</u>	<u>(6,638)</u>
Profit before tax	<u><u>1,655,043</u></u>	<u><u>1,936,539</u></u>

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.

The accounting policies of the operating segment is the same as the Group's accounting policies. Segment profit represents profit earned from the segment without allocation of profit or loss generated by the holding company. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

(iv) **Geographical information**

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

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Hong Kong, China (<i>Note</i>)	3,876,049	4,024,664
United Kingdom	3,006,319	2,554,488
United States of America	1,399,337	1,211,815
Mainland China	1,011,205	895,624
France	350,959	360,742
Japan	253,313	368,440
Croatia	250,512	288,101
The United Arab Emirates	227,037	216,625
Others	<u>1,423,931</u>	<u>1,282,751</u>
	<u><u>11,798,662</u></u>	<u><u>11,203,250</u></u>

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

The Group's non-current assets are substantially located in the Mainland of China 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.

(v) Information about major customers

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

	2024 RMB'000	2023 <i>RMB'000</i>
Customer A	<u>4,732,568</u>	<u>4,582,362</u>

4. OTHER INCOME AND EXPENSES AND OTHER GAINS AND LOSSES

(a) Other income and expenses

	2024 RMB'000	2023 <i>RMB'000</i>
Interest income from bank deposits	609,769	515,056
Interest income from rental deposits	1,292	1,644
Interest income from investment notes at amortised cost	36,501	—
Government grants	65,474	74,536
Compensation income from customers	9,305	19,231
Others	<u>(566)</u>	<u>2,215</u>
	<u>721,775</u>	<u>612,682</u>

(b) Other gains and losses

	2024	2023
	RMB'000	RMB'000
Net foreign exchange gains	26,217	19,509
Gain(Loss) arising on forward foreign exchange contracts/swap contracts	1,036	(95,810)
Gain arising on short-term bank deposits with variable interest rate	7,463	52,638
Loss on disposal/write off of property, plant and equipment and intangible assets	(59,157)	(75,325)
Gain on early termination of leases	3,194	4,336
Others	6,663	(9,088)
	(14,584)	(103,740)

5. FINANCE COSTS

	2024	2023
	RMB'000	RMB'000
Interest expense on lease liabilities	16,507	20,452
Interest expense on bills receivables discounted with recourse	21,356	6,740
	37,863	27,192

6. INCOME TAX EXPENSE

	2024	2023
	RMB'000	RMB'000
Current tax:		
— Mainland China Enterprise Income Tax (“EIT”)	281,153	112,842
— Hong Kong Profits Tax	36,256	4,126
— Other countries and regions	14,274	2,801
	331,683	119,769
(Over) underprovision in prior years		
— Mainland China EIT	(2,841)	14,929
	328,842	134,698
Deferred tax	22,946	156,751
	351,788	291,449

Hong Kong, China

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.

Mainland China

Under the Law of the Mainland China on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate of the Mainland China subsidiaries is 25% except for certain subsidiaries of the Company in the Mainland of China were approved as High and New Technology Enterprise, and they were subject to a preferential corporate income tax rate of 15% for the years ended 31 December 2024 and 2023. The qualification as a High and New Technology Enterprise is subject to review by the relevant tax authority in the Mainland China for every three years.

United States

Pursuant to the relevant tax laws of the United States, tax at a maximum of 21% federal corporate income tax rate and other relevant applicable state tax rates has been provided on the taxable income arising in the United States for the years ended 31 December 2024 and 2023.

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 under Pillar Two income taxes. Accordingly, the Group neither recognises nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes.

As at 31 December 2024, the Group mainly operates in the Mainland of China, in which the Pillar Two income tax legislation is not yet enacted. Besides, the government of the Netherlands, France, Italy and the United Kingdom, where certain group entities are incorporated, has enacted the Pillar Two Rules which has already taken effect.

However, as the Group’s estimated effective tax rates of all the jurisdictions in which the Group operates are higher than 15 per cent, after taking into account the adjustments under the Global Anti-Base Erosion Rules (“**GloBE Rules**”) based on management’s best estimate, the management of the Group considered the Group is not liable to top-up tax under the Pillar Two Rules.

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:

	2024	2023
	RMB'000	RMB'000
Profit before tax	<u>1,655,043</u>	<u>1,936,539</u>
Income tax expense calculated at 15% (<i>Note i</i>)	248,256	290,481
Tax effect of expense not deductible for tax purpose	63,852	792
Tax effect of income not taxable for tax purpose	(46,764)	(89,286)
Tax effect of tax losses not recognised	45,693	42,855
Effect of different tax rates of subsidiaries operating in other jurisdictions	27,870	20,808
(Over) underprovision in prior years	(2,841)	14,929
Withholding tax on undistributed profits of subsidiaries	23,730	174,454
Others	<u>(8,008)</u>	<u>(163,584)</u>
	<u>351,788</u>	<u>291,449</u>

Note:

- (i) Certain subsidiaries of the Company in the Mainland of China that accounts for substantial operation of the Group were subject to a preferential corporate income tax rate of 15%.

