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 2021

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 2021 (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				
	2017	2018	2019	2020	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
Revenue	1,565,190	3,433,709	7,610,601	10,009,937	**13,755,242**
Gross profit margin	26.8%	34.7%	44.0%	52.9%	**53.6%**
Profit and total comprehensive income for the year	188,980	733,952	2,173,789	2,399,921	**5,286,991**
*Adjusted profit and total comprehensive income for the year ("**Adjusted net profit**")	188,980	734,760	2,265,391	3,893,428	**5,442,613**
Non-current assets	253,037	588,136	1,132,163	2,333,221	**4,885,534**
Current assets	824,771	1,841,116	2,169,740	12,440,588	**17,985,772**
Current liabilities	586,271	1,248,465	2,049,243	2,108,440	**3,394,240**
Net current assets	238,500	592,651	120,497	10,332,148	**14,591,532**
Total assets	1,077,808	2,429,252	3,301,903	14,773,809	**22,871,306**
Total assets less current liabilities	491,537	1,180,787	1,252,660	12,665,369	**19,477,066**
Total equity/net assets	410,451	968,958	734,673	12,399,721	**19,246,359**
Cash and cash equivalents	333,242	941,964	731,394	9,557,802	**11,426,758**

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

	For the year ended 31 December				
	2017	2018	2019	2020	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
Profit and total comprehensive income for the year before adjustment	188,980	733,952	2,173,789	2,399,921	**5,286,991**
Less:					
Listing expenses	—	(808)	(26,299)	(72,988)	**—**
Share-based payment expenses related to pre-IPO share option scheme	—	—	(61,268)	(362,923)	**(155,622)**
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	188,980	734,760	2,265,391	3,893,428	**5,442,613**

Our management considers that, except for the share-based payment expenses related to pre-IPO share option scheme before the Company's listing on The Stock Exchange of Hong Kong Limited 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 from year to year.

The Board proposed to declare a final dividend of HK18 cents per ordinary share for the year ended 31 December 2021.

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, 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.

In 2021, in the face of the ongoing COVID-19 pandemic, the pressure on the global economy continued to increase. Faced with the complex and ever-changing external environment, the Group overcame various difficulties, the sales still maintained rapid growth and the market share continued to increase. During the Review Period, the Group recorded sales of approximately RMB13.76 billion, representing a year-on-year increase of approximately 37.4%. During the Review Period, the Group adopted a large number of self-developed fully automatic production lines for vaporizers, which greatly improved the efficiency of production and operation, and further expanded the cooperation with corporate clients. Corporate client oriented sales increased by 37.4% year-on-year, further improving the Group's global market share. As for retail client oriented sales, relying on our robust R&D strength, the Group continuously launched more innovative products, and made constant breakthroughs in product features and user experience. Some of these products, such as the XROS Family, Target Family and etc., became star products as soon as being launched and were widely welcomed by overseas consumers. During the Review Period, retail client oriented sales increased significantly by approximately 37.1% as compared with last year.

INDUSTRY OVERVIEW

The Group is a global leader in offering vaping technology solutions. During the Review Period, the Group's products for corporate clients mainly included closed system vaping devices, vaping components, and 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 2022 (the "**Sullivan Report**"), the global vaping device market size increased at a compound growth rate of approximately 23.4% at ex-factory prices from 2017 to 2021, and is expected to increase at an estimated compound growth rate of approximately 25.3% from 2022 to 2026.

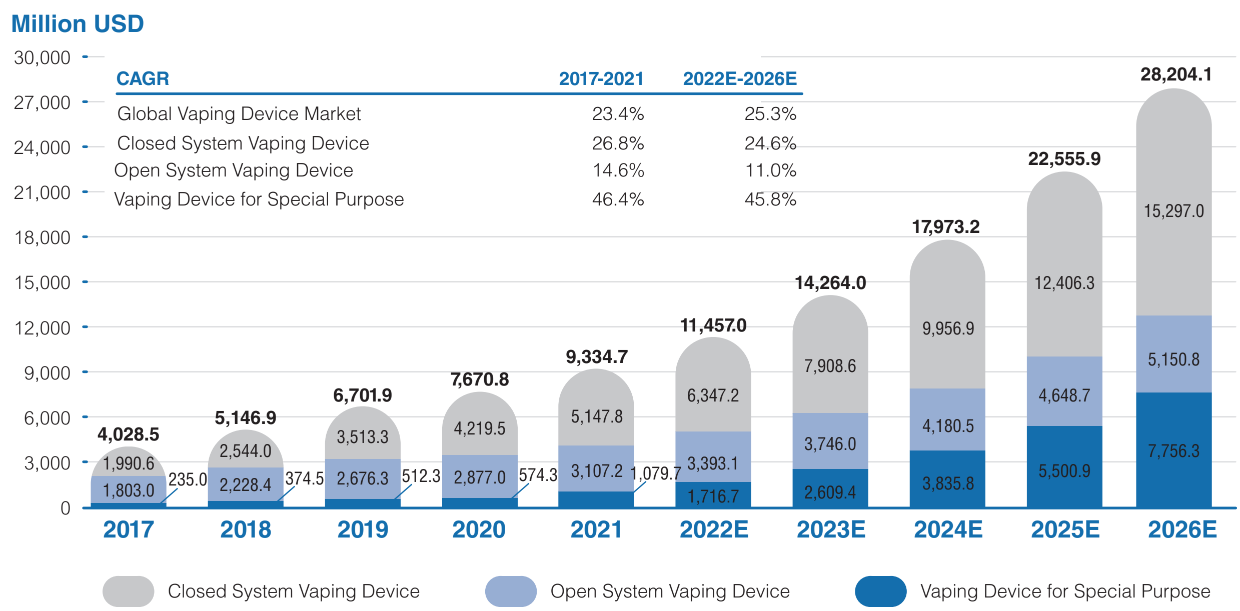
The global market size of closed system vaping devices has maintained a compound growth rate of approximately 26.8% at ex-factory price from 2017 to 2021, and is expected to grow at a compound growth rate of approximately 24.6% from 2022 to 2026. The global market size of open system vaping devices has maintained a compound growth rate of approximately 14.6% at ex-factory price from 2017 to 2021, and is expected to grow at a compound growth rate of approximately 11.0% from 2022 to

2026. The global market size of vaping device for special purpose has maintained a compound growth rate of approximately 46.4% at ex-factory prices from 2017 to 2021, and is expected to grow at a compound growth rate of approximately 45.8% from 2022 to 2026.

