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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 INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2025**

The board (the “**Board**”) of directors (the “**Directors**”) of Smoore International Holdings Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2025 (the “**Review Period**”). Deloitte Touche Tohmatsu, certified public accountants, the independent auditor of the Company has reviewed the unaudited condensed consolidated interim financial information for the six months ended 30 June 2025 in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. In addition, these interim results have also been reviewed by the Audit Committee of the Company (the “**Audit Committee**”).

FINANCIAL HIGHLIGHTS

	For the six months ended		
	30 June		
	2025	2024	Changes
	<i>RMB'000</i>	<i>RMB'000</i>	%
	Unaudited	Unaudited	
Revenue*	6,013,290	5,083,554	18.3
Gross profit	2,243,850	1,923,951	16.6
Gross profit margin	37.3 %	37.8%	(0.5pp)
Profit before tax	698,735	811,555	(13.9)
Profit for the period	492,154	683,198	(28.0)
Total comprehensive income for the period	501,166	724,597	(30.8)
Total comprehensive income for the period attributable to shareholders of the Company	501,166	724,597	(30.8)
Adjusted profit for the period**	737,410	752,851	(2.1)
Adjusted net profit margin	12.3 %	14.8%	(2.5pp)

* 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 starting from the 2024 Annual Report. The comparable financial data for the six months ended 30 June 2024 have been reclassified for presentation to ensure the comparability of financial data.

** The adjustments adopted for deriving the adjusted profit for the period:

	For the six months ended		
	30 June		
	2025	2024	Changes
	<i>RMB'000</i>	<i>RMB'000</i>	%
	Unaudited	Unaudited	
Profit for the period before adjustment	492,154	683,198	(28.0)
Add:			
Share-based payment expenses related to share option scheme and share award scheme	<u>245,256</u>	<u>69,653</u>	<u>252.1</u>
Adjusted profit for the period	<u>737,410</u>	<u>752,851</u>	<u>(2.1)</u>

To supplement the Group's financial results prepared in accordance with Hong Kong Financial Reporting Standards, the Group presents Adjusted Profit for the Period as an additional financial measure and perspective. Management believes that, as share-based payment expenses are non-cash in nature, excluding these non-cash expenses from profit for the period can provide both the investors and management with a clearer view of the Group's underlying operating performance.

	30 June 2025 RMB'000 Unaudited	31 December 2024 RMB'000 Audited	Changes %
Total assets	27,331,803	27,654,378	(1.2)
Total equity	22,445,554	21,904,711	2.5
Cash and cash equivalents	5,211,753	5,170,700	0.8
Asset-liability ratio (%)	17.9	20.8	(2.9pp)
Current ratio (%)	336.7	320.3	16.4pp
Trade and bills receivables turnover days (days)	61.4	61.5	(0.2)
Inventory turnover days (days)	45.7	41.8	9.3
Trade and bills payables turnover days (days)	62.4	65.2	(4.3)

Notes:

1. Cash and cash equivalents = demand deposits + time deposits with maturity of less than three months as at the end of the period
2. Asset-liability ratio = total liabilities/total assets
3. Current ratio = current assets/current liabilities
4. Trade and bills receivables turnover days = average balance of trade and bills receivables/revenue \times 180
5. Inventory turnover days = average balance of inventory/cost of revenue \times 180
6. Trade and bills payables turnover days = average balance of trade and bills payables/cost of revenue \times 180
7. Average balance = (beginning balance for the period + ending balance for the period)/2

MANAGEMENT DISCUSSION AND ANALYSIS

PRINCIPAL BUSINESS OF THE GROUP

The Group is a global leader in offering atomization technology solutions. During the Review Period, through our innovative and pioneering atomization technology solutions, we mainly operated two business segments: (1) **Corporate Client Oriented Business** (“**ToB Business**”) focuses on the research, design, and manufacturing of vaping products, heat-not-burn (“**HNB**”) products, special purpose atomization products and inhalation therapy products for leading global tobacco companies, independent vaping brands, and other corporate clients. It also provides technological services related to these products; (2) **Self-Branded Business** focuses on the research, design, manufacturing, and sales of self-branded electronic vaping products and beauty atomization products.

In the first half of 2025, the Group’s revenue was primarily driven by its electronic vaping business. During the Review Period, global regulatory authorities strengthened enforcement against non-compliant products. In the U.S., legal actions targeting non-compliant products intensified, while several major European markets implemented bans on disposable vaping products. These developments have created a more compliant market environment, offering substantial opportunities for companies like Smoore, which possess strong compliance capabilities and the agility of market movement.

In the first half of 2025, the Group achieved revenue of approximately RMB6,013 million, marking an approximately 18.3% increase compared to the same period last year. The sales performance was mainly driven by the recovery of the Group’s vaping business, supported by more effective legal enforcement against non-compliant products in major global markets and the Group’s agility in launching innovative new products to meet market demand. On one hand, the Group capitalized on this opportunity by assisting electronic vaping customers in swiftly launching innovative, compliant products to fill the market gap left by the ban on non-compliant products. The Group’s ToB Business recorded revenue of approximately RMB4,739 million, representing an approximately 19.5% increase year-on-year. On the other hand, the self-branded electronic vaping business expanded channel coverage and enhanced localized operations, resulting in continued market share growth in key regions. Consequently, the self-branded business recorded revenue of approximately RMB1,274 million, an approximately 14.1% year-on-year increase, primarily fueled by the strong performance of the industry-leading brand, VAPORESSO.

The Group places significant emphasis on engaging closely with end-users to better understand their preferences and improve its product on-shelf availability, ultimately driving sales. During the Review Period, the Group continued investing in localized operations and expansion on retail channel coverage across key global markets. At the same time, the Group has strengthened collaboration with certain customers by leveraging its market insights and channel coverage capabilities. In addition to product development and manufacturing, the Group has offered them with marketing, branding, and channel operation services, with this business model demonstrating early signs of positive outcomes. During the Review Period, selling and distribution expenses reached approximately RMB491 million, reflecting a year-on-year increase of approximately 31.2%.

One of the key competitive advantages of the Group is its consistent investment in research and development (“**R&D**”) to sustain technological leadership. During the Review Period, the Group focused its R&D efforts on strategic areas, enhancing efficiency and optimizing resource allocation. As part of this strategy, the Group prioritized key R&D projects while reducing investment in electronic vaping products. Consequently, R&D expenses were approximately RMB723 million, reflecting an approximately 4.9% decrease compared to the same period last year.

The Group views 2025 as a pivotal year in its transition, driven by advancements in the HNB business. This transition relies on the commitment and collective efforts of all employees. In the fourth quarter of 2024, the Group granted share options and share awards under the share option scheme and share award scheme, resulting in higher non-cash share-based payment expenses during the Review Period. The Group views this as a strategic investment aimed at enhancing employee incentives and driving the long-term success of the organization. Administrative expenses rose to approximately RMB610 million, reflecting a substantial year-on-year increase of approximately 79.7%.

The Group’s profit for the Review Period was approximately RMB492 million, reflecting a year-on-year decrease of approximately 28.0%. If the non-cash share-based payment expenses are added back, the adjusted profit for the period was approximately RMB737 million, reflecting an approximately 2.1% decrease compared to the same period last year.

BUSINESS REVIEW

Sales and Marketing

In the first half of 2025, the global regulatory landscape for electronic vaping products became more defined, with stricter enforcement measures. These developments have created growth opportunities for compliant players like the Group.

