Smoore International Holdings Limited
思摩爾國際控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 6969)

ANNOUNCEMENT OF THE INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

The board (the "**Board**") of directors (the "**Directors**") of Smoore International Holdings Limited (the "**Company**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2022 (the "**Review Period**"). Deloitte Touche Tohmatsu, certified public accountants, the independent auditor of the Company has reviewed the unaudited condensed consolidated interim financial information for the six months ended 30 June 2022 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. In addition, these interim results have also been reviewed by the Audit Committee of the Company (the "**Audit Committee**").

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2022	2021	Changes
	RMB'000	*RMB'000*	*%*
	Unaudited	Unaudited	
Revenue	**5,653,321**	6,953,406	(18.7)
Gross profit	**2,705,607**	3,818,784	(29.2)
Profit before tax	**1,675,965**	3,396,859	(50.7)
Gross profit margin	**47.9%**	54.9%	(7.0 pp)
Profit for the period	**1,384,690**	2,878,816	(51.9)
Total comprehensive income for the period	**1,384,101**	2,878,816	(51.9)
*Adjusted total comprehensive income for the period ("**Adjusted net profit**")	**1,436,304**	2,975,225	(51.7)
Adjusted net profit margin	**25.4%**	42.8%	(17.4 pp)

* *The adjustment process of adjusted total comprehensive income for the period*

	For the six months ended 30 June		
	2022	2021	Changes
	RMB'000	*RMB'000*	*%*
	Unaudited	Unaudited	
Total comprehensive income for the period before adjustment	**1,384,101**	2,878,816	(51.9)
Less:			
Share-based payment expenses related to pre-IPO share option scheme	**(52,203)**	(96,409)	
Adjusted net profit	**1,436,304**	2,975,225	(51.7)

Our management considers that, except for the share-based payment expenses related to pre-IPO share option scheme, the listing expenses, loss on fair value changes of convertible promissory notes, loss on fair value changes of convertible pre-ferred shares will not incur after the listing of shares of the Company on the Main Board of The Stock Exchange of the Hong Kong Limited (the "**Stock Exchange**") on 10 July 2020 (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 as our ordinary shares prior to the completion of the Capitalization Issue and the Global Offering (as defined in the prospectus of the Company dated 29 June 2020). 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 above-mentioned items, our management does not track such items as key operating or financial metrics internally when review-ing 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, this measure could better reflect our underlying operating performance and could better facilitate the comparison of operating performance in comparable periods.

	30 June 2022	31 December 2021	Changes
	RMB'000	*RMB'000*	%
	Unaudited	Audited	
Total assets	**23,653,877**	22,871,306	3.4
Total equity	**19,682,097**	19,246,359	2.3
Cash and cash equivalents	**13,875,609**	11,426,758	21.4
Asset-liability ratio (%)	**16.8**	15.8	1.0 pp
Current ratio (%)	**491.4**	529.9	(38.5 pp)
Trade and bills receivables turnover days (days)	**81.4**	61.4	32.7
Inventory turnover days (days)	**33.9**	28.6	18.6
Trade payables turnover days (days)	**49.5**	43.8	13.1

Notes:

1. Asset liability ratio = total liabilities/total assets
2. Current ratio = current assets/current liabilities
3. Trade and bills receivables turnover days = average balance of trade and bills receivables/revenue × 180
4. Inventory turnover days = average balance of inventory/cost of sales × 180
5. Trade payables turnover days = average balance of trade payables/cost of sales × 180
6. Average balance = (beginning balance for the period + ending balance for the period)/2

MANAGEMENT DISCUSSION AND ANALYSIS

PRINCIPAL BUSINESS OF THE GROUP

The Group is a global leader in offering atomization technology solutions. During the Review Period, 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 the first half of 2022, the prolonged and recurring COVID-19 pandemic had a certain impact on the production, supply chain and logistics of the Group. The gradual introduction, refinement and implementation of major market regulatory policies and regulations will be conducive to the sustainable and healthy development of the industry in the long run, but would have certain short-term impact on demand. During the Review Period, both revenue and profit of the Group decreased as compared with the same period last year.

