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 2020

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 2020 (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				
	2016	2017	2018	2019	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
Revenue	707,254	1,565,190	3,433,709	7,610,601	**10,009,937**
Gross profit margin	24.3%	26.8%	34.7%	44.0%	**52.9%**
Profit and total comprehensive income for the year	106,200	188,980	733,952	2,173,789	**2,399,921**
*Adjusted profit and total comprehensive income for the year ("Adjusted net profit")	106,200	188,980	734,760	2,265,391	**3,893,428**
Non-current assets	117,629	253,037	588,136	1,132,163	**2,333,221**
Current assets	418,953	824,771	1,841,116	2,169,740	**12,440,588**
Current liabilities	255,658	586,271	1,248,465	2,049,243	**2,108,440**
Net current assets	163,295	238,500	592,651	120,497	**10,332,148**
Total assets	536,582	1,077,808	2,429,252	3,301,903	**14,773,809**
Total assets less current liabilities	280,924	491,537	1,180,787	1,252,660	**12,665,369**
Total equity/net assets	260,211	410,451	968,958	734,673	**12,399,721**
Cash and cash equivalents	104,387	333,242	941,964	731,394	**9,557,802**

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

	For the year ended 31 December				
	2016	2017	2018	2019	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
Profit and total comprehensive income for the year before adjustment	106,200	188,980	733,952	2,173,789	**2,399,921**
Less:					
Listing expenses	—	—	(808)	(26,299)	**(72,988)**
Share-based payment expenses plan related to pre-IPO share option scheme	—	—	—	(61,268)	**(362,923)**
Loss on fair value changes of convertible promissory notes	—	—	—	(3,635)	**(38,487)**
Loss on fair value changes of convertible preferred shares	—	—	—	(400)	**(1,019,109)**
Adjusted net profit	106,200	188,980	734,760	2,265,391	**3,893,428**

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

The Board proposed to declare a final dividend of HK$0.27 per ordinary share for the year ended 31 December 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Principal Business of the Group During the Review Period

The Group is a global leader in offering vaping technology solutions. During the Review Period ("**Financial Year**"), through our innovative and pioneering vaping technology solutions, we mainly operated two business segments: (1) research, design and manufacturing of closed system vaping devices and vaping components for a number of global leading tobacco companies and independent vaping companies, and (2) research, design, manufacturing and sale of self-branded open system vaping devices, or advanced personal vaporizers ("**APV**"), for retail clients.

INDUSTRY OVERVIEW

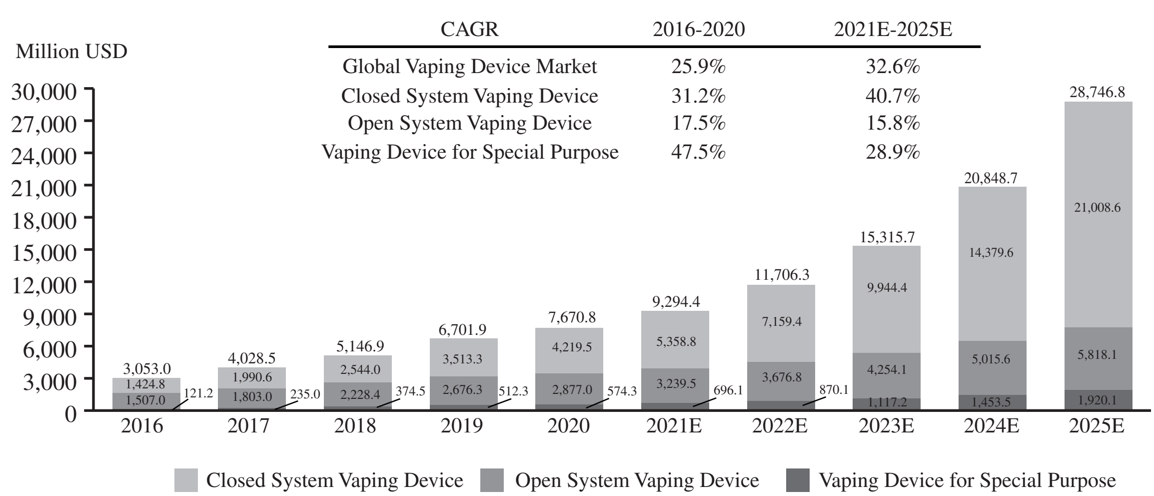
During the Review Period, the Group's products for corporate clients mainly included closed system vaping devices, vaping components, including vaping components for special purpose. The products for the retail client oriented business included self-branded open system vaping devices (APV). According to the independent market research report issued by industry consultant Frost & Sullivan in March 2021 (the "**Sullivan Report**"), the global vaping device market size is expected to grow at a compound growth rate of approximately 25.9% at ex-factory prices from 2016 to 2020, and at an estimated compound growth rate of approximately 32.6% from 2021 to 2025.

The global market size of closed system vaping devices has maintained a compound growth rate of approximately 31.2% at ex-factory price from 2016 to 2020, and is expected to grow at a compound growth rate of approximately 40.7% from 2021 to 2025. The global market size of open system vaping devices has maintained a compound growth rate of approximately 17.5% at ex-factory price from 2016 to 2020, and is expected to grow at a compound growth rate of approximately 15.8% from 2021 to 2025. The global market of vaping device for special purpose is expected to grow at a compound growth rate of approximately 47.5% at ex-factory prices from 2016 to 2020, and is expected to grow at a compound growth rate of approximately 28.9% from 2021 to 2025.

According to the Sullivan Report, the Group continues to maintain its position as the world's largest manufacturer of vaping devices in the year of 2020, and its market share in the global vaping devices manufacturing field has increased from approximately 16.5% in 2019 to approximately 18.9% in 2020.