In the U.S. market, enforcement efforts against non-compliant products have intensified at both the federal and state levels. The U.S. Food and Drug Administration (“**FDA**”) leads the federal campaign to restrict non-compliant electronic vaping products through a combination of warning letters, civil penalties, import alerts, and criminal prosecution. Notably, according to the public information of FDA, the FDA seized nearly two million units of unauthorized vaping products with an estimated retail value of approximately \$33.8 million in May 2025. At the same time, a growing number of U.S. states are taking legal actions against the surge of non-compliant flavored vaping products. As of the Review Period, 13 states have passed an electronic vaping registry bill (i.e. a mandatory list of electronic vaping products authorized for sale in the state) in place and more than 20 states are considering to implement an electronic vaping registry bill. Some states are also making efforts not limited to litigation, but also include warning letters, civil investigative demands, and settlements aimed at curbing unlawful sales practices.

Europe is experiencing a major shift in how disposable vaping products are regulated, with multiple countries taking steps to restrict or ban them in the Review Period. As of 1 June 2025, the UK, a key market in Europe, imposed a ban on the sale of disposable vaping products. This ban extends to all electronic vaping products regardless of nicotine content. Following the implementation of the ban in the UK, substantial market opportunities have emerged for compliant products.

During the Review Period, the Group achieved a revenue of approximately RMB6,013 million, reflecting a year-on-year growth of approximately 18.3%. Of this, the self-branded business contributed approximately RMB1,274 million, representing an approximately 14.1% year-on-year increase during the Review Period. This segment accounted for approximately 21.2% of the Group’s total revenue during the Review Period (1H 2024: 22.0%). Meanwhile, the corporate client oriented business generated revenue of approximately RMB4,739 million, marking a year-on-year growth of approximately 19.5%. This segment accounted for approximately 78.8% of the total revenue during the Review Period (1H 2024: 78.0%).

The Group’s self-branded business mainly included the sale of electronic vaping products and atomization beauty products. The self-branded electronic vaping products maintained its growth momentum during the Review Period. Revenue from the European and other markets reached approximately RMB1,069 million, representing a 15.1% year-on-year increase, driven by the outstanding performance of the Group’s industry-leading brand, VAPORESSO. In response to strong market demand following the ban on disposable electronic vaping products in major European countries, the Group’s self-branded electronic vaping business launched the XROS 5 and XROS 5 Mini, upgraded versions of VAPORESSO’s bestselling XROS series. These new products deliver enhanced

performance, offering more consistent and stable aroma reproduction, refined flavors, and a smoother vaping experience. Since their launch, the XROS 5 and XROS 5 Mini have become market successes, driving increased market share for VAPORESSO in key markets. During the Review Period, the Group continued to enhance its marketing digitalization, sales localization, and terminal store monitoring through its self-developed data system, enabling swift responses to market changes. This strategy has reinforced its position as the leading brand in major global markets. In the U.S. market, the Group's self-branded electronic vaping business reported revenue of approximately RMB174 million for the Review Period, representing a year-on-year decline of approximately 6.7%.

During the Review Period, the Group's self-branded atomization beauty products under "MOYAL" brand were sold in mainland China, generating revenue of approximately RMB31 million, representing a year-on-year increase of approximately 2,595.2%. The product portfolio includes the MOYAL home-use beauty device targeting retail customers and the MOYAL professional device designed for beauty institutions. The user base for the MOYAL home-use beauty device targeting retail customers has exceeded ten thousand. In parallel, the MOYAL professional device obtained Class II Medical Device Certification. Following its launch, it has been adopted by several nationwide beauty clinics and public hospitals, with over 100 private institutions already procuring the device. It is worth noting that the beauty atomization business segment remains in its verification phase, and the Group will continue to evaluate and optimize its operations as the segment progresses.

During the Review Period, the Group's ToB business recorded revenue of approximately RMB4,739 million, reflecting a year-on-year growth of approximately 19.5%. The performance was primarily driven by the recovery of electronic vaping business segment. The ToB business exhibited varied performance across global regions during the Review Period.

In European and other countries, the Group's ToB business primarily focused on the sale of electronic vaping products. As mentioned above, the ban on disposable electronic vaping products in major European markets presented significant opportunities for compliant market participants. Leveraging its foresight into regulatory changes, responsiveness to market dynamics, and agility in organization structure, the Group successfully supported key customers in launching a series of innovative and compliant products which cater to customers' various requirements. In the first half of 2025, the Group's leading technology brand, FEELM, introduced multiple innovative and compliant product solutions aimed at delivering consumers unique and diverse flavor experiences. These product solutions also supported customers in expanding into new categories and capturing new markets. The solutions have garnered positive customer feedback, leading to strong order growth. As a result, revenue from the ToB business in European and other countries surged to approximately RMB2,734 million, representing a robust year-on-year growth of approximately 38.0%.

In the U.S. market, the ToB business included electronic vaping products and special purpose atomization products. As demonstrated earlier, enforcement efforts against non-compliant products have intensified, targeting multiple entities through various legal measures by the regulators. Despite these efforts, the U.S. vaping market continues to be dominated by non-compliant products, which has impacted the sales performance of the Group's customers. During the Review Period, the Group's business for special purpose atomization products were still in recovery. To strengthen its position, the

Group has been enhancing localized operations by establishing an R&D center and local sales teams in the U.S. to better connect with end-users. Additionally, the Group is optimizing its business model, and these initiatives have begun to yield results, with the segment showing year-on-year revenue growth. Including trans-shipped products through Hong Kong, the Group recorded revenue of approximately RMB1,888 million in the U.S. market, representing a year-on-year increase of approximately 1.5%.

In the Mainland China market, the Group's ToB business primarily focuses on the sale of electronic vaping products. During the Review Period, the segment generated approximately RMB117 million in revenue, reflecting a year-on-year decline of approximately 6.1%.

Research and Development

Science and technology are the primary productive forces for the development of enterprises. As a high-tech manufacturing enterprise, the Group regards innovative, market-driven products as its lifeblood and technological investment as the cornerstone of product innovation. R&D is viewed as a strategic necessary condition for ensuring the Group's long-term growth and competitiveness. During the Review Period, the Group focused on enhancing R&D efficiency and prioritizing investments in HNB products and inhalation therapy. As part of this strategy, the Group optimized its resource allocation to strategic areas and reduced R&D spending on electronic vaping products. With certain R&D projects approaching commercialization, the Group has capitalized R&D expenditures that meet the criteria. As a result, the R&D expenses for the Review Period amounted to approximately RMB723 million, representing a decline of approximately 4.9% on a year-on-year basis.

In the first half of 2025, the Group achieved multiple R&D breakthroughs, and has further strengthened its innovation capabilities. Multiple R&D projects were successfully commercialized into products, which have already been adopted by key customers, showcasing the Group's ability to translate research outcome into market-oriented solutions.

One of the most notable milestones in the first half of 2025 was the Group's successful support of a strategic customer in launching its premium HNB product series, in key markets. The Group collaborated with the customer to develop the product, demonstrating superior performance in tobacco-like flavor and reduced preheating time. Following its initial launch in Serbia in the fourth quarter of 2024, the HNB product series was rolled out in Sendai, Japan, in June 2025, with early consumer feedback indicating positive results. Looking ahead, the Group will continue to support its strategic customer in launching the HNB product series nationwide in Japan in September 2025, followed by expansion into more key markets during the second half of 2025. Concurrently, the Group has developed multiple technology platforms aimed at addressing various user pain points. Efforts to accelerate commercialization in collaboration with business partners are underway, ensuring improved product solutions for users. The Group remains committed to ongoing R&D initiatives in HNB products to enhance user experience, optimize cigarette-like flavor, and drive user base growth.