Despite the complex and dynamic external environment, the Group always keeps a long-term perspective with a focus on the construction of long-term competitiveness. During the Review Period, the Group continued to step up efforts in the research and development of core technologies and the improvement of management capability. In terms of technology, during the Review Period, the Group launched a new generation of ceramic coil atomization technology platform Feelm Max to be applied to disposable vaping devices for overseas markets, and correspondingly made available on the overseas market disposable vaping products with higher safety performance and better user experience, which has been recognized by numerous clients in a fast manner and achieved breakthrough sales growth in disposable vaping products. The Group's research in relation to the application of atomization technology in the healthcare and beauty industry as well as related product development proceeded as scheduled and has made satisfactory progress. One of the atomization drug delivery devices developed by the Group has been approved into an Innovative Medical Device Special Approval Procedure by a regulatory authority of China. If finally approved, the product is expected to be commercialized in the near future.

BUSINESS REVIEW

Research and Development

The Group always believes that science and technology are the core driving forces for corporate development. We are committed to building world-leading atomization technology platforms, and realizing the extensive application of atomization technology in various fields in order to meet the needs of human beings for a healthy and better life. In the first half of 2022, despite various challenges from the external environment, we believe in the bright future of atomization and further increased investment in the basic research of atomization technology, especially in the fields of atomization mechanism, life science, material science, etc. In terms of talent recruitment, the Group recruited more than 300 R&D personnel during the Review Period, the number of R&D personnel exceeded 1,400, accounting for over 40% of the total non-production personnel of the Group. Regarding the establishment of research centers, the Group has newly established 7 research centers during the Review Period, focusing on the researches in the fields of new materials, medical research, atomization health, etc., making the number of the Group's basic research centers reaches 14. In addition, the Group has continued to establish extensive and in-depth partnerships with various universities and research institutions around the world. The establishment of China's first non-clinical full-scale testing laboratory for U.S. FDA Premarket Tobacco Application ("**PMTA**") strongly supports the preparation and submission of PMTA applications by our clients in the U.S. As at the end of the Review Period, among the vaping Electronic Nicotine Delivery System ("**ENDS**") products approved by the FDA for PMTA application, to our knowledge, the number of product models produced by the Group was higher than that of any other manufacturers. During the Review Period, the Group's total research and development expenses were RMB604,120,000, representing an increase of 155.7% as compared to the same period last year, and the percentage of revenue increased from 3.4% over the same period last year to 10.7% in the Review Period.

While maintaining its technological leadership, the Group continues to build up a global intellectual property protection system to continuously strengthen its intellectual property barriers against core technologies and to protect its own products brands and technology brands. Moreover, the legal and intellectual property teams of the Group have actively carried out intellectual property protection activities in domestic and overseas markets, which has had a positive impact on maintaining and enhancing the market share of the Group's products. During the Review Period, the Group filed 929 new patent applications worldwide, including 381 patents for invention. As of 30 June 2022, the Group had filed, accumulatively, a total of 4,337 patents worldwide, including 1,951 patents for invention.

Production and Operation

In the first quarter of 2022, due to the tightened pandemic control measures adopted in some areas of Shenzhen, the production and operation of some of the Group's factories were greatly affected. As a result, the Group's production and delivery scheme for the first quarter were negatively affected. In the second quarter, with the change of the pandemic control measures, the Group adjusted its production arrangements and delivery scheme in a timely manner, which led to a significant improvement in both overall output and production efficiency as compared to the first quarter and satisfied the order demands of clients.