According to the Sullivan Report, the Group maintained its position as the world's largest manufacturer of vaping devices in 2021, and its market share in the global vaping devices manufacturing field has increased from approximately 18.9% in 2020 to approximately 22.8% in 2021.

Global Vaping Device Market Overview

Market Size of Global Vaping Device Market by Revenue (by Ex-factory Price), 2017–2026E



BUSINESS REVIEW

Sales and Marketing

In 2021, the global economy was affected by COVID-19. In face of a complex and changeable trading and regulatory environment, the Group has committed to providing clients with quality, competitive products, and satisfied clients' delivery requirements on time, in sufficient quantity and with guaranteed quality against difficulties. During the Review Period, the operating results reached a new high. The Group realized revenue of approximately RMB13,755,242,000 for the year of 2021, representing an increase of approximately 37.4% over 2020. Among which, direct and indirect export (export through traders) revenue ("**export revenue**") was approximately RMB9,082,316,000, accounting for approximately 66.0% of the total revenue (78.0% in the same period last year), which was approximately 59.2% of the total revenue in the first half of the year (85.8% in the same period last year) and increased to approximately 73.0% in the second half of the year (73.2% in the same period last year). Domestic sales revenue was approximately RMB4,672,926,000, accounting for approximately 34.0% of the total revenue, which was approximately 40.8% in the first half of the year (14.2% in the same period last year) and decreased to approximately 27.0% in the second half of the year (26.8% in the same period last year).

For the corporate client oriented business, leveraging on the Group's innovative products, leading manufacturing capabilities and good cooperative relationship, the Group further strengthened the depth and breadth of cooperation with large customers during the Review Period. During the Review Period, the revenue from corporate client oriented products recorded approximately RMB12,593,523,000, representing an increase of approximately 37.4% over 2020. The revenue from corporate client oriented products exceeded RMB10 billion for the first time.

For the retail client oriented business, the Group deeply understood the needs of consumers, developed more innovative and high-quality products, and constantly expanded sales channels, so that during the Review Period, the Group well achieved the performance target set at the beginning of the year. During the Review Period, revenue from retail client oriented products amounted to approximately RMB1,161,719,000, representing an increase of approximately 37.1% over 2020.

Research and Development

During the Review Period, the Group continued to strengthen the investment in research and development. The total research and development expenses was approximately RMB670,629,000, representing an increase of approximately 59.7% over the previous year. The proportion of expenses to revenue increased from approximately 4.2% in the previous year to approximately 4.9% in the Review Period. The Group believes that technology leadership is the core driving force for the Group's development. During the Review Period, the Group continued to explore materials science, hydromechanics, aerodynamics, thermodynamics and other fields, and has established world-class research and development teams with an aim to build a world-leading vaping technology platform. The Group has established basic research institutes worldwide, and has cooperated extensively with research institutions around the world to set up the most stringent testing standards in the industry. The Group has established 7 basic science research institutes in China, the United States, and has carried out in-depth cooperation with many universities and scientific research institutions. By integrating the latest scientific research results from multiple disciplines, the Group is committed to continuously improving the Group's leading edge in the field of atomization and exploring innovative applications of vaping technology in more fields.

During the Review Period, the number of the Group's new patent applications was 1,187 globally, of which 605 were invention patents. Such achievements further enhanced the Group's technological leadership in the vaping field. Moreover, the legal and intellectual property teams of the Group have actively carried out intellectual property protection activities in the PRC and overseas markets, which has had a positive impact on maintaining and enhancing the market share of the Group's products. As of 31 December 2021, the number of the Group's accumulative patent applications was 3,408, of which 1,570 were invention patents.

Production and Operation

During the Review Period, due to the impact of the COVID-19 and various factors, the Group faced a series of challenges, including the tight supply and rising prices of some raw materials. The Group overcame a series of difficulties, timely expanded production capacity, and introduced advanced production management system as a way to effectively meet clients' increasing order needs, and ensure that production activities were carried out in an orderly and steady manner.

In order to further improve production efficiency, the Group has been continuously enhancing the automation and intelligence of production through independent research and development. Benefiting from the Group's long-term experience and deep understanding of technology, products and processes, the Group put the latest generation of automated production lines into operation during the Review Period, and automated the whole production line such as fitting, liquid injection, packaging, etc. The automated production line used advanced manufacturing processes to reduce material loss and further improved product consistency. The single-line production efficiency reached 7,200 standard vaporizers per hour, maintaining the industry's leading position in production and manufacturing. The Group continued to improve the level of automation in manufacturing, which not only helped improve production efficiency, but also further strengthened in-depth cooperation with strategic clients.

Production Capacity and Utilisation Rate

	Designed 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	2,584.5	1,748.4	67.6%
Retail client oriented sales	24.7	22.4	90.7%

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

FUTURE PROSPECTS AND STRATEGIES

According to the Sullivan Report, the global market size of vaping devices is expected to grow at a compound growth rate of approximately 25.3% at ex-factory price from 2022 to 2026. The Group will maintain its leading edge in the vaping field by continuously increasing investment in research and development, and will actively explore the application of vaping technology in different fields. Being the world's largest manufacturer of vaping devices, we maintain full confidence in the future market prospects. In recent years, major countries have successively promulgated laws and regulations to regulate the vaping industry. The implementation of these laws and regulations helps to better protect the health of consumers and the long-term sustainable development of the industry as a whole.

In terms of basic research, the Group will further introduce more high-end talents, expand the field of basic research, and establish a global basic research system to lay a solid foundation for the long-term sustainable development of the Group. In 2022, the Group plans to add no less than 5 basic research institutes in the PRC and overseas, with research fields including new materials research, innovative research on vaping technology, vaping medical products research, etc.

In terms of product development, the Group will continuously optimize product structure and performance by fully applying basic research results, as well as innovative technologies and means such as innovation in materials, production processes, product structure. Meanwhile, it will strengthen close cooperation with major customers. The Group will keep abreast of changes in product requirements and demands of legislators, regulators and consumers, and design more competitive and innovative products in a targeted manner.