The Group's inhalation therapy subsidiary Transpire has established an inhalation centre of excellence near Miami, Florida, which has full capabilities of product development. In addition, Transpire has actively collaborated with world-leading contract development and manufacturing organizations

(CDMOs) to establish manufacturing capabilities for drug-device combination products in the U.S. Additionally, Transpire has maintained regular communication with European and American drug regulatory agencies to gather valuable feedback.

The electronic vaping industry has faced increasing competition in recent years. However, with intensified legal actions targeting such products, this business is now being reshaped by evolving regulatory frameworks. To thrive in this environment, manufacturers must address both user preferences and regulatory requirements — the core of the Group’s R&D focus for its electronic vaping business. During the Review Period, the Group achieved significant progress by launching multiple innovative product solutions across key regions. The flagship technology brand in this segment, FEELM, unveiled an multi-category solution portfolio powered by cutting-edge innovations. These solutions cover diverse product types, including flavor-adjustable systems, large-puff transparent tanks, and the 2+10 platform. The Group’s proactive response to shifting market demands and regulatory changes has translated into strong order volumes from customers. The Group’s self-owned electronic vaping brand, VAPORESSO, introduced the XROS 5 and XROS 5 MINI. Both products feature industry-leading fast charging, enhanced battery capacity, and an upgraded user interface, delivering a more consistent, stable vaping experience with richer aroma reproduction, delicate flavors, and smoother performance. Following their launch, these products have gained market successes, further solidifying the Group’s leading position across key regions.

The business segment of special purpose atomization products is beginning to show early signs of recovery. During the Review Period, the Group launched several innovative product solutions that have garnered positive recognition from the industry. These developments underscore the Group’s dedication to advancing progress and providing high-quality solutions in this specialized market.

The Group’s proprietary brand MOYAL has achieved some progress. The professional device designed for beauty institutions has obtained the Class II Medical Device Certification and has received high praise from dermatology experts for its performance in sensitive skin treatment. MOYAL has further established its academic leadership by publishing three academic papers with the International Federation of Societies of Cosmetic Chemists (IFSCC).

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 839 new patent applications worldwide, including 464 patents for invention. As of 30 June 2025, the Group had filed, accumulatively, a total of 10,092 patents worldwide, including 5,224 patents for invention.

During the Review Period, the Group's total research and development expenditure amounted to approximately RMB723 million, representing a decrease of approximately 4.9% as compared to the same period last year and a decrease as a percentage of revenue from approximately 15.0% in the same period last year to approximately 12.0% in the Review Period. The research and development expenditures by different business were as below:

	For the six months ended 30 June				
	2025		2024		Changes
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	%
Research and development of electronic nicotine delivery system (including electronic vaping products and heat-not-burn products)	478,591	66.2	481,988	63.4	(0.7)
Research and development of inhalation therapy and beauty atomization products	179,241	24.8	185,471	24.4	(3.4)
Research and development of special purpose atomization products and solutions	64,732	9.0	92,653	12.2	(30.1)
Total	<u>722,564</u>	<u>100.0</u>	<u>760,112</u>	<u>100.0</u>	<u>(4.9)</u>

Production and Operation

Amid evolving global regulatory changes, the Group's production system has demonstrated exceptional agility through flexible operational adjustments. This adaptability ensures rapid market responsiveness and reliable fulfillment of customer delivery commitments. Strategic optimization of production layouts and implementation of cross-factory capacity coordination have driven continuous improvement in overall capacity utilization rates. These initiatives have effectively supported business growth.

To enhance operational management, the Group has defined key performance indicators system (KPIs) aligned with corporate strategy and established a regular tracking and benchmarking mechanism. This framework has successfully identified best practices across quality control, cost management, and delivery assurance. By facilitating cross-factory knowledge sharing and experience consolidation, the Group has systematically building a Group-wide operational knowledge repository to drive continuous improvement in operational efficiency.

The Group's HNB business achieved breakthroughs during the Review Period and the operations team has effectively supported the launch and delivery of HNB products for key customers. The Group has set up a strict product quality control system while significantly enhancing production efficiency. This lays a solid foundation for the future growth and profitability improvement for the HNB business.

FUTURE PROSPECTS AND STRATEGIES

In the second half of 2025, the Group will remain committed to prioritizing “Atomization Technology” as its core focus and continue to deepen its efforts across key areas including electronic vaping, HNB, special purpose atomization products, inhalation therapy, and beauty atomization products. By doing so, the Group aims to deliver comprehensive and innovative atomization technology solutions to its customers and users. The Group believes that each segment has large market potential.

HNB products provide users with cigarette-like experiences by heating tobacco instead of burning it. This segment marks a significant step in the Group’s efforts to expand its portfolio of risk-reduction products. According to the March 2025 report by Frost & Sullivan (“**Sullivan Report**”), a leading industry consultancy, it shows the global market size for HNB products will reach approximately US\$66.86 billion in 2029 based on retail price, with a projected compound growth rate of approximately 10.1% from 2024 to 2029. The Group plans to support its strategic customer in launching the premium HNB product series nationwide in Japan in September 2025 and expanding into more key markets in the second half of 2025. It will work closely with its customer to monitor user feedback and refine its approach accordingly. Simultaneously, the Group will continue advancing the commercialization of its diverse technology solutions with customers. The number of HNB users and product penetration remain limited due to mainstream products in the market yet to fully address key user pain points, such as cigarette-like flavor and preheating time, the Group remains committed to R&D in HNB products. Its goal is to collaborate with market participants to enhance user experiences and drive product adoption.

The electronic vaping market remains expansive, offering significant opportunities for further growth and penetration. 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. Major countries worldwide have gradually intensified their regulatory efforts against non-compliant electronic vaping products. Regulatory frameworks are increasingly shaping product design, demanding greater foresight and agility from market participants. Compliant manufacturers are now expected not only to deliver exceptional flavor and meet personalized consumer preferences but also to develop, produce, and launch products efficiently and reliably. This evolution sets higher standards for electronic vaping manufacturers in areas such as market insights, product innovation, and brand promotion. In response, the Group will continue to leverage its technological and manufacturing expertise to enhance market insights, strengthen adaptability to emerging trends, and deliver innovative, compliant products that meet the evolving needs of customers and consumers. The Group will also further strengthen collaboration with certain customers, not only providing R&D and manufacturing services, but also offering comprehensive support in areas such as marketing, brand promotion and channel development services.

Sullivan Report indicates that the global market for special purpose atomization products 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. In the second half of 2025, the Group will focus on launching innovative products, expanding its portfolio, enhancing brand building, and refining its business model. The Group is confident that this business will gradually recover and evolve into a key pillar of its overall operations over the long term.

With the global rise in respiratory diseases, the inhalable drugs market is poised for significant growth. According to a 2023 report by Market Research Future, the global market for pulmonary drugs and drug delivery devices was valued at approximately USD56.01 billion in 2022 and is projected to reach around USD93.28 billion by 2030, reflecting a robust compound annual growth rate. Transpire is dedicated to developing generic versions of leading asthma and COPD products used in the U.S. and Europe. This initiative aims to reduce costs while maintaining the same standards of safety and efficacy, making these treatments more accessible and affordable for a broader range of patients. In the second half of 2025, Transpire will steadily advance its development of drug-device combination products for the treatment of respiratory diseases in accordance with the established product development plan. Transpire will further cooperate with more international pharmaceutical companies by leveraging its strong R&D and industrialization capabilities to promote the project. Transpire will continue to improve its R&D efficiency to ensure that the entire process of product development, marketing authorization application and commercialization is steadily advanced. In the future, Transpire is expected to bring greater revenue contribution to the Group.