Global Vaping Device Market Overview

Market Size of Global Vaping Device Market by Revenue (by Ex-factory Price), 2016-2025E



BUSINESS REVIEW

Sales and Marketing

In 2020, the global economy was impacted by the new coronavirus epidemic ("**COVID-19**", "**Outbreak**"). In face of a complex and changeable trading environment and regulatory environment, the Group has committed to providing clients with competitive products, and well satisfied client's delivery requirements and achieved relatively satisfying results during the Review Period against difficulties under the circumstance of adverse impact on the production and operation by the sudden Outbreak. The Group realized revenue of approximately RMB10,009,937,000 for the year of 2020, representing an increase of approximately 31.5% over 2019. In particular, the revenue of corporate client oriented products increased by approximately 39.5%, which was mainly due to the fact that the Group's FEELM brand ceramic atomization technology continued to be widely recognized by consumers around the world and the quality and delivery capabilities of the Group's products further gained corporate client's recognition. During the Review Period, the Group's revenue of retail client oriented products decreased by approximately 18.7%. The main reasons for the decrease in revenue were the impact of the Outbreak on the distribution channels of the Group's products, and the growth in consumer demand for open system vaping devices during the Review Period was weaker than that of closed system vaping devices.

Research and Development

The Group believes that technology leadership is the core driving force for the Group's development. During the Review Period, the Group continued to strengthen its investment in R&D. The R&D expenditure amounted to approximately RMB419,806,000, an increase of approximately 51.3% over the previous year, and its percentage of revenue continued to increase from approximately 3.6% in the previous year to approximately 4.2% in the Financial Year. The Group's R&D investment during the Review Period includes, but not limited to: in-depth research on the safety and user experience of vaping products, research and testing related to premarket tobacco application ("**PMTA**") product certification as required by the US Federal Food and Drug Administration ("**FDA**"), research and development of automated production equipments, and research of new materials, in-depth study of vaping mechanism etc. Based on the vaping technology platform, the Group has also made satisfying progress in research and development of medical and healthcare vaping products.

In response to the FDA's PMTA requirements for the electronic nicotine delivery systems ("**ENDS**"), the Group has submitted PMTA before the prescribed deadline 9 September 2020 in accordance with the requirements for related products. The Group is one of the earliest manufacturers in China to submit such application and the application submitted by the Group is in the process of FDA review. At the same time, the Group is also actively cooperating with large clients to prepare PMTA applications related to the Group's products.

During the Review Period, the number of the Group's new patent applications was 740, of which 341 were invention patents, which further enhanced the Group's technology leadership in the vaping field. As of 31 December 2020, the number of the Group's accumulative patent applications was 2,221, of which 965 were invention patents.

As at 31 December 2020, the number of the Group's R&D personnel accounted for approximately 46.4% (as at 31 December 2019: approximately 41.6%) of the non-production personnel (the total number of employees less the number of production personnel).

Production and Operation

The Group was affected by the COVID-19 in the first quarter of 2020, which caused the operation commencement date to be delayed. After the start of operation, it also faced multiple challenges of epidemic prevention and control, employee recruitment and resumption of work and production. The Group has overcome numerous difficulties and completed the recruitment of employees required for production within one month with no employee infected with COVID-19, and its production and operations basically returned to normal in mid March of 2020. It also well satisfied the delivery demands of client and provided a strong support for major clients to seize market opportunities in a timely manner and increase market share.

During the Review Period, the Group continued to improve operational efficiency and lowered the proportion of material costs, labor costs and manufacturing expenses as a percentage of revenue to a certain extent by reducing material wastage rate, optimizing cost structure and further exerting the scale effect of procurement, which brought strong momentum to the improvement of the Group's gross profit.

Production Capacity and Utilisation Rate

	Designed Production Capacity during the Review Period *(equivalent units in millions per year)*	**Adjusted Production Capacity** *(equivalent units in millions per year)*	**Production volume during the Review Period** *(equivalent units in millions per year)*	**Utilisation Rate**
Corporate client oriented sales	1,868.4	1,719.8	1,094.3	63.6%
Retail client oriented sales	25.8	23.7	12.9	54.4%

Notes:

1. During the Review Period, Designed Production Capacity was calculated based on the total of monthly designed production capacity per hour of our production line of 12 months. In our calculations, we assumed that (i) we operate 300 days per year at all of our production facilities, and (ii) we operate eight hours per day.

2. Adjusted Production Capacity was calculated based on Designed Production Capacity after deducting the impact of COVID-19 in the first quarter of 2020.

3. Utilisation Rate was calculated based on Production Volume during the Review Period divided by Adjusted Production Capacity.

4. As at 31 December 2020, our Designed Production Capacity for corporate clients products has been increased to 2,316.1 million equivalent units per year, and our Designed Production Capacity for retail clients products remained 25.8 million equivalent units per year.

5. The equivalent unit for our corporate client oriented sales is calculated by converting all of the parts of vaping devices at respective ratios into cartridges. The equivalent unit for our retail client oriented sales is calculated by converting all of the parts of APV at respective ratios into a full set APV. The respective ratios are determined based on the manufacturing time needed.

FUTURE PROSPECTS AND STRATEGIES

According to the Sullivan Report, the global vaping devices market size is expected to grow at a compound growth rate of approximately 32.6% at ex-factory price from 2021 to 2025. Being the world's largest manufacturer of vaping devices, we maintain full confidence in the future market prospects.

For product research and development, the Group will adhere to the technology-leading strategy, continue to increase investment in research and development, especially in basic research field in relation to product safety, health and consumer experience, and actively promote the in-depth application of vaping technology in health, medical and other fields. As for product application research, the Group will stick to work closely with major clients to keep abreast of the changes in product requirements and demands of legislators, regulators and consumers, so as to design more competitive and innovative products in a targeted manner.

For production and operations, the Group will further improve the competitiveness of the Group's products in terms of cost and quality through measures such as continuously increasing the level of production automation and intelligence to enhance production efficiency and optimizing supply chains.

For capacity expansion, the Group fully recognizes that only by establishing sufficient capacity reserves can it quickly response to client's demand for orders and lay a foundation for taking up new market opportunities. The Group will advance its capacity expansion plan in an orderly manner as scheduled. In addition to the production capacity of 2,316.1 million equivalent units per year for corporate client products owned by the Group as at 31 December 2020, the Group plans to increase the Group's capacity reserves for sales to corporate clients by no less than 500 million equivalent units per year by adding new leased properties and upgrading the level of automation in 2021. The first phase of the Group's industrial park in Jiangmen, Guangdong Province is under construction, and it is expected to increase the Group's capacity by no less than 1,080 million equivalent units per year (corporate client oriented products) by the end of 2022. After the completion of the second phase of the industrial park in Jiangmen, the Group is expected to further increase its production capacity by no less than 1,440 million equivalent units per year for corporate client products.