To further enhance the long term competitiveness of the Group, the Group will continue to improve investment in research and development. Based on current budget, it is expected the total research and development expenditure in the year 2022 will be approximately RMB1.68 billion, which will be higher than the total research and development expenditure in the past 6 years.

For production and operations, the Group will continuously improve the competitiveness of the Group's products in terms of cost and quality through production automation and intelligence and optimization of supply chains.

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 January 2022, the Group released a product solution, being a new generation of ultra-thin electronic vaporizer-Feelm Air. The product adopts a new generation of bionic thin film ceramic cores, and is equipped with the industry's first seven-layer composite heating film. Thinner ceramic cores offer seven user experience breakthroughs. Moreover, the Group will continue to strengthen the market expansion of its self-branded business. By creating high-quality products, the Group will improve product differentiation, and increase market share. For brand building, the Group will continue to invest in the closed system vaping product technology brands represented by Feelm, the heat-not-burn product technology brands represented by Metex and the open system vaping product brands represented by Vaporesso, so as to optimize the multi-brand strategy of the Group. The Group will continue to create value for customers and bring better experience to consumers around the world with leading technologies and differentiated innovative products.

The Group plans to launch disposable electronic vaping products in overseas markets in 2022 to further strengthen our product portfolio. Thanks to the Group's long-term accumulation in the vaping field, the newly launched disposable electronic vaping products will set a new standard in consumer experience and product safety. The launch of the new product will be a useful complement to the existing product line. The first batch of atomization beauty product and atomization medical product of the Group are under development process now as planned. Those products are expected to be launched to the market in the near future.

FINANCIAL REVIEW

During the Review Period, the total revenue of the Group was approximately RMB13,755,242,000 (2020: RMB10,009,937,000), representing an increase of approximately 37.4% compared with last year. The gross profit in the Review Period was approximately RMB7,377,039,000 (2020: RMB5,295,813,000), representing a year on year increase of approximately 39.3%. The gross profit margin in the Review Period was approximately 53.6% (2020: 52.9%). The profit and total comprehensive income for the year of the Group increased from approximately RMB2,399,921,000 in 2020 to approximately RMB5,286,991,000 this year. Adjusted net profit was approximately RMB5,442,613,000, representing a year-on-year increase of 39.8%. The increase was mainly due to the growth in revenue and the cost-reduction and efficiency-enhancement resulting in the improvement of gross profit margin.

1. Revenue — categorized by business types

	For the year ended 31 December				
	2021		2020		Changes
	RMB'000	**%**	*RMB'000*	%	%
Corporate client oriented sales	**12,593,523**	**91.6**	9,162,803	91.5	37.4
Retail client oriented sales	**1,161,719**	**8.4**	847,134	8.5	37.1
Total	**13,755,242**	**100.0**	10,009,937	100.0	37.4

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

During the Review Period, the revenue of corporate client oriented sales was approximately RMB12,593,523,000 (2020: RMB9,162,803,000), representing an increase of approximately 37.4% compared with last year, which was mainly due to the continuous enhancement of the competitiveness of the Group's products, the continuous improvement of market share and steady growth in market demand.

(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 oriented sales was approximately RMB1,161,719,000 (2020: RMB847,134,000), representing an increase of 37.1% from last year, mainly due to the fact that the Group actively expanded new markets, deepened brand influence and launched more differentiated products, as a result the sales performance increased significantly.

Revenue — categorized by customers' places of incorporation

	For the year ended 31 December				
	2021		2020		Changes
	RMB'000	***%***	*RMB'000*	*%*	*%*
U.S.	**1,677,274**	**12.2**	1,450,052	14.5	15.7
Mainland China*	**5,530,301**	**40.2**	2,709,058	27.1	104.1
Hong Kong, China**	**3,776,229**	**27.5**	3,632,582	36.3	4.0
Europe***	**2,109,303**	**15.3**	1,546,521	15.4	36.4
Japan	**199,490**	**1.5**	312,309	3.1	(36.1)
Others	**462,645**	**3.3**	359,415	3.6	28.7
Total	**13,755,242**	**100.0**	10,009,937	100.0	37.4

* During the Review Period, the Group's domestic sales was approximately RMB5,530,301,000 (2020: approximately RMB2,709,058,000), representing a significant increase of 104.1% from last year, mainly due to the fact that the COVID-19 in mainland China was controlled effectively during the Review Period, economic activities were gradually active and customer orders increased significantly. To our knowledge, certain customers in mainland China were export trading companies. Those products they purchased from the Group were exported to overseas market. If we exclude revenue to those customers, revenue of the Group generated from mainland China will account for 34.0% of total revenue (2020: 22.0%). The proportion decreased to 27.0% in the second half of the year.

** 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 of our overseas customers or are trading companies. To our knowledge, approximately 90.6% (2020: 96.3%) of the products sold to customers incorporated in Hong Kong during the Review Period were forwarded to the U.S.

*** The Group's revenue from the Russian market during the Review Period did not exceed 0.1% of its total revenue.

2. Gross Profit and Cost of Sales

During the Review Period, the gross profit of the Group was approximately RMB7,377,039,000 (2020: RMB5,295,813,000), representing an increase of approximately 39.3% from 2020 while the gross profit margin rose to approximately 53.6% during the Review Period from 52.9% last year. The main reasons for the increase in gross profit margin include: (i) the scale effect out of steady revenue growth; (ii) the impact of product structure changes.

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

	For the year ended 31 December				
	2021		2020		Changes
	RMB'000	*%*	*RMB'000*	*%*	*%*
Raw material cost	**4,467,152**	**70.0**	3,429,640	72.8	30.3
Labor cost	**1,011,034**	**15.9**	677,188	14.4	49.3
Production overhead	**773,797**	**12.1**	520,500	11.0	48.7
Tax and surcharge	**126,220**	**2.0**	86,796	1.8	45.4
Total	**6,378,203**	**100.0**	4,714,124	100.0	35.3

During the Review Period, the proportion of labor cost to the Group's total costs increased to approximately 15.9% this year from approximately 14.4% last year, mainly due to the fact that the local government of each factory exempted some social insurance and other expenses in 2020 due to the COVID-19, while during the Review Period, the local governments did not provide such exemptions due to the alleviation of the COVID-19.