According to Euromonitor, the retail market for beauty devices in China was valued at approximately RMB10 billion in 2021, reflecting a year-on-year growth of 10.7%. This market is projected to expand significantly, reaching an estimated RMB25.1 billion to RMB37.4 billion by 2025. Additionally, another report by Sullivan, published in 2024, shows that the market size of skincare products in China was approximately RMB463.0 billion in 2023, and will grow at a compound annual rate of approximately 8.7% from 2023 to 2028, ultimately reaching approximately RMB701.1 billion. These trends highlight strong growth opportunities in both beauty devices and skincare, driven by increasing consumer demand for innovative and high-quality solutions. The Group is dedicated to providing users with safer and more effective skincare solutions. While the market holds significant potential, additional time is required to evaluate the performance and operation of the Group's beauty atomization business. In the second half of 2025, the Group will closely monitor the sales trend of MOYAL products and make adjustments to the business model as necessary to deliver optimal results.

The Group remains committed to the principle that “science and technology are the primary productive forces” in its R&D initiatives. In the second half of 2025, efforts will focus on accelerating the commercialization of technology platforms while continuing to invest in R&D projects with strategic commercial value. Guided by market demand, the Group aims to address core technological challenges and resolve user pain points. The Group will continue to prioritize R&D in HNB products and inhalation therapy solutions, focusing on building technological barriers and advancing commercialization. In electronic vaping segment, the Group will concentrate on key technologies to develop platforms that deliver a distinctly superior consumer experience, with plans to launch a number

of competitive new products. Alongside self-developed R&D initiatives, the Group will collaborate with customers on joint research and share the outcomes of these partnerships. The Group is confident in its ability to rapidly iterate product portfolio while ensuring compliance, solidifying our leading position across core business areas.

The Group recognizes the critical importance of understanding consumers and market dynamics, which drives its ongoing investments in localized operations, channel expansion, and market insights development. In the second half of 2025, the Group will continue to prioritize these efforts across its major business segments. Leveraging this foundation, the Group aims to deepen commercial partnerships with some customers by offering comprehensive, one-stop solutions that include R&D, production, branding, marketing, and promotion. These initiatives are focused on enabling partners to adapt to rapidly changing market dynamics and achieve long-term success.

The year 2025 marks a crucial turning point for the Group's transformation, requiring heightened operational and managerial efficiency. In the second half of 2025, the Group will focus on advancing key initiatives, including optimizing decentralization and empowerment within business segments, enhancing talent development and management, and refining employee incentive mechanisms. The Group firmly believes that these efforts will lay a solid foundation for building a sustainable and successful long-term enterprise.

The Group will continue to enhance its production and operational management to ensure agile production and on-time delivery in response to customer demands. On the technological front, the Group will integrate automated equipment with intelligent production management systems, increase automation in critical processes, and streamline workflows to enhance manufacturing capabilities and efficiency. In terms of quality assurance, the Group will establish a dedicated improvement team to address quality problems while promoting a "prevention-first" approach. The operations team will further enhance collaboration with R&D, procurement, and suppliers to optimize product design and manufacturing processes, focusing on environmentally friendly solutions. Simultaneously, the Group will refine energy management practices and implement operational improvements to reduce energy consumption and carbon emissions. These initiatives underscore the Group's commitment to corporate social responsibility and sustainable development.

Building on the initiatives outlined above, the Group remains dedicated to creating exceptional value for customers and consumers through innovative products and advanced technology. Meanwhile, we strive to drive sustainable business growth and deliver strong, consistent returns to our Shareholders.

FINANCIAL REVIEW

During the Review Period, the total revenue of the Group was approximately RMB6,013,290,000 (the same period in 2024: approximately RMB5,083,554,000), representing an increase of approximately 18.3% as compared to the same period last year. During the Review Period, the gross profit of the Group was approximately RMB2,243,850,000 (the same period in 2024: approximately RMB1,923,951,000), representing an increase of approximately 16.6% as compared to the same period last year. During the Review Period, the gross profit margin of the Group was approximately 37.3% (the same period in 2024: approximately 37.8%). During the Review Period, the profit for the period of the Group was approximately RMB492,154,000 (the same period in 2024: approximately RMB683,198,000), representing a decrease of approximately 28.0% as compared to the same period last year.

The decrease of profit for the period was mainly due to the increase in revenue and gross profit was not being sufficient to offset increased expenses, primarily attributable to: (i) the Group's share-based payment expenses during the Review Period increased significantly as compared to the same period last year; (ii) the Group's intensified efforts in the market development of its self-branded products during the Review Period, resulting in a significant increase in related market development expenses as compared to the same period last year; and (iii) the Group's legal and compliance service related expenses which, compared to the same period last year, having increased significantly.

Excluding the share-based payment expenses, the Group's adjusted profit for the Review Period was approximately RMB737,410,000 (the same period in 2024: approximately RMB752,851,000), representing a decrease of approximately 2.1% as compared to the same period last year.

1. Revenue — Categorized by Business Types

	For the six months ended 30 June				Changes %
	2025		2024		
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	
Self-branded business	1,274,306	21.2	1,116,743	22.0	14.1
Corporate client oriented business	4,738,984	78.8	3,966,811	78.0	19.5
Total	6,013,290	100.0	5,083,554	100.0	18.3

(1) *Self-branded business*

The Group's self-branded business mainly included the sales of electronic vaping products and beauty atomization products. During the Review Period, revenue from sales of self-branded business amounted to approximately RMB1,274,306,000 (the same period in 2024: approximately RMB1,116,743,000), representing an increase of approximately 14.1% as compared to the same period last year, and its percentage of revenue decreased slightly from approximately 22.0% the same period last year to approximately 21.2% during the Review Period. Among which:

- (i) Revenue from Europe and other countries and regions market amounted to approximately RMB1,069,339,000 (the same period in 2024: approximately RMB928,687,000), representing an increase of approximately 15.1% as compared to the same period last year, all derived from sales of electronic vaping products;
- (ii) Revenue from the U.S. market amounted to approximately RMB174,349,000 (the same period in 2024: approximately RMB186,920,000), representing a decrease of approximately 6.7% as compared to the same period last year, all derived from sales of electronic vaping products; and
- (iii) Revenue from the China market amounted to approximately RMB30,618,000 (the same period in 2024: approximately RMB1,136,000), representing an increase of approximately 2,595.2% as compared to the same period last year, mainly derived from the sales of beauty atomization products.

(2) *Corporate client oriented business*

During the Review Period, revenue from corporate client oriented business amounted to approximately RMB4,738,984,000 (the same period in 2024: approximately RMB3,966,811,000), representing an increase of approximately 19.5% as compared to the same period last year, and its percentage of revenue increased from approximately 78.0% the same period last year to approximately 78.8% during the Review Period. Among which:

- (i) Revenue from Europe and other countries and regions markets amounted to approximately RMB2,733,787,000 (the same period in 2024: approximately RMB1,981,193,000), representing an increase of approximately 38.0% as compared to the same period last year, and an increase in percentage of total revenue from approximately 39.0% the same period last year to approximately 45.4% for the Review Period, mainly derived from sales of electronic vaping products, heat-not-burn products and provision of technical services;

- (ii) Revenue from the U.S. market amounted to approximately RMB1,887,768,000 (the same period in 2024: approximately RMB1,860,614,000), representing an increase of approximately 1.5% as compared to the same period last year, and a decrease in percentage of total revenue from approximately 36.6% the same period last year to approximately 31.4% for the Review Period, mainly derived from sales of electronic vaping products, special purpose atomization products and provision of technical services; and
- (iii) Revenue from China market amounted to approximately RMB117,429,000 (the same period in 2024: approximately RMB125,004,000), representing a decrease of approximately 6.1% as compared to the same period last year, and a decrease in percentage of total revenue from approximately 2.4% the same period last year to approximately 2.0% for the Review Period, mainly derived from sales of electronic vaping products and provision of technical services.