7. PROFIT FOR THE YEAR

	2024 RMB'000	2023 RMB'000
Profit before tax has been arrived at after charging (crediting):		
Directors' remuneration	23,212	23,302
Other staff costs:		
— Salaries, bonus and other benefits	2,719,390	1,982,466
— Retirement benefit scheme contributions	263,417	221,386
— Share-based payment expenses	<u>197,108</u>	<u>281,654</u>
	3,203,127	2,508,808
Less: amounts capitalised as cost of inventories manufactured	(1,274,399)	(1,009,224)
Less: amounts capitalised as development costs	<u>(62,600)</u>	<u>—</u>
	<u><u>1,866,128</u></u>	<u><u>1,499,584</u></u>
Depreciation of right-of-use assets for buildings and land use rights	175,459	211,653
Depreciation of property, plant and equipment other than right-of-use assets	502,557	436,135
Amortisation of intangible assets	<u>31,887</u>	<u>30,950</u>
	709,903	678,738
Less: amounts capitalised as cost of inventories manufactured and property, plant and equipment	<u>(424,763)</u>	<u>(407,305)</u>
	<u><u>285,140</u></u>	<u><u>271,433</u></u>

8. DIVIDENDS

2024	2023
<i>RMB'000</i>	<i>RMB'000</i>

Dividends for ordinary shareholders of the Company recognised as distribution during the year:

2024 Interim dividend — HK5 cents (2023 Interim dividend — HK5 cents) per share	276,785	279,735
2023 Final dividend — HK5 cents (2022 Final dividend — HK8 cents) per share	276,037	439,332
	<u>552,822</u>	<u>719,067</u>

During the year, a final dividend of HK5 cents per share in respect of the year ended 31 December 2023 (2022: HK8 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\$303,581,000 (equivalent to approximately RMB276,037,000) (2023: HK\$485,943,000 (equivalent to approximately RMB439,156,000)). An interim dividend of HK5 cents per share in respect of the six months period ended 30 June 2024 (2023: HK5 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\$302,944,000 (equivalent to approximately RMB276,354,000) (2023: HK\$305,595,000 (equivalent to approximately RMB279,735,000)).

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2024 of HK5 cents per share, in an aggregate amount of approximately HK\$309,104,000, has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting (“AGM”).

9. EARNINGS PER SHARE

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

2024	2023
<i>RMB'000</i>	<i>RMB'000</i>

Earnings:

Earnings for the purpose of basic and diluted earnings per share	<u>1,303,255</u>	<u>1,645,090</u>
	'000	'000

Number of shares:

Weighted average number of ordinary shares for the purpose of calculating earnings per share	<u>6,085,067</u>	<u>6,090,246</u>
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Effect of dilutive potential ordinary shares:

Share options/award shares	<u>57,724</u>	<u>77,268</u>
	<u>6,142,791</u>	<u>6,167,514</u>

The computation of diluted earnings per share does not assume the exercise of certain of the Group's share options/award shares as the averaged adjusted exercise prices of the share options/award shares exceeded the average market prices or the assumed exercise would have an anti-dilutive effect on earnings per share for the years ended 31 December 2024 and 2023.

10. TRADE AND BILLS RECEIVABLES

	31/12/2024	31/12/2023
	RMB'000	RMB'000
Trade receivables from contracts with customers	2,103,221	1,891,413
Less: allowance for credit losses	<u>(36,314)</u>	<u>(18,228)</u>
	2,066,907	1,873,185
Bills receivables	<u>17,918</u>	<u>15,023</u>
	<u>2,084,825</u>	<u>1,888,208</u>

The Group allows a credit period of 0 to 105 days (2023: 0 to 90 days) to its trade customers.

As at 1 January 2023, trade receivables from contracts with customers amounted to RMB2,301,628,000.

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:

	31/12/2024	31/12/2023
	RMB'000	RMB'000
Within 30 days	764,436	690,863
31 to 60 days	550,894	608,095
61 to 90 days	477,720	301,103
Over 90 days	<u>273,857</u>	<u>273,124</u>
	<u>2,066,907</u>	<u>1,873,185</u>

The maturity dates of bills receivables are within three months as at 31 December 2024 (2023: three months).

As at 31 December 2024, RMB 205,683,000 (2023: RMB27,413,000) 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 14 March 2025, RMB1,409,221,000 of trade and bills receivables as of 31 December 2024 had been settled subsequent to the end of the reporting period.