The Group believes that we have the ability to adjust our capacity expansion plan in a timely manner according to the changes of market to satisfy client's delivery demands.

With regard to sales of existing products, the Group will strive to strengthen in-depth cooperation with existing large-scale ODM clients, fully understand and respond to their needs in a timely manner and provide strong support for clients' business growth. In the meantime, the Group will also continue to strengthen the market expansion of its self-branded business and increase its market share by creating high-quality products, improving product distinctions in technology and market coverage. In addition, the Group will further expand its product categories in 2021, including the exploration of market opportunities for heat-not-burn ("**HNB**") products. In relation to branding and marketing, the Group will further increase the influence of the Group's own brand (such as Vaporesso) and ceramic vaping technology brand (such as FEELM) and enhance consumers' recognition on the Group's brands to lay a solid foundation for the sustainable growth of revenue.

FINANCIAL REVIEW

During the Review Period, the total revenue of the Group was approximately RMB10,009,937,000 (2019: approximately RMB7,610,601,000), representing an increase of approximately 31.5% compared with last year. The gross profit in the Financial Year was approximately RMB5,295,813,000 (2019: RMB3,352,352,000), representing a year on year increase of approximately 58.0%. The gross profit margin in the Financial Year was approximately 52.9% (2019:44.0%). The profit and total comprehensive income for the year of the Group increased from approximately RMB2,173,789,000 in 2019 to approximately RMB2,399,921,000 this year. Adjusted net profit was approximately RMB3,893,428,000, representing a year-on-year increase of 71.9% from last year. The main reasons of such increases included the growth in revenue and improvement of gross profit margin. In the first half of the Financial Year, the Group's revenue increased by approximately 18.5% due to the impact of the Outbreak on production while a revenue increase of approximately 41.3% was recorded in the second half of the Financial Year as the effect of the Outbreak on production was basically eliminated.

1. Revenue — categorized by business types

	For the year ended 31 December				
	2020		2019		Changes
	RMB'000	*%*	*RMB'000*	*%*	*%*
Corporate client oriented sales	**9,162,803**	**91.5**	6,568,661	86.3	39.5
Retail client oriented sales	**847,134**	**8.5**	1,041,940	13.7	(18.7)
Total	**10,009,937**	**100.0**	7,610,601	100.0	31.5

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

During the Review Period, the revenue of corporate client oriented sales was approximately RMB9,162,803,000 (2019: RMB6,568,661,000), indicating an increase of approximately 39.5% compared with last year, which was primarily attributable to the continuous recognition of vaping devices equipped with FEELM ceramic heating technology of our Group by consumers in the market, and that the impact of the COVID-19 Outbreak on the sales channel of the Group's customers of vaping devices being relatively small, and the significant increase of purchase orders from the Company's major clients.

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

The Group's products for retail clients are mainly self-branded open system vaping devices and related ancillary products ("**APV products**"). During the Review Period, the revenue from retail clients was approximately RMB847,134,000 (2019: RMB1,041,940,000), indicating a decrease of 18.7% from last year, mainly due to the restricted sales channels and impact on consumers' purchasing power for open system vaping devices with higher unit prices during the COVID-19 Outbreak period. The main sales channels of APV products are vaping devices shops and tobacco shops. During the Outbreak period, a number of vaping devices shops and tobacco shops have fewer business hours or have been temporarily closed, which caused more inconvenience for end consumers. In addition, APV products have higher average selling price compared with our closed system vaping devices and it is more likely for consumers to reduce their demand for APV products during the COVID-19 Outbreak period.

Revenue — categorized by customers' places of incorporation

	For the year ended 31 December				
	2020		2019		Changes
	RMB'000	***%***	*RMB'000*	*%*	*%*
U.S.	**1,450,052**	**14.5**	1,661,981	21.8	(12.8)
Mainland China	**2,709,058**	**27.1**	1,588,703	20.9	70.5
Hong Kong, China*	**3,632,582**	**36.3**	2,010,165	26.4	80.7
Europe	**1,546,521**	**15.4**	1,366,799	18.0	13.1
Japan	**312,309**	**3.1**	605,003	7.9	(48.4)
Others	**359,415**	**3.6**	377,950	5.0	(4.9)
Total	**10,009,937**	**100.0**	7,610,601	100.0	31.5

* Revenue generated from Hong Kong is on re-export or transshipment basis and, to our knowledge, none of our products are distributed or sold in Hong Kong. Our customers incorporated in Hong Kong are mainly responsible for transshipment or trading companies for our overseas customers. To our knowledge, approximately 96.3% (2019: 93.4%) of the products sold to customers incorporated in Hong Kong during the Review Period were forwarded to the U.S.

2. **Gross Profit and Cost of Sales**

During the Review Period, the gross profit of the Group was approximately RMB5,295,813,000 (2019: RMB3,352,352,000), indicating an increase of approximately 58.0% from 2019 while the gross profit margin rose to approximately 52.9% during the Review Period from 44.0% last year. The main reasons for the increase in gross profit margin include: (i) the scale effect out of steady revenue growth; (ii) the improvement in operating efficiency resulted in the decrease in the production cost of those products.