To our knowledge, the distribution of the Group's revenue from various regions is roughly as follows:

	For the six months ended 30 June				
	2025		2024		Changes
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	%
Self-branded business	1,274,306	21.2	1,116,743	22.0	14.1
— Revenue from Europe and other countries and regions (electronic vaping products)	1,069,339	17.8	928,687	18.3	15.1
— Revenue from U.S. (electronic vaping products)	174,349	2.9	186,920	3.7	(6.7)
— Revenue from China (beauty atomization products)	30,618	0.5	1,136	0.0	2,595.2
Corporate client oriented business	4,738,984	78.8	3,966,811	78.0	19.5
— Revenue from Europe and other countries and regions (electronic vaping products, and heat-not-burn products, and technical service)	2,733,787	45.4	1,981,193	39.0	38.0
— Revenue from U.S. (electronic vaping products and special purpose atomization products, and technical service)	1,887,768	31.4	1,860,614	36.6	1.5
— Revenue from China (electronic vaping products, and technical service)	117,429	2.0	125,004	2.4	(6.1)
Total	<u>6,013,290</u>	<u>100.0</u>	<u>5,083,554</u>	<u>100.0</u>	<u>18.3</u>

2. Gross Profit and Cost of Revenue

During the Review Period, the Group's gross profit was approximately RMB2,243,850,000 (the same period in 2024: approximately RMB1,923,951,000), representing an increase of approximately 16.6% as compared to the same period last year, and the gross profit margin decreased slightly from approximately 37.8% for the same period last year to approximately 37.3% for the Review Period.

Cost of revenue as a percentage of revenue:

	For the six months ended 30 June				
	2025		2024		Changes
	RMB'000	%	RMB'000	%	%
Cost of raw materials	2,845,798	47.3	2,428,773	47.8	17.2
Labor costs	433,682	7.2	341,758	6.7	26.9
Overhead	454,955	7.6	354,390	7.0	28.4
Tax and surcharge	35,005	0.6	34,682	0.7	0.9
Total	<u>3,769,440</u>	<u>62.7</u>	<u>3,159,603</u>	<u>62.2</u>	<u>19.3</u>

During the Review Period, the Group's cost of raw materials as a percentage of revenue decreased slightly from approximately 47.8% for the same period last year to approximately 47.3% for the Review Period, which was mainly attributable to 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 31.2% from approximately RMB374,516,000 for the same period last year to approximately RMB491,229,000 for the Review Period. The distribution and selling expenses as a percentage of revenue increased from approximately 7.4% for the same period last year to approximately 8.2% for the Review Period. The increase in distribution and selling expenses as a percentage of revenue was mainly due to the Group's increased marketing investment in its self-branded business, which supports the Group's continued global expansion during the Review Period. In particular:

- (1) Staff salaries and benefits increased by approximately 24.9% from approximately RMB148,642,000 for the same period last year to approximately RMB185,664,000 for the Review Period, and as a percentage of revenue, increased from approximately 2.9% for the same period last year to approximately 3.1% for the Review Period. The increase in staff salaries and benefits was mainly attributable to the Group's increased marketing investment in its self-branded business during the Review Period, which resulted in an increase in the remuneration of marketing staff.
- (2) Market development costs increased by approximately 123.2% from approximately RMB60,014,000 for the same period last year to approximately RMB133,965,000 for the Review Period, and as a percentage of revenue, increased from approximately 1.2% for the same period last year to approximately 2.2% for the Review Period. The increase in market development expenses was mainly attributable to the Group's increased promotion efforts for electronic vaping products and beauty atomization products during the Review Period.

- (3) Travelling expenses increased by approximately 25.8% from approximately RMB15,646,000 for the same period last year to approximately RMB19,682,000 for the Review Period, and as a percentage of revenue was broadly maintained at the same level as the same period last year, i.e. approximately 0.3%.
- (4) Other expenses increased by approximately 1.1% from approximately RMB150,214,000 for the same period last year to approximately RMB151,918,000 during the Review Period, and as a percentage of revenue, decreased slightly from approximately 3.0% for the same period last year to approximately 2.5% during the Review Period. Other expenses include the provision for product-related expenses during the Review Period in view of the Group's expected product changes related to regulatory and compliance requirements.

4. Administrative Expenses

The administrative expenses of the Group increased by approximately 79.7% from approximately RMB339,229,000 for the same period last year to approximately RMB609,548,000 for the Review Period. Administrative expenses as a percentage of revenue increased from approximately 6.7% for the same period last year to approximately 10.1% for the Review Period. The increase in administrative expenses as a percentage of revenue was mainly due to the increase in share-based payment expenses and legal and compliance service related expenses incurred by the Group during the Review Period. In particular:

- (1) Staff salaries and benefits increased by approximately 76.2% from approximately RMB202,790,000 for the same period last year to approximately RMB357,378,000 for the Review Period, and as a percentage of revenue, increased from approximately 4.0% for the same period last year to approximately 5.9% for the Review Period. The increase in staff salaries and benefits was mainly attributable to the increase in share-based payment expenses incurred by the Group during the Review Period.
- (2) Professional service fees increased by approximately 819.6% from approximately RMB15,190,000 for the same period last year to approximately RMB139,687,000 for the Review Period, and as a percentage of revenue, increased from approximately 0.3% for the same period last year to approximately 2.3% for the Review Period. The increase in professional service fees was mainly attributable to the increase in the Group's legal and compliance service related expenses compared to the same period last year.
- (3) Depreciation and amortization expenses decreased slightly by approximately 1.5% from approximately RMB52,097,000 for the same period last year to approximately RMB51,310,000 during the Review Period, and as a percentage of revenue, slightly decreased from approximately 1.0% for the same period last year to approximately 0.9% during the Review Period.

5. Research and Development Expenses

The Group's R&D expenses decreased by approximately 4.9% from approximately RMB760,112,000 for the same period last year to approximately RMB722,564,000 during the Review Period. As a percentage of revenue, R&D expenses decreased from approximately 15.0% for the same period last year to approximately 12.0% during the Review Period. The R&D expenses of electronic nicotine delivery system (including electronic vaping products and heat-not-burn products) decreased by approximately 0.7% compared with the same period last year, the R&D expenses of inhalation therapy and beauty atomization products decreased by approximately 3.4% compared with the same period last year, and the R&D expenses of special purpose atomization products and solutions decreased by approximately 30.1% compared with the same period last year. The year-on-year decrease in R&D expenses was mainly due to the reduced investment in electronic vaping products and the Group's capitalization of qualifying development costs during the Review Period. In particular:

- (1) Staff salaries and benefits decreased by approximately 1.7% from approximately RMB477,901,000 for the same period last year to approximately RMB469,969,000 for the Review Period, and as a percentage of revenue, decreased from approximately 9.4% for the same period last year to approximately 7.8% for the Review Period.
- (2) Development costs decreased by approximately 8.1% from approximately RMB174,900,000 for the same period last year to approximately RMB160,745,000 for the Review Period, and as a percentage of revenue, decreased from approximately 3.4% for the same period last year to approximately 2.7% for the Review Period.
- (3) Depreciation and amortization expenses decreased by approximately 18.8% from approximately RMB60,727,000 for the same period last year to approximately RMB49,340,000 for the Review Period, and as a percentage of revenue, decreased from approximately 1.2% for the same period last year to approximately 0.8% for the Review Period.