3. Distribution and Selling Expenses

The Group's distribution and selling expenses increased from approximately RMB144,171,000 last year to approximately RMB192,916,000 during the Review Period, representing an increase of approximately 33.8%. Distribution and selling expenses as a percentage of total revenue was approximately 1.4% (2020: 1.4%). The increase in distribution and selling expenses as compared to last year was mainly due to the increase in marketing activities as a result of expansion of business scale, among which:

(1) employee's salaries and benefits increased from approximately RMB69,637,000 last year to approximately RMB81,434,000 this year, representing an increase of approximately 16.9%. The proportion of employee's salaries and benefits to total revenue decreased from approximately 0.7% last year to approximately 0.6% during the Review Period. The increase in employee's salaries and benefits was mainly due to the increase in sales personnel as a result of increased efforts in market development and marketing during the Review Period.

(2) marketing expenses increased from approximately RMB40,723,000 last year to approximately RMB61,229,000 this year, representing an increase of approximately 50.4%. The proportion of marketing expenses to revenue maintained at approximately 0.4%. The increase in marketing expenses was mainly due to the increase in expenses as a result of the Group's increased efforts in marketing and product distribution during the Review Period.

4. Administrative Expenses

The administrative expenses of the Group increased from approximately RMB682,681,000 last year to approximately RMB863,701,000 during the Review Period, representing an increase of approximately 26.5%. The administrative expenses as a percentage of revenue decreased from approximately 6.8% last year to approximately 6.3% in the Review Period, mainly due to the successful implementation of the cost-reduction and efficiency-enhancement measures of the Group and the scale effects. Among which:

(1) employee's salaries and benefits increased by approximately 11.4% from approximately RMB517,499,000 last year to approximately RMB576,261,000. Such salaries and benefits as a percentage of revenue decreased from approximately 5.2% last year to approximately 4.2% during the Review Period. The increase in employee's salaries and benefits was mainly due to the addition of management personnel during the Review Period.

(2) professional fees increased by approximately 86.4% from approximately RMB51,617,000 last year to approximately RMB96,229,000. Such fees as a percentage of revenue increased from approximately 0.5% last year to approximately 0.7% during the Review Period. The increase in such fees was mainly due to the fact that the increase in external management consulting fees was in line with the increase of the Group's business scale and management improvement requirements.

(3) depreciation and amortization expenses increased by approximately 70.2% from approximately RMB20,660,000 last year to approximately RMB35,160,000, accounting for approximately 0.3% of revenue (2020: 0.2%). The increase in such expenses was mainly due to the expansion of the Group's business scale, the equipment depreciation and the increase in decoration expenses of office space.

5. Research and Development Expenses

The Group's research and development expenses increased from approximately RMB419,806,000 in 2020 to approximately RMB670,629,000 during the Review Period, representing an increase of approximately 59.7%. Research and development expenses as a percentage of revenue increased from approximately 4.2% in 2020 to approximately 4.9% 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 continued to increase R&D investment, strengthened basic research, widened the research and development fields, among which:

(1) employee's salaries and benefits increased by approximately 76.5% from approximately RMB212,319,000 last year to approximately RMB374,637,000, and such salaries and benefits as a percentage of revenue increased from approximately 2.1% last year to approximately 2.7% during the Review Period. The main reason of the significant increase in employee's salaries and benefits was the fact that the Group widened the research and development fields and introduced more R&D talents.

(2) development costs increased by approximately 31.5% from approximately RMB171,091,000 last year to approximately RMB224,915,000, and such costs as a percentage of revenue decreased slightly from approximately 1.7% last year to approximately 1.6% during the Review Period.

6. Other Income

During the Review Period, the total other income of the Group was approximately RMB499,068,000, representing an increase of approximately 155.4% from approximately RMB195,376,000 last year, as detailed below:

	For the year ended 31 December		
Items	**2021**	2020	Changes
	RMB'000	*RMB'000*	%
Interest income from bank deposits	**422,783**	84,203	402.1
Interest income from rental deposits	**1,449**	1,143	26.8
Government grants	**54,161**	45,569	18.9
Compensation income from customers	**4,457**	14,712	(69.7)
Income from technical consultation services	**3,545**	11,062	(68.0)
Others	**12,673**	38,687	(67.2)
Total	**499,068**	195,376	155.4

7. Other Gains and Losses

During the Review Period, the total other gains of the Group was approximately RMB93,186,000 (2020: RMB19,317,000), as detailed below:

Items	For the year ended 31 December		
	2021	2020	Changes
	RMB'000	*RMB'000*	*%*
Net foreign exchange loss	**(38,087)**	(38,853)	(2.0)
Gain arising on forward foreign exchange contracts	**67,821**	18,103	274.6
Gain arising on short-term bank deposits with variable interest rate	**66,129**	25,682	157.5
Gain on early termination of leases	**6,004**	2,252	166.6
Loss on disposal/write off of property, plant and equipment	**(126)**	(7,480)	(98.3)
Others	**(8,555)**	19,613	N.A
Total	**93,186**	19,317	382.4

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 were nil (2020: RMB72,988,000).

9. Finance Costs

During the Review Period, the finance costs of the Group were approximately RMB25,046,000 (2020: RMB15,369,000), representing an increase of approximately 63.0% over last year. The Group's finance costs during the Review Period mainly derived from the interest expenses of lease liabilities and bills receivables discounted with recourse. The increase in the finance costs was primarily due to the finance costs arising from the discount of bills receivable during the Review Period.

10. Income Tax Expense

During the Review Period, the Group's income tax expense was approximately RMB922,375,000 (2020: RMB717,845,000), representing an increase of approximately 28.5% over last year. Income tax expenses accounted for approximately 16.9% (2020: 18.4%) 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

During the Review Period, the Group's profit and total comprehensive income for the year was approximately RMB5,286,991,000 (2020: RMB2,399,921,000), representing an increase of approximately 120.3% from last year. The adjusted net profit was approximately RMB5,442,613,000 (2020: RMB3,893,428,000), representing an increase of approximately 39.8% 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 2021, the net current assets of the Group were approximately RMB14,591,532,000 (31 December 2020: RMB10,332,148,000). As at 31 December 2021, the Group's bank balance and cash were approximately RMB11,426,758,000 (31 December 2020: RMB9,557,802,000), of which approximately RMB11,348,674,000 were denominated in RMB, approximately RMB35,770,000 were denominated in USD, approximately RMB41,796,000 were denominated in HKD, approximately RMB373,000 were denominated in GBP, approximately RMB145,000 were denominated in Indonesian Rupiah (31 December 2020: 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). As at 31 December 2021, the current ratio of the Group was approximately 529.9% (31 December 2020: 590.0%). The increase in net current assets during the Review Period was primarily due to the increase in bank balance and cash.