	For the year ended 31 December				
	2020		2019		Changes
	RMB'000	*%*	*RMB'000*	*%*	*%*
Cost of raw materials	**3,429,640**	**72.8**	3,049,348	71.6	12.5
Labor cost	**677,188**	**14.4**	625,462	14.7	8.3
Production overhead	**520,500**	**11.0**	499,548	11.7	4.2
Tax and surcharge	**86,796**	**1.8**	83,891	2.0	3.5
Total	**4,714,124**	**100.0**	4,258,249	100.0	10.7

3. **Distribution and Selling Expenses**

The Group's distribution and selling expenses during the Review Period decreased from approximately RMB157,713,000 last year to approximately RMB144,171,000 during the Review Period, representing a decrease of approximately 8.6%. Distribution and selling expenses as a percentage of total revenue was approximately 1.4% (2019: 2.1%). The decrease in distribution and selling expenses as a percentage of total revenue was mainly due to the scale effect brought by the growth of revenue. Among which:

(1) employee's salaries and benefits decreased from approximately RMB79,761,000 last year to approximately RMB69,637,000 this year, representing a decrease of approximately 12.7%. The proportion of employee's salaries and benefits in total revenue decreased from approximately 1.0% last year to approximately 0.7% during the Review Period. The main reason of decrease in employee's salaries and benefits was the decrease in selling activities related salaries due to the impact of the Outbreak.

(2) marketing expenses decreased from approximately RMB42,434,000 last year to approximately RMB40,723,000 this year, representing a decrease of approximately 4.0%. The proportion of marketing expenses to revenue decreased from 0.6% last year to 0.4% this year. The decrease in marketing expenses was mainly due to the decrease in the revenue of the Group's self-branded business during the Review Period.

4. **Administrative Expenses**

The administrative expenses of the Group during the Review Period increased from approximately RMB327,048,000 last year to RMB682,681,000 during the Review Period, representing an increase of approximately 108.7%. Administrative expenses as a percentage of revenue increased from approximately 4.3% last year to approximately 6.8% in the Review Period. The significant increase in administrative expenses as a percentage of revenue was mainly due to the increase of share option expenses. Excluding the effect of share option expenses, the Group's administrative expenses during the Review Period increased by approximately 20.3%, and decreased from 3.5% last year to 3.2% during the Review Period as a percentage of revenue. Among which:

(1) employee's salaries and benefits increased by approximately 183.7% from approximately RMB182,438,000 last year to approximately RMB517,499,000. Its proportion of revenue increased from approximately 2.4% last year to approximately 5.2% during the Review Period. The main reason for the increase in employee's salaries and benefits was the amortization of the Company's Pre-IPO share option expenses of RMB362,923,000 during the Review Period (2019: RMB61,268,000). If excluding the impact of the Pre-IPO share option expenses amortization, the remuneration expenditure during the Review Period was approximately RMB154,576,000, representing an increase of approximately 27.6% over last year.

(2) professional fees increased by approximately 22.2% from approximately RMB42,242,000 last year to approximately RMB51,617,000. Such fees as a percentage of revenue decreased from approximately 0.6% last year to approximately 0.5% during the Review Period. The main reason for the increase in such fees was the increase in demand for hiring external professional agencies to provide consultation services in line with the expansion of the Company's business scale.

(3) depreciation and amortization expenses increased by approximately 49.5% from approximately RMB13,821,000 last year to approximately RMB20,660,000, accounting for approximately 0.2% of revenue (2019: 0.2%). The increase in such expenses was mainly due to the expansion of the Company's business scale and the corresponding increase of investment in equipments and decoration expenses.

5. **Research and Development Expenses**

The Group's research and development expenses during the Review Period increased from approximately RMB277,401,000 in 2019 to approximately RMB419,806,000 during the Review Period, representing an increase of approximately 51.3%. Research and development expenses as a percentage of revenue increased from approximately 3.6% in 2019 to approximately 4.2% during the Review Period. The main reason of increase in research and development expenses as a percentage of revenue was the fact that the Group has always regarded technology leadership as the core driving force of the Group's development, and continued to increase basic research, and incurred a relatively large amount of research and testing expenses related to the FDA's PMTA product certification during the Review Period, including:

(1) employee's salaries and benefits increased by approximately 54.9% from approximately RMB137,108,000 last year to approximately RMB212,319,000, and its proportion of revenue increased from approximately 1.8% last year to approximately 2.1% during the Review Period.

(2) the development costs increased by approximately 60.7% from approximately RMB106,479,000 last year to approximately RMB171,091,000, and its proportion of revenue increased from approximately 1.4% last year to approximately 1.7% during the Review Period.

6. Other Income

During the Review Period, the total other income of the Group was approximately RMB195,376,000, representing an increase of approximately 299.8% from approximately RMB48,870,000 last year, as detailed below:

	For the year ended 31 December		
Items	**2020**	2019	Changes
	RMB'000	*RMB'000*	*%*
Interest income from bank deposits	**84,203**	3,117	2,601.4
Interest income from rental deposits	**1,143**	1,041	9.8
Government grants	**45,569**	16,459	176.9
Compensation income from customers	**14,712**	24,093	(38.9)
Income from technical consultation services	**11,062**	—	100.0
Others	**38,687**	4,160	830.0
Total	**195,376**	48,870	299.8

7. Other Gains and Losses

During the Review Period, the total other gains of the Group were approximately RMB19,317,000 (2019: other losses of RMB18,620,000), as detailed below:

Items	For the year ended 31 December **2020** *RMB'000*	2019 *RMB'000*	Changes %
Net foreign exchange (loss)/gain	**(38,853)**	10,789	(460.1)
Gain on fair value changes on financial assets at fair value through profit or loss ("FVTPL")	**43,785**	6,215	604.5
Gain on early termination of leases	**2,252**	725	210.6
Loss on disposal/write off of property, plant and equipment	**(7,480)**	(13,909)	(46.2)
Others	**19,613**	(22,440)	N.A.
Total	**19,317**	(18,620)	N.A.

8. Listing Expenses

The Group's listing expenses incurred during the Review Period and recognized in the consolidated statement of profit or loss and other comprehensive income amounted to RMB72,988,000 (2019: RMB26,299,000), which was mainly attributable to the expenses payable to relevant intermediaries incurred by the Group in preparation for the initial public offering during the Review Period.

9. Finance Costs

During the Review Period, the finance costs of the Group were approximately RMB15,369,000 (2019: RMB18,173,000), representing a decrease of approximately 15.4% from last year. The Group's finance costs during the Review Period derived from the interest expenses over lease liabilities. The decrease in the finance costs was primarily due to the decrease in average lease liabilities during the Review Period.