6. Other Income and Expenses

During the Review Period, the Group's total other income amounted to approximately RMB349,691,000, representing a decrease of approximately 9.3% as compared to approximately RMB385,635,000 for the same period last year, as set out below:

	For the six months ended		
	30 June		
	2025	2024	Changes
	RMB'000	RMB'000	%
Interest income from bank deposits	235,658	322,425	(26.9)
Interest income from investment notes			
at amortized cost	87,130	—	N/A
Government grants	19,192	57,955	(66.9)
Others	7,711	5,255	46.7
Total	<u>349,691</u>	<u>385,635</u>	<u>(9.3)</u>

7. Other Gains and Losses

During the Review Period, the Group's total other losses amounted to approximately RMB55,177,000, representing an increase of approximately 811.9% compared with approximately RMB6,051,000 for the same period last year, as set out below:

	For the six months ended		
	30 June		
	2025	2024	Changes
	RMB'000	RMB'000	%
Net foreign exchange (loss) gain	(37,238)	8,134	N/A
Loss arising on forward foreign exchange			
contracts/swap contracts	(482)	—	N/A
Gain arising on short-term bank deposits with			
variable interest rate	5,524	1,118	394.1
Gain arising on debt instrument	2,498	—	N/A
Gain on early termination of leases	258	396	(34.8)
Loss on disposal/write off of property, plant and			
equipment	(25,737)	(22,935)	12.2
Others	—	7,236	N/A
Total	<u>(55,177)</u>	<u>(6,051)</u>	<u>811.9</u>

8. Finance Costs

During the Review Period, the finance costs of the Group amounted to approximately RMB13,619,000 (the same period in 2024: approximately RMB18,512,000), representing a decrease of approximately 26.4% as compared to the same period last year. The finance costs of the Group were mainly derived from the interest expenses on lease liabilities and the interest expenses on discount of bills receivables.

9. Income Tax Expense

During the Review Period, the Group's income tax expense amounted to approximately RMB206,581,000 (the same period in 2024: approximately RMB128,357,000), representing an increase of approximately 60.9% as compared to the same period last year. The increase in income tax was mainly due to the increased tax provisions related to the Group's international business expansion.

10. Profit for the period and Total Comprehensive Income for the Period

During the Review Period, the profit for the period of the Group was approximately RMB492,154,000 (the same period in 2024: approximately RMB683,198,000), representing a decrease of approximately 28.0% as compared to the same period last year. During the Review Period, the Group's total comprehensive income for the period was approximately RMB501,166,000 (the same period in 2024: approximately RMB724,597,000), representing a decrease of approximately 30.8% as compared to the same period last year. The decrease was mainly due to the increase in revenue and gross profit was insufficient to offset increased expenses.

11. Liquidity and Financial Resources

As at 30 June 2025, the net current assets of the Group were approximately RMB10,198,578,000 (31 December 2024: approximately RMB11,587,063,000). As at 30 June 2025, the Group's cash and cash equivalents were approximately RMB5,211,753,000 (31 December 2024: approximately RMB5,170,700,000), which mainly consisted of approximately RMB2,073,605,000 denominated in RMB, approximately RMB2,940,496,000 denominated in USD and approximately RMB192,842,000 denominated in HKD (31 December 2024: 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). As at 30 June 2025, the current ratio of the Group was approximately 336.7% (31 December 2024: approximately 320.3%).

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 30 June 2025, the Group did not have any bank or other financial institutions borrowings (31 December 2024: nil). As at 30 June 2025, the banking facilities secured by the Group were approximately RMB7,300.0 million, of which approximately RMB722.9 million had been utilized, primarily used for the issuance and discounting of bills and letters of credit.

Gearing ratio

As at 30 June 2025, the gearing ratio, calculated as total liabilities divided by total equity, was approximately 21.8% (31 December 2024: approximately 26.2%).

12. Charge on Assets

As at 30 June 2025, the Group did not have any charge on assets (31 December 2024: bank deposits of approximately RMB590.0 million).

13. Exposure to Foreign Exchange Risk

The functional currency of the Company is RMB. The revenue of the Group is mainly settled in USD and RMB. During the Review Period, approximately 70% of the Group's revenue was settled in USD and approximately 30% was settled in RMB. Meanwhile, approximately 80% of the materials, labors and various expenditures paid by the Group were 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 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 30 June 2025, if the exchange rate of USD against RMB rises by 10%, the Group's total comprehensive income will increase by approximately RMB1,145,717,000 (31 December 2024: increase by approximately RMB874,306,000). Alternatively, if the exchange rate of USD against RMB drops by 10%, the Group's total comprehensive income will decrease by approximately RMB1,145,717,000 (31 December 2024: decrease by approximately RMB874,306,000).

14. Employment, Training and Development

As at 30 June 2025, the Group has 20,978 and 2,205 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 the 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 same pension insurance, pension scheme, medical insurance, etc. for its employees in other countries in accordance with the laws and regulations of such countries.

In addition, the Group attaches great importance to the individual education and career development of employees, and has formulated targeted talent development programmes tailored to different groups of talents, such as the “Hong Yi” programme designed to cultivate outstanding director-level talents, the “Zhen Yu” programme 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, we upgrade our online learning platform from time to time to enrich the on-line courses, so that all employees can enjoy the value of on-line learning in real time.

During the Review Period, the total staff costs (including management and administration staff) accounted for approximately 28.5% of the revenue of the Group (the same period in 2024: approximately 25.6%). The increase in total staff costs as a percentage of revenue was mainly due to the year-on-year increase in share-based payment expenses incurred by the Group during the Review Period.

15. Capital Expenditures

For the six months ended 30 June 2025, the total investment in property, plant and equipment and intangible assets of the Group was approximately RMB784,581,000 (the same period in 2024: approximately RMB282,315,000), which was mainly attributable to the recognition of (1) capital expenditure in relation to the headquarter building, (2) capital expenditure in relation to equipment, and (3) research and development expenditure capitalized.

16. Capital Commitments

As at 30 June 2025, the Group had contracted capital commitment for property, plant and equipment of approximately RMB474,461,000 (31 December 2024: approximately RMB707,750,000), which will be financed with proceeds from the Listing and net proceeds generated from operations.

17. Material Acquisitions and Disposals

For the six months ended 30 June 2025, the Group did not carry out any material acquisitions or disposals of any subsidiaries, associates or joint ventures.

18. Significant Investments

For the six months ended 30 June 2025, the Group did not have any significant investments.

19. Contingent Liabilities

As at 30 June 2025, the Group did not have any material contingent liabilities.