We believe that in the process of value creation for customers, in addition to adhering to technology leadership, good products may not exist without leading manufacturing capability. In pursuit of manufacturing leadership, the Group adheres to an independent research and development mode to continuously improve the level of automation and intelligence of production. Benefiting from the Group's long-term experience and deep understanding of technology, products and processes, the Group has continued to improve the efficiency of the fully automated production lines to maintain its leading position in the industry, and successfully established a professional R&D team for intelligent production line. During the Review Period, in response to the market demand quickly, the Group has launched many new disposable vaping products in major overseas markets. Meanwhile, the Group utilized existing automated production lines, which greatly improved production efficiency and quality consistency and laid a solid foundation for the marketization of the disposable products in a fast manner.

In order to further improve the efficiency of the automated production lines, it is necessary to consider the needs of automated production prior to the product design stage. During the Review Period, the Group introduced an advanced new product development technology, which fully considers the requirements of product manufacturing and importing automation equipment at the stage of product design and improves the manufacturability and automation feasibility of products. With a standard process library in place, a design review mechanism for manufacturability has been established to improve the manufacturability of products. During the Review Period, the Group has implemented the development technology in a number of product development projects with remarkable results.

Sales and Marketing

During the Review Period, the Group achieved revenue of RMB5,653,321,000, which decreased by 18.7% as compared with the same period of last year. Among which the revenue from corporate client oriented sales decreased by 21.6%, the proportion of total revenue decreased from 93.4% in the same period of last year to 90.1% in the Review Period; the revenue from retail client oriented sales increased by 22.9%, the proportion of total revenue increased from 6.6% in the same period of last year to 9.9% in the Review Period.

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

In the U.S. market, owing to the Group's continuous investment in product safety and compliance capabilities, the Group successfully assisted many major clients to get the FDA's PMTA approval in respect of their products, and became the manufacturer with the most PMTA-approved vaping ENDS products during the Review Period. With FDA's progress of PMTA review and the intensified law enforcement efforts, our competitiveness in the U.S. market will be further improved. Upholding the business philosophy of "Customer first", we have successfully supported one of our major customers to become the largest closed system vaping brand by market share in the United States by improving the level of production intelligence, optimizing cost structure, etc. During the Review Period, the Group experienced a short-term sales decline for corporate client oriented sales in the U.S. market mainly attributed to the structural changes of products at different prices, and the downward-adjusted prices of some products in order to support our clients to improve their market share. Taking into account sales forwarded through Hong Kong, the revenue of corporate client oriented sales contribution from the U.S. market during the Review Period decreased by 33.0% compared with the same period of last year, the proportion of total revenue decreased from 34.6% in the same period of last year to 28.6% in the Review Period. We believe that with FDA's intensified enforcement efforts, the Group's products are expected to demonstrate their capabilities in product compliance, safety performance and user experience, and we are strongly confident in maintaining a stable growth in the U.S. market in the long run.

In the Chinese market, the Group realized relatively high sales performance in the first half of 2021, especially sales for the second quarter of 2021 outperforming any previous quarters. With the successive introduction of Administrative Measures for E-Cigarettes, National Standards and related supporting measures, the Chinese market has entered an era of orderly management, which is undoubtedly beneficial to the long-term healthy development of the industry. During the Review Period, the relevant market players are required to apply for licenses, product reviews, etc. under the Administrative Measures, National Standards and related supporting regulations to lay the foundation for subsequent compliance operations. On this basis, the Group's sales in the Chinese market during the Review Period decreased as compared to a higher base for the first half of 2021, excluding export from traders, the revenue of corporate client oriented sales from the PRC market during the Review Period decreased by 40.1% compared with the same period of last year, the proportion of total revenue decreased from 40.8% in the same period of last year to 30.0% in the Review Period.

In the European and other markets, as the competitiveness of the Group's products in terms of technology, quality and user experience has been widely recognized by the users, as well as the intensified marketing efforts by its core clients, the Group achieved impressive results in the European market and supported one of its major clients to become the largest vaping brand by market share in many countries. The revenue of corporate client oriented sales from the European and other markets during the Review Period increased by 42.1%, the proportion of total revenue increased to 31.5% in the Review Period from 18.0% for the same period of previous year.