10. Income Tax Expense

During the Review Period, the Group's income tax expense was approximately RMB717,845,000 (2019: RMB393,262,000), representing an increase of approximately 82.5% over last year. Income tax expenses accounted for approximately 18.4% (2019: 17.4%) of adjusted net profit. The main reason for the increase in income tax was the increase in taxable profit.

11. Profit and Total Comprehensive Income for the Year

The Group's profit and total comprehensive income for the year was approximately RMB2,399,921,000 (2019: RMB2,173,789,000), representing an increase of approximately 10.4% from last year. The adjusted net profit was approximately RMB3,893,428,000 (2019: RMB2,265,391,000), representing an increase of approximately 71.9% over last year. The main reason for such growth was the increase in revenue, gross profit margin and other gains.

12. Liquidity and Financial Resources

As at 31 December 2020, the net current assets of the Group were approximately RMB10,332,148,000 (31 December 2019: RMB120,497,000). As at 31 December 2020, the Group's bank balance and cash were approximately RMB9,557,802,000 (31 December 2019: RMB731,394,000), of which approximately RMB9,547,624,000 were denominated in RMB, approximately RMB8,388,000 were denominated in USD, approximately RMB1,667,000 were denominated in HKD, approximately RMB123,000 were denominated in GBP (31 December 2019: approximately RMB574,188,000 were denominated in RMB, approximately RMB156,826,000 were denominated in USD, approximately RMB34,000 were denominated in HKD, approximately RMB346,000 were denominated in GBP). As at 31 December 2020, the current ratio of the Group was approximately 590.0% (31 December 2019: 105.9%). The increase in net current assets during the Review Period was primarily due to the increase in bank balance and cash.

Treasury management policy

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

13. Pledge of Assets

As at 31 December 2020, the Group did not have any pledges on its assets (31 December 2019: Nil).

14. Exposure to Foreign Exchange Risk

During the year ended 31 December 2020, the Group recorded a net foreign exchange loss of approximately RMB38,853,000 (2019: a net foreign exchange gain of RMB10,789,000).

The functional currency of the Group is RMB and the sales of the Group are mainly settled in U.S. dollars and RMB. During the Review Period, approximately 70% of the Group's revenue was settled in U.S. dollars and approximately 30% was settled in RMB. Meanwhile, most of the material, labor 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 gains or loss arisen from the net amount of monetary funds denominated in U.S. dollars, trade and bills receivables denominated in U.S. dollars deducted by trade payables denominated in U.S. dollars ("**U.S. dollars exposure**") as a result of changes in the exchange rate between U.S. dollars 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 amount of assets and liabilities of the Group denominated in USD as of 31 December 2020, if the exchange rate of USD against RMB rises by 10%, the Group's profit after tax will increase by approximately RMB69,668,000 (31 December 2019: decrease by RMB50,491,000). On the other hand, if the exchange rate of USD against RMB drops by 10%, the Group's profit after tax will decrease by approximately RMB69,668,000 (31 December 2019: increase by RMB50,491,000).

15. Employment, Training and Development

As at 31 December 2020, the Group has 14,266 and 7 employees in mainland China and Hong Kong respectively. The Group provides comprehensive and attractive remunerations, retirement plan, share option schemes and benefits for its employees and also awards discretionary bonuses to its employees based on their work performance. The Group is required to contribute to the China Social Security Schemes. Both the Group and its employees in China are required to make contributions to pension insurance, medical insurance and unemployment insurance according to the rate set out in relevant laws and regulations of China. The Group has adopted the provident fund scheme for employees in Hong Kong in accordance with Mandatory Provident Fund Scheme Ordinance. In addition, the Group also offers other incentives to motivate the personal growth and career development of employees. For instance, the Group continues to provide training to employees for improving their understanding in technology, product knowledge and industry quality standards. All new employees of the Group are required to participate in induction training courses and various training courses are also available to all employees.

During the Review Period, the total staff costs (including management and administration staff) account for approximately 17.0% of the revenue of the Group (2019:15.7%). The increase in total staff costs as a percentage of revenue was mainly due to the amortization amount of share options accumulated in the Review Period. If such effect is excluded, the total staff costs account for approximately 13.3% of the revenue in the Review Period (2019: 14.9%).

16. Capital Expenditures

As of 31 December 2020, the total investment in property, plant and equipment and intangible assets of the Group was approximately RMB413,024,000 (2019: RMB396,793,000), which was mainly used for purchasing property, plant and equipment to support the expansion of production scale and increase in R&D activities of the Group.

17. Capital Commitments

As at 31 December 2020, the Group had contracted capital commitment of approximately RMB70,272,000 (31 December 2019: RMB61,596,000) for procurement of land use right assets, property, plant and equipment, which will be mainly financed with net proceeds from the Listing.

18. 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.

19. Significant Investments

During the Review Period, the Group did not have any significant investments (2019: nil).

20. Contingent Liabilities

As at 31 December 2020, the Group did not have any material contingent liabilities.

21. Future Plans for Material Investments or Capital Expenditures

Save as disclosed under the section "Future Plans and Use of Proceeds" in the prospectus of the Company dated 29 June 2020 and the section "Intended Use of Net Proceeds" in the announcement of the Company relating to the completion of top-up placing dated 4 February 2021, our Company has no other plans for material investments or capital expenditures.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	2020 RMB'000	2019 RMB'000
Revenue	*4*	**10,009,937**	7,610,601
Cost of sales		**(4,714,124)**	(4,258,249)
Gross profit		**5,295,813**	3,352,352
Other income	*5(a)*	**195,376**	48,870
Other gains and losses	*5(b)*	**19,317**	(18,620)
Loss on fair value changes of convertible promissory notes		**(38,487)**	(3,635)
Loss on fair value changes of convertible preferred shares		**(1,019,109)**	(400)
Distribution and selling expenses		**(144,171)**	(157,713)
Administrative expenses		**(682,681)**	(327,048)
Research and development expenses		**(419,806)**	(277,401)
Finance costs	*6*	**(15,369)**	(18,173)
Impairment loss recognised on trade receivables, net		**(129)**	(4,882)
Listing expenses		**(72,988)**	(26,299)
Profit before tax	*8*	**3,117,766**	2,567,051
Income tax expense	*7*	**(717,845)**	(393,262)
Profit and total comprehensive income for the year		**2,399,921**	2,173,789
Earnings per share	*10*		
Basic (RMB cents)		**44.49**	43.03
Diluted (RMB cents)		**42.17**	42.75