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”.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2025

		For the six months ended 30 June	
	NOTES	2025 RMB'000 (unaudited)	2024 RMB'000 (unaudited)
Revenue	4	6,013,290	5,083,554
Cost of revenue		<u>(3,769,440)</u>	<u>(3,159,603)</u>
Gross profit		2,243,850	1,923,951
Other income and expenses		349,691	385,635
Distribution and selling expenses		(491,229)	(374,516)
Administrative expenses		(609,548)	(339,229)
Research and development expenses		(722,564)	(760,112)
Finance costs		(13,619)	(18,512)
Other gains and losses	5	(55,177)	(6,051)
Impairment loss recognised on trade receivables, net		<u>(2,669)</u>	<u>389</u>
Profit before tax		698,735	811,555
Income tax expense	6	<u>(206,581)</u>	<u>(128,357)</u>
Profit for the period	7	492,154	683,198
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		<u>9,012</u>	<u>41,399</u>
Other comprehensive income for the period		<u>9,012</u>	<u>41,399</u>
Total comprehensive income for the period		<u>501,166</u>	<u>724,597</u>
Total comprehensive income for the period attributable to shareholders of the Company		<u>501,166</u>	<u>724,597</u>
Earnings per share	9		
Basic (RMB cents)		<u>8.08</u>	<u>11.20</u>
Diluted (RMB cents)		<u>7.96</u>	<u>11.11</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2025

		At 30 June 2025 <i>RMB'000</i> (unaudited)	At 31 December 2024 <i>RMB'000</i> (audited)
	<i>NOTES</i>		
Non-current assets			
Property, plant and equipment		4,989,627	4,637,073
Intangible assets		369,205	196,363
Deposits paid for acquisition of property, plant and equipment		173,632	258,745
Deferred tax assets		38,610	34,904
Long-term bank deposits		2,086,060	3,106,699
Rental deposits		32,572	21,449
Other financial assets		5,134,508	2,552,717
		<u>12,824,214</u>	<u>10,807,950</u>
Current assets			
Inventories		1,003,180	910,425
Trade and bills receivables	10	2,015,323	2,084,825
Other receivables, deposits and prepayments		888,375	769,816
Contract costs		4,313	—
Financial assets at fair value through profit or loss (“FVTPL”)		1,231,334	857
Restricted bank deposits		138	590,195
Short-term bank deposits over three months		4,153,173	7,319,610
Bank balances and cash		5,211,753	5,170,700
		<u>14,507,589</u>	<u>16,846,428</u>
Current liabilities			
Trade and bills payables	11	1,241,857	1,369,576
Other payables and accrued expenses		1,639,220	1,721,052
Tax payables		166,311	76,638
Contract liabilities		609,763	399,947
Lease liabilities		131,938	115,789
Deferred income		1,922	1,863
Advances drawn on bills receivables discounted with recourse		518,000	1,574,500
		<u>4,309,011</u>	<u>5,259,365</u>
Net current assets		<u>10,198,578</u>	<u>11,587,063</u>
Total assets less current liabilities		<u>23,022,792</u>	<u>22,395,013</u>

	At 30 June 2025 <i>RMB'000</i> (unaudited)	At 31 December 2024 <i>RMB'000</i> (audited)
Non-current liabilities		
Lease liabilities	275,852	190,214
Deferred income	13,397	13,965
Deferred tax liabilities	<u>287,989</u>	<u>286,123</u>
	<u>577,238</u>	<u>490,302</u>
Net assets	<u><u>22,445,554</u></u>	<u><u>21,904,711</u></u>
Capital and reserves		
Share capital	431,909	431,299
Reserves	<u>21,994,903</u>	<u>21,465,789</u>
Equity attributable to shareholders of the Company	22,426,812	21,897,088
Non-controlling interests	<u>18,742</u>	<u>7,623</u>
Total equity	<u><u>22,445,554</u></u>	<u><u>21,904,711</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 June 2025*

	For the six months ended	
	30 June	
	2025	2024
	RMB'000	RMB'000
	(unaudited)	(unaudited)
NET CASH FROM OPERATING ACTIVITIES	<u>813,755</u>	<u>602,829</u>
NET CASH FROM INVESTING ACTIVITIES	<u>539,974</u>	<u>267,909</u>
NET CASH (USED IN) FROM FINANCING ACTIVITIES	<u>(1,298,904)</u>	<u>332,125</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	54,825	1,202,863
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	5,170,700	5,332,076
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	<u>(13,772)</u>	<u>(68)</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	<u><u>5,211,753</u></u>	<u><u>6,534,871</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2025

1. GENERAL INFORMATION

Smooore International Holdings Limited (“**the Company**”) was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law, Cap. 22 on 22 July 2019. The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 10 July 2020. 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) Corporate Client Oriented Business (“**ToB Business**”) focuses on the research, design, and manufacturing of vaping products, heat-not-burn (“**HNB**”) products, special purpose atomization products and inhalation therapy products for leading global tobacco companies, independent vaping brands, and other corporate clients. The Group also provides technological services related to these products; (2) Self-Branded Business focuses on the research, design, manufacturing, and sales of self-branded electronic vaping products and beauty atomization products.

The condensed consolidated financial statements of Group are presented in Renminbi (“**RMB**”), which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“**HKAS 34**”) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) as well as the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Other than additional accounting policies resulting from application of amendments to HKFRS Accounting Standards and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2025 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2024.

Application of amendments to HKFRS Accounting Standards

In the current interim period, the Group has applied the following amendments to a HKFRS Accounting Standard issued by the HKICPA, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2025 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 21

Lack of Exchangeability

The application of the amendments to a HKFRS Accounting Standard in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

(i) Disaggregation of revenue from contracts with customers

	For the six months ended	
	30 June	
	2025	2024
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Corporate client oriented business	4,738,984	3,966,811
Self-branded business	<u>1,274,306</u>	<u>1,116,743</u>
Total revenue	<u>6,013,290</u>	<u>5,083,554</u>

	For the six months ended	
	30 June	
	2025	2024
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Timing of revenue recognition for contracts with customers		
At a point in time	5,847,159	5,037,242
Over time	<u>166,131</u>	<u>46,312</u>
Total revenue	<u>6,013,290</u>	<u>5,083,554</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:**

	For the six months ended	
	30 June	
	2025	2024
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Segment revenue	<u>6,013,290</u>	<u>5,083,554</u>
Segment profit	706,408	820,065
Unallocated losses	(13,622)	(19,232)
Unallocated income	9,889	13,178
Unallocated expenses	<u>(3,940)</u>	<u>(2,456)</u>
Profit before tax	<u>698,735</u>	<u>811,555</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:

	For the six months ended	
	30 June	
	2025	2024
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Hong Kong, China (<i>Note</i>)	2,128,271	1,858,625
United Kingdom	1,501,465	1,149,981
United States of America	648,850	567,266
Mainland China	417,262	364,777
The Republic of Croatia	222,905	92,588
France	161,195	160,310
Malaysia	124,464	2,023
Japan	118,811	114,880
Canada	101,353	81,652
Others	588,714	691,452
	<u>6,013,290</u>	<u>5,083,554</u>

Note: Revenue generated from Hong Kong, China are on re-export or trans-shipment 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.

5. OTHER GAINS AND LOSSES

	For the six months ended	
	30 June	
	2025	2024
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net foreign exchange (loss) gain	(37,238)	8,134
Loss arising on forward foreign exchange contracts/swap contracts	(482)	—
Gain arising on short-term bank deposits with variable interest rate	5,524	1,118
Gain arising on debt instrument	2,498	—
Gain on early termination of leases	258	396
Loss on disposal/write-off of property, plant and equipment	(25,737)	(22,935)
Others	—	7,236
	<u>(55,177)</u>	<u>(6,051)</u>

6. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2025	2024
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Mainland China Enterprise Income Tax (“EIT”)	78,729	87,985
Hong Kong Profits Tax	34,729	11,882
Other countries and regions	<u>94,963</u>	<u>1,588</u>
	208,421	101,455
Deferred tax	<u>(1,840)</u>	<u>26,902</u>
	<u>206,581</u>	<u>128,357</u>

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 six months ended 30 June 2025 and 2024. 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.

The Group is subject to the global minimum top-up tax under the Pillar Two Rules. As at 30 June 2025, the top-up tax relates to the Group’s operations in certain jurisdictions. A top-up tax is accrued in the current interim period using the tax rate based on the estimated adjusted covered taxes and net globe income for the year in these jurisdictions, resulting in an estimated effective income tax rate higher than 15%. The Group has recognised a current tax expense of RMB76,218,000 related to the Pillar Two Rules for the six months ended 30 June 2025 (six months ended 30 June 2024: Nil) which is expected to be levied on certain subsidiaries.