11. TRADE AND BILLS PAYABLES

	31/12/2024 RMB'000	31/12/2023 RMB'000
Trade payables		
— third parties	1,130,944	924,206
— a related party	<u>78,208</u>	<u>90,109</u>
	1,209,152	1,014,315
Bills payables		
— third parties	141,202	253,794
— a related party	<u>19,222</u>	<u>1,695</u>
	<u>160,424</u>	<u>255,489</u>
	<u>1,369,576</u>	<u>1,269,804</u>

The Group is normally granted credit terms of 30 to 90 days (2023: 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:

	31/12/2024 RMB'000	31/12/2023 RMB'000
Within 30 days	730,256	746,870
31–60 days	284,727	125,777
61–90 days	158,228	123,469
Over 90 days	<u>35,941</u>	<u>18,199</u>
	<u>1,209,152</u>	<u>1,014,315</u>

The maturity dates of bills payables are within six months as at 31 December 2024 (2023: six 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 2024, the Company had applied the principles and complied with all code provisions (except C.2.1 of the Corporate Governance Code (“**CG Code**”)) and, where applicable, the recommended best practices of the CG Code as set out in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”). In respect of code provision C.2.1 of the CG Code, the positions of the chairman of the Board and the chief executive officer are held by the same individual, namely, Mr. Chen Zhiping. The Board is of the view that this is the most appropriate arrangement in the interest of the shareholders as a whole at present, and will not impair the balance of power between the Board and the Company’s management, which is mainly in view of the following considerations:

- (1) The decision of the Board requires the approval of a majority of Directors. The Board of the Company consists of eight Directors, comprising three independent non-executive Directors and one non-executive Director, in which the number of independent non-executive Directors is more than the Listing Rules requirement of one-third, and therefore the Board believes that there are sufficient checks and balances within the Board;
- (2) Mr. Chen and other Directors have already undertaken to fulfill their fiduciary duties as Directors, which require them to act for the benefits and in the best interests of the Company;
- (3) The balance of power guarantees the functioning of the Board. The Board of the Company consists of experienced talents in different fields. These members meet regularly to discuss significant issues relating to the business strategies and operations of the Group; 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.

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. The Board has delegated responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company 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 2024, 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 2024.

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 AGM 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 2024, the Company held one AGM on 25 May 2024.

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 Company and the Stock Exchange; (ii) the AGM 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 2024 to shareholders which shall be subject to approval by shareholders at the forthcoming AGM. The Company expects that the dividend will be paid on or around 13 June 2025, and the ex-dividend date is 29 May 2025.

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 23 May 2025, notice of which will be published on the websites of the Company and the Stock Exchange 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 20 May 2025 to 23 May 2025, both dates inclusive, during which period no transfer of shares will be registered. In order to determine the shareholders who are entitled to attend and vote at the AGM, all transfers of shares accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on 19 May 2025.

The Register of Members of the Company will be closed from 2 June 2025 to 4 June 2025, 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 30 May 2025.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY (INCLUDING TREASURY SHARES)

During the year ended 31 December 2024, the Company did not purchase, sell or redeem any of its shares (including treasury shares). As at 31 December 2024, the Company did not hold any treasury 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 utilized 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 2024:

Use of proceeds		Approximate percentage of total amount	Amount of net proceeds allocated upon Listing (HK\$ million)	Actual usage During the Review Period (HK\$ million)	Actual usage up to 31 December 2024 (HK\$ million)	Unutilized amount as at 31 December 2024 (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	134.9	1,331.2	2,623.7	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	77.5	1,582.0	—	—
(iv)	Provide funding for our working capital and other general corporate purposes	5%	395.5	—	395.5	—	—
		100%	7,909.9	212.4	5,286.2	2,623.7	

- * The figures above are rounded to the nearest one decimal place and may not add up due to rounding.
- ** According to the Measures for the Administration of Electronic Cigarettes (“**Administrative Measures**”) 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 2024 are set out as follows:

Use of proceeds		Approximate percentage of total amount	Amount of net proceeds allocated (HK\$ million)	Actual usage During the Review Period (HK\$ million)	Actual usage up to 31 December 2024 (HK\$ million)	Unutilized amount as at 31 December 2024 (HK\$ million)	Expected timeline
(i)	Expansion of production capacity*	55%	2,445.0	131.3	581.3	1,863.7	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	—	—
		<u>100%</u>	<u>4,445.5</u>	<u>131.3</u>	<u>2,137.3</u>	<u>2,308.2</u>	

* According to the Administrative Measures 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 2024.

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 2024. 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 2024 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 17 March 2025. 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 2024 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 2024 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, 17 March 2025

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.