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	**2020** **RMB'000**	2019 RMB'000
Non-current assets			
Property, plant and equipment		**1,116,212**	886,953
Intangible assets		**88,158**	58,796
Deposits paid for acquisition of property, plant and equipment		**82,668**	148,464
Deferred tax assets		**11,616**	13,804
Long-term bank deposits		**1,006,044**	—
Rental deposits		**28,523**	24,146
		2,333,221	1,132,163
Current assets			
Inventories		**438,830**	548,012
Trade and bills receivables	*11*	**2,217,590**	659,006
Other receivables, deposits and prepayments		**226,366**	231,328
Bank balances and cash		**9,557,802**	731,394
		12,440,588	2,169,740
Current liabilities			
Trade payables	*12*	**702,324**	441,747
Other payables and accrued expenses		**748,773**	572,557
Tax payables		**284,755**	94,288
Contract liabilities		**253,788**	386,003
Lease liabilities		**118,014**	106,566
Convertible promissory notes		**—**	367,838
Deferred income		**786**	708
Advances drawn on bills receivables discounted with recourse		**—**	79,536
		2,108,440	2,049,243
Net current assets		**10,332,148**	120,497
Total assets less current liabilities		**12,665,369**	1,252,660

	2020	2019
	RMB'000	*RMB'000*
Non-current liabilities		
Lease liabilities	**212,644**	282,903
Convertible preferred shares	**—**	232,432
Deferred income	**1,943**	2,652
Deferred tax liabilities	**51,061**	—
	265,648	517,987
Net assets	**12,399,721**	734,673
Capital and reserves		
Share capital	**410,068**	4
Reserves	**11,989,653**	734,669
Total equity	**12,399,721**	734,673

CONDENSED STATEMENT OF CASH FLOWS

	2020	2019
	RMB'000	*RMB'000*
NET CASH FROM OPERATING ACTIVITIES	**3,035,357**	2,184,351
NET CASH USED IN INVESTING ACTIVITIES	**(1,261,464)**	(489,460)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**7,058,092**	(1,899,820)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL INFORMATION

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

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

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

2. GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

Historically and during the year ended 31 December 2019, the Group's operations were conducted by an existing group of entities headed by Smoore Shenzhen which has always been the holding company of all operating and non-operating subsidiaries.

In preparation for the listing of the Company's shares on the Stock Exchange, the entities now comprising the Group underwent a group reorganisation (the "**Reorganisation**") as more fully explained in the section headed "Our History and Development" in the prospectus of the Company dated 29 June 2020 (the "**Prospectus**").

Pursuant to the Reorganisation, which was completed by interspersing the Company and some intermediate companies between the existing shareholders of Smoore Shenzhen ("**Existing Shareholders**") and Smoore Shenzhen, the Company has become the holding company of the companies now comprising the Group on 30 October 2019. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity.

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year ended 31 December 2019 include the results and cash flows of the companies now comprising the Group as if the current group structure had been in existence throughout the year ended 31 December 2019, or since the date of incorporation, where there is a shorter period.

3. 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 Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on application of Amendments to HKAS 1 and HKAS 8 Definition of Material

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments[1]
Amendments to HKFRS 16	COVID-19-Related Rent Concessions[4]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020[2]

[1] Effective for annual periods beginning on or after 1 January 2023.
[2] Effective for annual periods beginning on or after 1 January 2022.
[3] Effective for annual periods beginning on or after a Date to be Determined.
[4] Effective for annual periods beginning on or after 1 June 2020.
[5] Effective for annual periods beginning on or after 1 January 2021.

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

4. REVENUE AND SEGMENT INFORMATION

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

Revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specific location (delivery). Following the delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. The normal credit term is 0 to 75 days upon delivery.

The Group has one operating segment based on information reported to the chief operating decision maker of the Group, being Mr. Chen Zhiping ("**Mr. Chen**") (the "**CODM**"), for the purpose of resource allocation and performance assessment, which is the consolidated results of the Group. Upon Listing, the CODM has changed from Mr. Chen to the executive directors of the Company and there is no changes in the operating segment reported to the CODM during the year. No analysis of segment assets or segment liabilities is presented as such information is not regularly provided to the CODM.

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

	2020	2019
	RMB'000	*RMB'000*
Vaping devices and components, other than APV	**9,162,803**	6,568,661
APV	**847,134**	1,041,940
Total revenue that recognised at a point in time	**10,009,937**	7,610,601

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

	2020	2019
	RMB'000	*RMB'000*
Segment revenue	**10,009,937**	7,610,601
Segment profit	**4,244,009**	2,597,834
Unallocated income	**30,851**	254
Unallocated expenses	**(26,510)**	(703)
Listing expenses	**(72,988)**	(26,299)
Loss on fair value changes of convertible promissory notes	**(38,487)**	(3,635)
Loss on fair value changes of convertible preferred shares	**(1,019,109)**	(400)
Profit before tax	**3,117,766**	2,567,051

Geographical information

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

	2020	2019
	RMB'000	*RMB'000*
Hong Kong *(note)*	**3,632,582**	2,010,165
The PRC (excluding Hong Kong)	**2,709,058**	1,588,703
United States of America	**1,450,052**	1,661,981
United Kingdom	**867,598**	508,675
France	**413,351**	146,291
Japan	**312,309**	605,003
Switzerland	**170,274**	606,957
Others	**454,713**	482,826
	10,009,937	7,610,601

Note: Revenue generated from Hong Kong are on re-export or transhipment basis and, as represented by the management of the Group, none of the Group's products are distributed or sold in Hong Kong.