7. PROFIT FOR THE PERIOD

For the six months ended

30 June

2025

2024

RMB'000

RMB'000

(unaudited)

(unaudited)

Profit for the period has been arrived at after charging:

Depreciation of right-of-use assets for buildings and land use rights	87,229	88,819
Depreciation of property, plant and equipment other than right-of-use assets	232,603	258,614
Amortisation of intangible assets	14,175	16,875
	<u>334,007</u>	<u>364,308</u>
Less: amounts capitalised as cost of inventories manufactured and property, plant and equipment	(187,605)	(221,122)
amounts capitalised in intangible assets	<u>(11,228)</u>	<u>—</u>
	<u>135,174</u>	<u>143,186</u>
Allowance for inventories included in cost of revenue	3,466	17,993
Government grants	<u>19,192</u>	<u>57,955</u>

8. DIVIDENDS

For the six months ended

30 June

2025

2024

RMB'000

RMB'000

(unaudited)

(unaudited)

Dividends recognised as distribution during the period	<u>279,308</u>	<u>275,861</u>
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During the current interim period, a final dividend of HK5 cents per share in respect of the year ended 31 December 2024 (six months ended 30 June 2024: HK5 cents) was declared and paid to owners of the Company. The aggregate amount of the final dividend paid in the interim period amounted to HK\$304,792,000 (equivalent to approximately RMB279,317,000) (six months ended 30 June 2024: HK\$303,581,000 (equivalent to approximately RMB276,037,000)).

Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of HK20 cents per share amounting to approximately HK\$1,238,220,000 in aggregate (six months ended 30 June 2024: HK\$308,888,000) will be paid to owners of the Company whose names appear in the register of members of the Company on 11 September 2025.

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	For the six months ended	
	30 June	
	2025	2024
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Earnings:		
Earnings for the purpose of basic and diluted earnings per share	<u>492,154</u>	<u>683,198</u>
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating earnings per share	<u>6,091,740</u>	<u>6,101,812</u>
Effect of dilutive potential ordinary shares:		
Share options/award shares	<u>93,359</u>	<u>50,173</u>
	<u>6,185,099</u>	<u>6,151,985</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 six months ended 30 June 2025 and 2024.

10. TRADE AND BILLS RECEIVABLES

	At 30 June	At 31 December
	2025	2024
	RMB'000	RMB'000
	(unaudited)	(audited)
Trade receivables from contracts with customers	2,053,186	2,103,221
Less: Allowance for credit losses	<u>(37,863)</u>	<u>(36,314)</u>
	2,015,323	2,066,907
Bills receivables	<u>—</u>	<u>17,918</u>
	<u>2,015,323</u>	<u>2,084,825</u>

The Group allows a credit period of 0 to 105 days (31 December 2024: 0 to 105 days) to its trade customers.

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:

	At 30 June 2025 RMB'000 (unaudited)	At 31 December 2024 RMB'000 (audited)
Trade receivables		
Within 30 days	492,339	764,436
31 to 60 days	637,280	550,894
61 to 90 days	479,201	477,720
Over 90 days	<u>406,503</u>	<u>273,857</u>
	<u>2,015,323</u>	<u>2,066,907</u>

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

11. TRADE AND BILLS PAYABLES

	At 30 June 2025 RMB'000 (unaudited)	At 31 December 2024 RMB'000 (audited)
Trade payables	1,136,290	1,209,152
Bills payables	<u>105,567</u>	<u>160,424</u>
	<u>1,241,857</u>	<u>1,369,576</u>

The Group is normally granted credit terms of 30 to 90 days (31 December 2024: 30 to 90 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 periods:

	At 30 June 2025 RMB'000 (unaudited)	At 31 December 2024 RMB'000 (audited)
Within 30 days	389,907	730,256
31–60 days	500,169	284,727
61–90 days	182,233	158,228
Over 90 days	<u>63,981</u>	<u>35,941</u>
	<u>1,136,290</u>	<u>1,209,152</u>

The maturity dates of bills payables are within six months as at 30 June 2025 and 31 December 2024.

OTHER INFORMATION

CORPORATE GOVERNANCE

Compliance with the Code Provisions of the Corporate Governance Code

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 of the Company (“**Shareholders**”).

For the six months ended 30 June 2025, the Company had applied the principles and complied with all code provisions (except as stated below) and (where applicable) the recommended best practices of the Corporate Governance Code (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 (the “**Listing Rules**”). In respect of code provision C.2.1 of the CG Code, the positions of the chairman of the Board and the chief executive officer are held by the same individual, namely, Mr. Chen Zhiping. The Board is of the view that this is the most appropriate arrangement in the interest of the Shareholders as a whole at present, and will not impair the balance of power between the Board and the Company’s management, which is mainly in view of the following considerations:

- (1) The decision of the Board requires the approval of a majority of Directors. Currently, the Board of the Company consists of eight Directors, including three independent non-executive Directors and one non-executive Director. Therefore, the Board believes that there are sufficient checks and balances within the Board;
- (2) Mr. Chen and the other Directors have already undertaken to fulfill their fiduciary duties as Directors, which requires them to act for the benefits and in the best interests of the Company;
- (3) The balance of power guarantees the functioning of the Board. The Board of the Company consists of experienced talents in different fields. These members meet regularly to discuss significant issues relating to the business strategies and operations of the Group;
- (4) The Group’s development strategies and other major operating decisions are jointly made by the management team, the Board, and special committees under the Board after regular discussions.

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

AUDIT COMMITTEE

The Audit Committee currently 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 Audit Committee has reviewed, with the management and the independent auditor of the Company, the Group's unaudited condensed consolidated interim financial information for the six months ended 30 June 2025, the interim report, the accounting principles and practices adopted by the Group and has discussed the risk management, internal controls and financial reporting matters.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set forth in the Appendix C3 to the Listing Rules as a code of conduct of the Company for Directors' securities transactions (the “**Securities Trading Code**”). Having made specific enquiry on this matter, all Directors confirmed that they have strictly complied with the relevant provisions of the Securities Trading Code for the six months ended 30 June 2025.

INTERIM DIVIDEND

The Company celebrates its fifth anniversary as a listed company. In order to mark the occasion and to signify its appreciation of its Shareholders, the Board has resolved to declare an interim dividend of HK20 cents per share for the six months ended 30 June 2025 (six months ended 30 June 2024: HK5 cents per share), to be paid to the Shareholders as appearing on the register of members of the Company on 11 September 2025 (i.e. the record date). The interim dividend is expected to be distributed on 25 September 2025, and the ex-dividend date is 5 September 2025.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 9 September 2025 to 11 September 2025, both dates inclusive, during which period no transfer of shares will be registered. In order to determine the Shareholders who are entitled to the interim dividend, all transfer forms, 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 8 September 2025.

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

During the Review Period, neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities (including treasury shares) of the Company. Other than the issuance of equity securities under the share option scheme that complies with Chapter 17 of the Listing Rules, the Group did not issue any equity securities or sale of treasury shares for cash during the Review Period. As at 30 June 2025, the Group did not hold any treasury shares.

REVIEW OF ACCOUNTS

Deloitte Touche Tohmatsu, the independent auditor of the Company, has reviewed the unaudited condensed consolidated interim financial information for the six months ended 30 June 2025 in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

EVENTS AFTER THE REVIEW PERIOD

There are no material events that are required to be disclosed by the Company after 30 June 2025.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement has been published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.smooreholdings.com. The interim report for the six months ended 30 June 2025 containing all the information required to be disclosed by the Listing Rules 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, 20 August 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.