For the year ended 31 December 2021, the turnover days of trade and bills receivables were approximately 61.4 days (31 December 2020: 52.4 days), the increase in turnover days was mainly due to the change of customer sales mix with different credit terms. For the year ended 31 December 2021, the turnover days of inventory were approximately 28.6 days (31 December 2020: 38.2 days). The decrease in turnover days was mainly due to the improvement of production management efficiency, the enhancement of inventory liquidity, and the increase in sales scale was faster than that of inventory. For the year ended 31 December 2021, the turnover days of trade payables were approximately 43.8 days (31 December 2020: 44.3 days), which is stable when compared to last year.

For the year ended 31 December 2021, the current ratio was approximately 529.9% while the current ratio was approximately 590.0% for the year ended 31 December 2020, such decrease was due to the increase proportion of current assets smaller than that of current liabilities, and the increase in current liabilities was mainly due to the increase in payables for production facilities construction projects, self-made automatic production line projects and devices.

Treasury Management Policy

The treasury management policy of the Group is primarily to utilize surplus cash reserves in deposit products and generate income without interfering with the Group's business operations or capital expenditures.

13. Pledge of Assets

As at 31 December 2021, the Group did not have any pledges on its assets (31 December 2020: nil), except for the bank deposit of the Group for purchasing forward foreign exchange contracts of approximately RMB4.0 million.

14. Exposure to Foreign Exchange Risk

During the year ended 31 December 2021, the Group recorded a net foreign exchange loss of approximately RMB38,087,000 (2020: a net foreign exchange loss of RMB38,853,000). Meanwhile, the Group recorded a net gain of approximately RMB67,821,000 from forward foreign exchange contracts during the Review Period (2020: a net forward foreign exchange gain of RMB18,103,000).

The functional currency of the Group is RMB. The sales of the Group are mainly settled in USD and RMB. During the Review Period, approximately 60% of the Group's revenue was settled in USD and approximately 40% was settled in RMB. Meanwhile, 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 USD, trade and bills receivables denominated in USD deducted by trade payables denominated in USD ("**U.S. dollars exposure**") as a result of changes in the exchange rate between USD and RMB.

Sensitivity Analysis

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

Based on the amounts of assets and liabilities of the Group denominated in USD as of 31 December 2021, if the exchange rate of USD against RMB rises by 10%, the Group's profit after tax will increase by approximately RMB95,410,000 (31 December 2020: increase by RMB69,668,000). Otherwise, if the exchange rate of USD against RMB drops by 10%, the Group's profit after tax will decrease by approximately RMB95,410,000 (31 December 2020: decrease by RMB69,668,000).

15. Employment, Training and Development

As of 31 December 2021, the Group has 16,241, 9 and 13 employees in mainland China, Hong Kong and overseas respectively. The Group provides comprehensive and attractive remunerations, retirement plan, share option schemes, share award scheme and benefits for its employees and also awards discretionary bonuses to its employees based on their work performance. The Group is required to contribute to the China Social Security Schemes. Both the Group and its employees in China are required to make contributions to pension insurance, medical insurance and unemployment insurance according to the rate set out in relevant laws and regulations of China. The Group has adopted the provident fund scheme for employees in Hong Kong in accordance with Mandatory Provident Fund Scheme Ordinance. The Group also pays for corresponding pension insurance and medical insurance, etc. for its employees in overseas countries according to the laws and regulations of the host countries. In addition, the Company also offers other incentives to promote the personal growth and career development of employees.

During the Review Period, the Group continued to adhere to "people-driven is the first principle of management", and recruited top talents in research and development, management, marketing and other fields worldwide through various channels. As of 31 December 2021, the Group has more than 100 employees with doctoral degree or above. During the Review Period, the Group carried out large-scale global campus recruitment for the first time and recruited 297 outstanding graduates from all over the world, including 27 doctoral graduates.

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

During the Review Period, the total staff costs (including management and administration staff) accounted for approximately 17.6% of the revenue of the Group (2020: 17.0%). The increase in total staff costs as a percentage of revenue was mainly due to the increase of the number of R&D personnel higher than that of revenue during the Review Period.

16. Capital Expenditures

During the Review Period, except for the investment mentioned under the "Significant Investments" section in this announcement, the total investment of property, plant and equipment and intangible assets of the Group was approximately RMB1,234,123,000 (2020: RMB413,024,000), 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 2021, the Group had contracted capital commitment of approximately RMB390,128,000 (31 December 2020: RMB70,272,000) for procurement of right-of-use assets for land use right, property, plant and equipment, which will be financed with proceeds from the Listing and net proceeds generated from operations.

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

In order to develop the Group's future business and to reduce rental expenses, in December 2021, the Group purchased a commercial land plot with an area of approximately 6,641 square meters in Bao'an Central District, Shenzhen City, Guangdong Province at a cost of approximately RMB977 million for the purpose of constructing the Group's headquarters building through participating in public auction. Since the auction took place in mid December 2021, the management has reasonable belief that the fair value of the land plot as at 31 December 2021 was approximately RMB977 million and represented approximately 4.3% of the Group's total assets as at 31 December 2021. According to the preliminary plan, it is estimated that the construction area of the completed headquarter office building is approximately 66,000 square meters. The office building is initially expected to be completed by the end of 2026. Save for such investment, the Group did not have other significant investments during the Review Period (2020: nil).

20. Contingent Liabilities

As at 31 December 2021, the Group did not have any material contingent liabilities (2020: nil).

21. Future Plans for Material Investments or Capital Expenditures

According to the existing plan, the Group initially plans to invest approximately RMB1,500 million in the next five years, to implement the headquarters office building project of the Group as described in the section headed "Significant Investments".