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

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

Information about major customers

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

	2020 *RMB'000*	2019 *RMB'000*
Customer A	**3,477,093**	1,147,565
Customer B	**1,840,706**	877,619
Customer C	**N/A[1]**	1,192,888
Customer D	**N/A[1]**	959,739

1 Revenue from the customers are less than 10% of the total sales of the Group

5. OTHER INCOME AND OTHER GAINS AND LOSSES

(a) Other income

	2020 *RMB'000*	2019 *RMB'000*
Interest income from bank deposits	**84,203**	3,117
Interest income from rental deposits	**1,143**	1,041
Government grants	**45,569**	16,459
Compensation income from customers	**14,712**	24,093
Income from technical consultation services	**11,062**	—
Others	**38,687**	4,160
	195,376	48,870

(b) Other gains and losses

	2020 *RMB'000*	2019 *RMB'000*
Net foreign exchange (loss) gain	**(38,853)**	10,789
Gain on fair value changes on financial assets at FVTPL	**43,785**	6,215
Gain on early termination of leases	**2,252**	725
Loss on disposal/write off of property, plant and equipment	**(7,480)**	(13,909)
Others	**19,613**	(22,440)
	19,317	(18,620)

6. FINANCE COSTS

	2020	2019
	RMB'000	*RMB'000*
Interest expense on bank borrowings	**—**	21
Interest expense on lease liabilities	**15,369**	18,152
	15,369	18,173

7. INCOME TAX EXPENSE

	2020	2019
	RMB'000	*RMB'000*
Current tax:		
— PRC Enterprise Income Tax ("**EIT**")	**619,956**	383,727
— Hong Kong Profits Tax	**40,694**	19,191
	660,650	402,918
Underprovision in prior years		
— PRC EIT	**3,946**	132
	664,596	403,050
Deferred tax	**53,249**	(9,788)
	717,845	393,262

Hong Kong

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first 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 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 for the qualifying group entity.

PRC

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% except that Smoore Shenzhen, a major operating subsidiary in the PRC, was qualified as High Technology and New Enterprise, and therefore Smoore Shenzhen is entitled to a preferential income tax rate of 15% for the years ended 31 December 2020 and 2019. The qualification as a High and New Technology Enterprise is subject to review by the relevant tax authority in the PRC for every three years.

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

8. PROFIT FOR THE YEAR

	2020	2019
	RMB'000	*RMB'000*
Profit before tax has been arrived at after charging (crediting):		
Directors' remuneration:	**96,602**	7,559
Other staff costs:		
— Salaries, bonus and other benefits	**1,475,574**	1,216,380
— Retirement benefit scheme contributions	**40,007**	136,862
— Share-based payment expense	**274,933**	57,347
	1,887,116	1,410,589
Less: amounts capitalised as cost of inventories manufactured	**(1,034,115)**	(933,808)
amounts capitalised in intangible assets	**(24,706)**	(23,821)
	828,295	452,960
Depreciation of right-of-use assets for buildings and land use rights	**109,561**	102,874
Depreciation of property, plant and equipment	**103,593**	62,079
Amortisation of intangible asset	**18,445**	8,554
	231,599	173,507
Less: amounts capitalised as cost of inventories manufactured	**(175,392)**	(143,653)
	56,207	29,854

9. DIVIDENDS

	2020	2019
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year	**—**	1,141,964

For the year ended 31 December 2019, the rate of dividend and number of shares ranking for dividend are not presented as such information is not meaningful having regards to the purpose of this announcement.

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2020 of HK27 cents per share, in an aggregate amount of approximately HK$1,609,509,000, has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is as follow:

	2020	2019
	RMB'000	*RMB'000*
Earnings:		
Earnings for the purpose of basic earnings per share	**2,399,921**	2,173,789
Effect of dilutive potential ordinary shares:		
Loss on fair value changes of convertible promissory notes	**—**	3,635
Loss on fair value changes of convertible preferred shares	**—**	400
Earnings for the purpose of diluted earnings per share	**2,399,921**	2,177,824
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating earnings per share	**5,394,565**	5,051,511
Effect of dilutive potential ordinary shares:		
Share options	**292,312**	12,233
Over-allotment option	**4,155**	—
Convertible promissory notes	**—**	18,151
Convertible preferred shares	**—**	12,489
	5,691,032	5,094,384

The computation of diluted earnings per share does not assume the conversion of the Company's convertible promissory notes and convertible preferred shares since their exercise would result in an increase in earnings per share for the year ended 31 December 2020.

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the Reorganisation and the Capitalisation Issue had been effected since 1 January 2019.

11. TRADE AND BILLS RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Trade receivables from contracts with customers	**1,422,109**	446,908
Less: allowance for credit losses	**(8,903)**	(8,802)
	1,413,206	438,106
Bills receivables	**804,384**	220,900
	2,217,590	659,006

The Group allows a credit period of 0 to 75 days (2019: 0 to 60 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:

	2020	2019
	RMB'000	*RMB'000*
Trade receivables		
Within 30 days	**836,092**	220,001
31 to 60 days	**423,510**	213,284
61 to 90 days	**150,207**	2,668
Over 90 days	**3,397**	2,153
	1,413,206	438,106

The maturity dates of bills receivables are within three months as at 31 December 2020 (2019: three months).

As at 31 December 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB13,588,000 (2019: RMB8,102,000), which are past due at the end of each reporting period for which the Group has not provided for impairment loss as the Group considers such balances could be recovered based on historical experience. The Group does not hold any collateral over these balances.

As at 31 December 2020, RMB1,268,000 (2019: RMB37,000) 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 22 March 2021, RMB2,223,184,000 of trade and bills receivables as of 31 December 2020 had been settled subsequent to the end of the reporting period.

12. TRADE PAYABLES

	2020	2019
	RMB'000	*RMB'000*
Trade payables		
— third parties	**649,032**	418,769
— a related party	**53,292**	22,978
	702,324	441,747

The Group is normally granted credit terms of 30 to 60 days.

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

	2020	2019
	RMB'000	*RMB'000*
Within 30 days	**644,595**	347,068
31–60 days	**51,195**	78,952
61–90 days	**3,821**	14,843
Over 90 days	**2,713**	884
	702,324	441,747

13. SUBSEQUENT EVENTS

The Group has the following subsequent events.