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	**2021** *RMB'000*	2020 *RMB'000*
Revenue	*3*	**13,755,242**	10,009,937
Cost of sales		**(6,378,203)**	(4,714,124)
Gross profit		**7,377,039**	5,295,813
Other income	*4(a)*	**499,068**	195,376
Other gains and losses	*4(b)*	**93,186**	19,317
Loss on fair value changes of convertible promissory notes		**—**	(38,487)
Loss on fair value changes of convertible preferred shares		**—**	(1,019,109)
Distribution and selling expenses		**(192,916)**	(144,171)
Administrative expenses		**(863,701)**	(682,681)
Research and development expenses		**(670,629)**	(419,806)
Finance costs	*5*	**(25,046)**	(15,369)
Impairment loss recognised on trade Receivables under expected credit loss model, net		**(7,659)**	(129)
Listing expenses		**—**	(72,988)
Profit before tax		**6,209,342**	3,117,766
Income tax expense	*6*	**(922,375)**	(717,845)
Profit for the year	*7*	**5,286,967**	2,399,921
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**24**	—
Other comprehensive income for the year		**24**	—
Total comprehensive income for the year		**5,286,991**	2,399,921
Earnings per share	*9*		
Basic (RMB cents)		**88.54**	44.49
Diluted (RMB cents)		**85.40**	42.17

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	**2021** *RMB'000*	2020 *RMB'000*
Non-current assets			
Property, plant and equipment		**2,107,839**	1,116,212
Intangible assets		**66,399**	88,158
Deposits paid for acquisition of property, plant and equipment		**1,154,085**	82,668
Deferred tax assets		**15,778**	11,616
Long-term bank deposits		**1,516,030**	1,006,044
Rental deposits		**25,403**	28,523
		4,885,534	2,333,221
Current assets			
Inventories		**560,070**	438,830
Trade and bills receivables	*10*	**2,409,254**	2,217,590
Other receivables, deposits and prepayments		**335,245**	226,366
Financial assets at fair value through profit or loss ("**FVTPL**")		**6,385**	—
Restricted bank deposits		**12,412**	—
Short-term bank deposits over three months		**3,235,648**	—
Bank balances and cash		**11,426,758**	9,557,802
		17,985,772	12,440,588
Current liabilities			
Trade payables	*11*	**826,800**	702,324
Other payables and accrued expenses		**1,434,129**	748,773
Tax payables		**294,972**	284,755
Contract liabilities		**250,183**	253,788
Lease liabilities		**145,513**	118,014
Deferred income		**5,138**	786
Advances drawn on bills receivables discounted with recourse		**437,505**	—
		3,394,240	2,108,440
Net current assets		**14,591,532**	10,332,148
Total assets less current liabilities		**19,477,066**	12,665,369

	2021	2020
	RMB'000	*RMB'000*
Non-current liabilities		
Lease liabilities	**174,562**	212,644
Deferred income	**5,084**	1,943
Deferred tax liability	**51,061**	51,061
	230,707	265,648
Net assets	**19,246,359**	12,399,721
Capital and reserves		
Share capital	**419,451**	410,068
Reserves	**18,826,908**	11,989,653
Total equity	**19,246,359**	12,399,721

CONDENSED STATEMENT OF CASH FLOWS

	2021 *RMB'000*	2020 *RMB'000*
NET CASH FROM OPERATING ACTIVITIES	**3,588,332**	3,054,868
NET CASH USED IN INVESTING ACTIVITIES	**(5,225,624)**	(1,280,975)
NET CASH FROM FINANCING ACTIVITIES	**3,522,418**	7,058,092

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. GENERAL INFORMATION

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

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

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments[3]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to HKAS 8	Definition of Accounting Estimates[3]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
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 April 2021.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after 1 January 2023.
4 Effective for annual periods beginning on or after a date to be determined.

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

3. REVENUE AND SEGMENT INFORMATION

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

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

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

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

	2021	2020
	RMB'000	*RMB'000*
Vaping devices and components, other than APV	**12,593,523**	9,162,803
APV	**1,161,719**	847,134
Total revenue that recognised at a point in time	**13,755,242**	10,009,937

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

	2021	2020
	RMB'000	*RMB'000*
Segment revenue	**13,755,242**	10,009,937
Segment profit	**6,190,729**	4,244,009
Unallocated income	**33,851**	30,851
Unallocated expenses	**(15,238)**	(26,510)
Listing expenses	**—**	(72,988)
Loss on fair value changes of convertible promissory notes	**—**	(38,487)
Loss on fair value changes of convertible preferred shares	**—**	(1,019,109)
Profit before tax	**6,209,342**	3,117,766

Geographical information

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

	2021	2020
	RMB'000	*RMB'000*
The PRC (excluding Hong Kong)	**5,530,301**	2,709,058
Hong Kong, China (note)	**3,776,229**	3,632,582
United States of America	**1,677,274**	1,450,052
United Kingdom	**1,527,295**	867,598
France	**243,984**	413,351
Japan	**199,490**	312,309
Switzerland	**151,155**	170,274
Others	**649,514**	454,713
	13,755,242	10,009,937

Note: Revenue generated from Hong Kong in 2021 and 2020 are on re-export or transshipment basis and none of the Group's products are distributed or sold in Hong Kong.

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

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

Information about major customers

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

	2021	2020
	RMB'000	*RMB'000*
Customer A	**4,722,995**	3,477,093
Customer B	**3,739,263**	1,840,706

4. OTHER INCOME AND OTHER GAINS AND LOSSES

(a) Other income

	2021	2020
	RMB'000	*RMB'000*
Interest income from bank deposits	**422,783**	84,203
Interest income from rental deposits	**1,449**	1,143
Government grants	**54,161**	45,569
Compensation income from customers	**4,457**	14,712
Income from technical consultation services	**3,545**	11,062
Others	**12,673**	38,687
	499,068	195,376

(b) Other gains and losses

	2021	2020
	RMB'000	*RMB'000*
Net foreign exchange losses	**(38,087)**	(38,853)
Gain arising on forward foreign exchange contracts	**67,821**	18,103
Gain arising on short-term bank deposits with variable interest rate	**66,129**	25,682
Gain on early termination of leases	**6,004**	2,252
Loss on disposal/write off of property, plant and equipment	**(126)**	(7,480)
Others	**(8,555)**	19,613
	93,186	19,317

5. FINANCE COSTS

	2021	2020
	RMB'000	*RMB'000*
Interest expense on lease liabilities	**15,467**	15,369
Interest expense on bills receivables discounted with recourse	**9,579**	—
	25,046	15,369

6. INCOME TAX EXPENSE

	2021	2020
	RMB'000	*RMB'000*
Current tax:		
— PRC Enterprise Income Tax ("**EIT**")	**915,851**	619,956
— Hong Kong Profits Tax	**9,933**	40,694
	925,784	660,650
Underprovision in prior years		
— PRC EIT	**753**	3,946
	926,537	664,596
Deferred tax	**(4,162)**	53,249
	922,375	717,845

Hong Kong

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first Hong Kong dollars ("**HK$**") 2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

PRC

Under the Law of the People's Republic of China on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% except for Smoore Shenzhen, Jiangmen Moore Technology Co., Ltd# (江門摩爾科技有限公司) ("**Moore Jiangmen**") and Shenzhen Maishi Technology Co., Ltd# (深圳麥時科技有限公司) ("**Maishi Technology**"), three major operating subsidiaries in the PRC. Smoore Shenzhen was qualified as High Technology and New Enterprise in November 2015 which was subsequently renewed in November 2018 and December 2021, and therefore Smoore Shenzhen is entitled to a preferential income tax rate of 15% for the years ended 31 December 2020 and 2021. Moore Jiangmen and Maishi Technology were qualified as High Technology and New Enterprise in December 2021, and therefore Moore Jiangmen and Maishi Technology are entitled to a preferential income tax rate of 15% for the year ended 31 December 2021 (2020:25%). 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.

English name is for identification purpose only

7. PROFIT FOR THE YEAR

	2021	2020
	RMB'000	*RMB'000*
Profit before tax has been arrived at after charging (crediting):		
Directors' remuneration:	**61,471**	96,602
Other staff costs:		
— Salaries, bonus and other benefits	**2,356,706**	1,475,574
— Retirement benefit scheme contributions	**214,195**	40,007
— Share-based payment expense	**224,362**	274,933
	2,856,734	1,887,116
Less: amounts capitalised as cost of inventories manufactured	**(1,389,966)**	(1,034,115)
amounts capitalised in intangible assets	**(5,475)**	(24,706)
	1,461,293	828,295
Depreciation of right-of-use assets for buildings and land use rights	**140,197**	109,561
Depreciation of property, plant and equipment other than right-of-use assets	**168,492**	103,593
Amortisation of intangible assets	**23,317**	18,445
	332,006	231,599
Less: amounts capitalised as cost of inventories manufactured	**(244,267)**	(175,392)
	87,739	56,207
Expenses related to short-term leases	**20,971**	4,472
Auditor's remuneration	**4,030**	4,450
Cost of inventories recognised as expense	**6,378,203**	4,714,124
Allowance (reversal of allowance) for inventories, net	**719**	(12,764)
Impairment loss recognised on intangible assets included in		
— cost of sales	**17,847**	—

8. DIVIDENDS

	2021	2020
	RMB'000	*RMB'000*
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2021 Interim — HK21 cents per share	**1,048,371**	—
2020 Final — HK27 cents per share	**1,321,534**	—
	2,369,905	—

During the year, a final dividend of HK27 cents per share in respect of the year ended 31 December 2020 (2020: nil) was declared and paid to owners of the Company by deduction of the share premium of the Company. The aggregate amount of the final dividend paid in the year amounted to HK$1,610,840,000 (equivalent to approximately RMB1,321,533,000) (2020: nil). An interim dividend of HK21 cents per share in respect of the six months period ended 30 June 2021 (2020: nil) was declared and paid to the owners of the Company. The aggregate amount of the interim dividend paid in the year amounted to HK$1,262,033,000 (equivalent to approximately RMB1,048,371,000) (2020: nil).

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2021 of HK18 cents per share, in an aggregate amount of approximately HK$1,081,860,000, has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

9. EARNINGS PER SHARE

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

	2021	2020
	RMB'000	*RMB'000*
Earnings:		
Earnings for the purpose of basic and diluted earnings per share	**5,286,967**	2,399,921
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating earnings per share	**5,971,560**	5,394,565
Effect of dilutive potential ordinary shares:		
Share options/Award shares	**219,586**	292,312
Over-allotment option	**—**	4,155
	6,191,146	5,691,032

The computation of diluted earnings per share does not assume the exercise of certain of the company's share options as the averaged adjusted exercise prices of the share options exceeded the average market price for the year ended 31 December 2021.

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.

10. TRADE AND BILLS RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
Trade receivables from contracts with customers	**1,703,163**	1,422,109
Less: allowance for credit losses	**(16,562)**	(8,903)
	1,686,601	1,413,206
Bills receivables	**722,653**	804,384
	2,409,254	2,217,590

The Group allows a credit period of 0 to 75 days (2020: 0 to 75 days) to its trade customers.

As at 1 January 2020, trade receivables from contracts with customers amounted to RMB659,006,000.

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

	2021	2020
	RMB'000	*RMB'000*
Trade receivables		
Within 30 days	**998,721**	836,092
31 to 60 days	**438,734**	423,510
61 to 90 days	**248,221**	150,207
Over 90 days	**925**	3,397
	1,686,601	1,413,206

The maturity dates of bills receivables are within two months as at 31 December 2021 (2020: three months).

As at 31 December 2021, included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB35,125,000 (2020: RMB13,588,000), which are past due at the end of the reporting period for which the Group has not provided for impairment loss as the Group considers such balances could be recovered based on historical experience. The Group does not hold any collateral over these balances.

As at 31 December 2021, RMB438,000 (2020: RMB1,268,000) 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 2022, RMB2,356,188,000 of trade and bills receivables as of 31 December 2021 had been settled subsequent to the end of the reporting period.

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

	2021	2020
	RMB'000	*RMB'000*
US$	**1,221,678**	1,012,876

11. TRADE PAYABLES

	2021	2020
	RMB'000	*RMB'000*
Trade payables		
— third parties	**764,060**	649,032
— a related party	**62,740**	53,292
	826,800	702,324

The Group is normally granted credit terms of 30 to 60 days (2020: 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:

	2021	2020
	RMB'000	*RMB'000*
Within 30 days	**763,272**	644,595
31–60 days	**61,708**	51,195
61–90 days	**1,737**	3,821
Over 90 days	**83**	2,713
	826,800	702,324

12. SUBSEQUENT EVENT

The Group has the following subsequent events:

On 11 March 2022, the State Tobacco Monopoly Administration announced the Administrative Measures for E-cigarette ("**Administrative Measures**") stipulating that e-cigarette products shall comply with mandatory national standards and shall be sold on the market after technical review; the production, wholesale and retail of e-cigarette shall acquire relevant tobacco monopoly licenses; it is prohibited to sell flavored e-cigarettes other than tobacco-flavored and e-cigarettes that can be added into atomization by consumer; and electronic cigarette products only for export shall comply with the laws, regulations and standards of the destination country or region, etc. The Administrative Measures will be implemented form May 1, 2022.