(i) On 27 January 2021, the Company entered into a placing and subscription agreement with Aletech Holding Limited (the "**Vendor**") and CLSA Limited (the "**Placing Agent**"), pursuant to which the Placing Agent agreed to place 60,000,000 existing shares to not less than six placees at HK$74.40 per share (the "**Placing**"), and the Vendor agreed to subscribe for 60,000,000 new shares of the Company at HK$74.40 per share (the "**Subscription**").

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

(ii) On 22 March 2021, the Ministry of Industry and Information Technology ("**MIIT**") of the People's Republic of China ("**PRC**") made a publication for seeking public opinion on the Draft Decision on Amending the Regulation for the Implementation of the Tobacco Monopoly Law of the PRC (《關於修改〈中華人民共和國煙草專賣法實施條例〉的決定(徵求意見稿)》) for strengthening the regulation of e-cigarettes and new tobacco products in the PRC. The publication of the MIIT can be found on its website at: https://www.miit.gov.cn/jgsj/zfs/gzdt/art/2021/art_e233af8bb3484ed59e98dbb79e49a0bd.html.

The Company is not in a position to verify or know the details of any legislation plan or enforcement policy of the regulatory authorities in this regard but will monitor the situation and its potential effect on the Group business in the PRC.

OTHER INFORMATION

CORPORATE GOVERNANCE

The Board of Directors 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.

Since the Listing Date up to the date of this announcement, the Company had applied the principles and complied with all code provisions (except for the deviation from code provision A.2.1 of the Corporate Governance Code) and, where applicable, the recommended best practices of the Corporate Governance Code ("**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**").

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 of Directors 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 of Directors and the Company's management, which is mainly in view of the following considerations:

(1) The decision of the Board of Directors requires the approval of a majority of Directors. The Board consists of seven 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 the number of executive Directors is less than half of the Board of Directors. Therefore, the Board believes that there are sufficient balances within the Board;

(2) Mr. Chen Zhiping 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 of Directors. The Board of Directors 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 strategy and other major operating decisions are jointly made by the management team, the Board of Directors, and special committees under the Board of Directors 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.

BOARD 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), monitors 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 discharging their duties to the Company. The Directors need to disclose to the Company details of other offices held by them.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Since the Listing Date to the date of this announcement, 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 investor 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 set forth in Appendix 10 to the Listing Rules as a code of conduct of the Company for Directors' securities transactions ("**Model Code**"). Having made specific enquiry of all the Directors, all Directors confirmed that they have complied with the provisions of the Model Code from the Listing Date to the date of this announcement.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Board believes that effective communication with shareholders is of great importance in enhancing investor relation. The annual report and interim report offer comprehensive operation and financial performance information to shareholders while the annual general meeting provides a forum for shareholders to express their opinions directly to the Board. The Board welcomes comments from shareholders and encourages them to attend general meetings to raise concerns they might have 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. Since the Listing Date to the date of this announcement, the Company has not held any annual general meeting.

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

Shareholders and investors can send written inquiries or requests to the attention of the Board in the following ways:

Address: Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, 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.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK27 cents per ordinary share for the year ended 31 December 2020 to shareholders which shall be subject to approval by shareholders at the forthcoming annual general meeting (the "**AGM**"). It is expected that the dividend will be paid on or around 18 June 2021.

ANNUAL GENERAL MEETING

The AGM of the Company will be held on 27 May 2021, notice of which will be published and despatched to the shareholders as soon as practicable in accordance with the requirements of the Company's articles of association and Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 24 May 2021 to 27 May 2021, both dates inclusive, during which period no transfer of shares will be registered. In order to establish the identity of the Shareholders who are entitled to attend and vote at the AGM, 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 21 May 2021.

The Register of Members of the Company will be closed from 2 June 2021 to 4 June 2021, both dates inclusive, during such period no transfer of shares will be registered. In order to establish the identity of the Shareholders who are entitled to the said final dividend which will be resolved and voted at the AGM, 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 1 June 2021.

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

For the year ended 31 December 2020, neither the Company nor its subsidiaries purchased, redeemed or sold any of the listed securities of the Company.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

As set forth in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 29 June 2020, net proceeds from the Global Offering will be used for the following purposes:

- Approximately 50%, will be used to expand our production capacity, including the establishment of industrial parks in Jiangmen and Shenzhen, Guangdong province.

- Approximately 25%, will be used to (i) implement automated production and assembly lines at our new production bases, (ii) upgrade our group-level ERP system, and (iii) upgrade our existing factories.

- Approximately 20%, will be used to invest in research and development, including building a group-level research center in Shenzhen, developing new heating technology and paying for product certification expenses.

- Approximately 5%, will be used to provide funding for our working capital and other general corporate purposes.

The gross and net proceeds raised by the Company from the IPO and the allotment and issuance of the over-allotment Shares as a result of the fully exercise of the over-allotment option were approximately HK$8,190.3 million and approximately HK$7,951.3 million, respectively. As of 31 December 2020, details of utilized net proceeds of the Group are as follows: approximately HK$22.7 million has been used to expand production capacity; approximately HK$200.3 million has been used to implement automated production and assembly lines and upgrade our group-level ERP system and existing factories; approximately HK$80.0 million has been used to invest in research and development; approximately HK$397.7 million has been used for our working capital and other general corporate purposes.

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 the date of this announcement.

AUDIT COMMITTEE

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

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

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

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2020. It has also discussed with the Company's senior management members and auditors regarding the accounting policies, risk management and internal control matters 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 2020 as set out in this announcement are in agreement with the amounts as set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on announcement.

EVENTS AFTER THE REVIEW PERIOD

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

As of the date of this announcement, except for the above matters and Note 13 of this announcement, there is no other major event after 31 December 2020 that is 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 2020 of the Company 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 annual report will be despatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 31 March 2021

As at the date of this announcement, the executive Directors are Mr. Chen Zhiping, Mr. Xiong Shaoming and Mr. Wang Guisheng; the non-executive Director is Dr. Liu Jincheng; and the independent non-executive Directors are Mr. Zhong Shan, Mr. Yim Siu Wing, Simon and Dr. Liu Jie.