The Group will apply for the relevant licenses in accordance with the Administrative Measures, and ensure the relevant business complies with the Administrative Measures.

OTHER INFORMATION

CORPORATE GOVERNANCE

Corporate Governance Practices

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

For the year ended 31 December 2021, 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**").

In respect of code provision A.2.1 of the CG Code, positions of the chairman of the Board and the chief executive officer are held by the same individual, namely, Mr. Chen Zhiping. The Board is of the view that this is the most appropriate arrangement in the interest of the shareholders as a whole at present, and will not impair the balance of power between the Board and the Company's management, which is mainly in view of the following considerations:

(1) The decision of the Board requires the approval of a majority of Directors. The Board of the Company consists of 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. 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 strategy 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.

RESPONSIBILITIES AND DELEGATION

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

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

For the year ended 31 December 2021, 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 ("**Model Code**") set forth in Appendix 10 to the Listing Rules as a code of conduct of the Company for Directors and relevant employees' securities transactions. Having made specific enquiry of all the Directors and relevant employees, they all confirmed that they have complied strictly with the provisions of the Model Code for the year ended 31 December 2021.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Board believes that effective communication with shareholders is of great importance in enhancing investor relation. The annual report and interim report offer comprehensive operation and financial performance information to shareholders while the annual general meeting provides a forum for shareholders to express their opinions directly to the Board. The Board welcomes comments from shareholders and encourages them to attend general meetings to raise concerns with the Board or management directly. The Board members and appropriate senior management personnel of the Company will respond issues raised by shareholders at the meeting. To safeguard shareholders' interests and rights, a separate resolution will be proposed for each issue at general meetings. For the year ended 31 December 2021, the Company has held one annual general meeting on 27 May 2021.

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 HK18 cents per ordinary share for the year ended 31 December 2021 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 22 June 2022.

ANNUAL GENERAL MEETING

The AGM of the Company will be held on 27 May 2022, 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 2022 to 27 May 2022, both dates inclusive, during which period no transfer of shares will be registered. In order to determine the Shareholders who are entitled to attend and vote at the AGM, all transfers of shares accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 23 May 2022.

The Register of Members of the Company will be closed from 6 June 2022 to 8 June 2022, both dates inclusive, during such period no transfer of shares will be registered. In order to determine the Shareholders who are entitled to the said proposed final dividend which will be resolved and voted at the AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 2 June 2022.

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

For the year ended 31 December 2021, 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

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

The net proceeds from the Listing have been and will be utilised in the same manner and proportion as set out in the prospectus of the Company dated 29 June 2020 under the section headed "Future Plans and Use of Proceeds". The table below sets out the planned applications of the net proceeds and actual usage up to 31 December 2021:

Use of proceeds	Approximate percentage of total amount	Amount of net proceeds allocated upon Listing *(HK$ million)*	Actual usage up to 31 December 2021 *(HK$ million)*	Unutilised amount as at 31 December 2021 *(HK$ million)*	Expected timeline
(i) Expand our production capacity, including the establishment of industrial parks in Jiangmen and Shenzhen, Guangdong province	50%	3,954.9	334.3	3,620.6	By the end of 2026
(ii) Implement automated production and assembly lines at our new production bases, upgrade our group-level ERP system and upgrade our existing factories	25%	1,977.5	1,127.6	849.9	By the end of 2026
(iii) Invest in research and development, including building a group-level research center in Shenzhen, developing new heating technology and paying for product certification expenses	20%	1,582.0	338.8	1,243.2	By the end of 2027
(iv) Provide funding for our working capital and other general corporate purposes	5%	395.5	395.5	—	—
	100%	7,909.9	2,196.2	5,713.7	

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

PLACING

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

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

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

The intended and actual use of proceeds from the Placing and the Subscription up to 31 December 2021 are set out as follows:

Use of proceeds	**Approximate percentage of total amount**	**Amount of net proceeds allocated** *(HK$ million)*	**Actual usage up to 31 December 2021** *(HK$ million)*	**Unutilised amount as at 31 December 2021** *(HK$ million)*	**Expected timeline**
(i) Expansion of production capacity	55%	2,445.0	95.0	2,350.0	By the end of 2026
(ii) Allocating more resources and funds in the PMTA application for more products rollout in the market of the United States once approved	10%	444.5	—	444.5	By the end of 2026
(iii) Investing in the R&D on the vaping devices for healthcare and pharmaceutical industry	35%	1,556.0	309.1	1,246.9	By the end of 2025
	100%	4,445.5	404.1	4,041.4	

ADEQUACY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public on 31 December 2021.

AUDIT COMMITTEE

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

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

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

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2021. 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 2021 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 24 March 2022, one of the major customers of the Group, Logic Technology Development LLC ("**LOGIC**") received marketing granted orders ("**MGO(s)**") for eight new tobacco products in respect of which it had submitted Premarket Tobacco Product Applications ("**PMTA**"). To the best of our knowledge, five of these products are currently supplied by the Group, including closed electronic nicotine delivery system ("**ENDS**") products LOGIC PRO and LOGIC POWER tobacco-flavored e-liquid pods, batteries and kits. According to the press release on 24 March 2022 by the U.S. Food and Drug Administration ("**FDA**"), the menthol-flavored new tobacco products of LOGIC are still under review.

In the first quarter of 2022, due to the stricter COVID-19 control measures adopted in some areas of Shenzhen, the production and operation of some factories of the Group was affected to some extent, and the production and shipment plan of the Group in the first quarter was negatively affected. The Group expects that these effects were temporary and will not affect the Group's production and shipment plans for the full year.

As at the date of this announcement, except for the above matters and note 12 of this announcement, there are no other major events after 31 December 2021 that are required to be disclosed by the Company.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The annual results announcement for the year ended 31 December 2021 of the Company has been published on the website of the Stock Exchange and the website of the Company. The annual report will be despatched to the shareholders and published on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 30 March 2022

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