In terms of new product promotion, the Group has successively launched disposable vaping products to overseas markets in the first half of the year as scheduled. Relying on the Group's accumulated technological and manufacturing leadership, especially the newly launched ceramic heating element technology platform for disposable vaping products, these products have notably stood out in the market for their outstanding quality, user experience, safety performance, etc. and quickly won the favor of numerous clients and users immediately after launch. In particular, a large tobacco company client of the Group quickly entered the major European markets through the disposable ENDS products produced by the Group and achieved a significant increase in market share in a short period of time. During the Review Period, the Group's disposable products realized revenue of RMB319,939,000, representing an increase of 234.5% as compared to RMB95,634,000 for the full year of 2021. With the gradual improvement of the Group's ability in disposable vaping products delivery, we expect the revenue for the second half of the year to increase significantly as compared to the first half of the year.

For the retail client oriented business, riding on its strong research and development strength and manufacturing capabilities, as well as its in-depth understanding of users, the Group accurately identified the needs of consumers and launched many new technology solutions and competitively differentiated products during the Review Period. In the meantime, the Group further increased its promotion and marketing efforts during the Review Period, enabling new products to go to more retail end-users in a quick manner. During the Review Period, the revenue from retail client oriented products amounted to RMB560,416,000, representing an increase of 22.9% over the same period last year.

FUTURE PROSPECTS AND STRATEGIES

During the Review Period, many changes have taken place in the external environment. However, the Group remains confident in the long-term growth of the global atomization market. Engaged in the atomization sector, we will continue to concentrate on the field of atomization with "atomization technology" as the core, adhere to technology and manufacturing leadership, focus on building world-leading atomization technology platforms, innovate products, incubate business, and cultivate partnerships within the industry to create more value for the society through persistent efforts.

In terms of research and development, the Group will steadily push forward its research and development plan in accordance with the established research and development strategy and along its target track. In terms of ENDS, the Group will launch more competitive comprehensive solutions to atomization products in a timely manner according to market changes in order to satisfy the higher requirements of consumers, clients and regulatory authorities for products and lead the industry development. For the application of atomization technology in the healthcare and beauty industry, the Group will complete the registration and marketing approval procedures of its first-generation atomization products in medical field as soon as possible in the near future, and strive to bring them to the market. The Group has entered into an agreement with one of the largest of pharmaceutical manufacturing company in the world to develop aerosolized drug for asthma and chronic obstructive pulmonary disease.

In order to establish a better layout in the future, while increasing investment in research and development, the Group also continuously optimizes the research and development management system and improves the efficiency of research and development to lay a sound systematic foundation for further expansion.

In terms of production and operation, we will further improve the ability to serve clients by quickly responding to clients' requirements for agile manufacturing and timely delivery. We will also improve our cost control ability and the resilience of our core material supply. Moreover, in order to further improve our ESG performance, we will also work with our clients and suppliers to develop more eco-friendly materials, products and production processes to create more value for the society.

In terms of market expansion and distribution, the Group will continue to improve market insights, fully identify the needs of users and clients, and adjust our products and marketing strategies in a timely manner to support our clients. For disposable vaping products, the Group will continue to improve the product delivery capability on the basis of its leading technology and manufacturing capabilities and make response to the differentiated needs of clients in time. The Group expects the total revenue for the second half of this financial year to be significantly higher than that for the first half.

FINANCIAL REVIEW

During the Review Period, the total revenue of the Group was RMB5,653,321,000, representing a decrease of 18.7% from RMB6,953,406,000 over the same period last year. The Group's gross profit margin decreased from 54.9% in the same period last year to 47.9% during the Review Period. The Group's profit for the period decreased from RMB2,878,816,000 in the same period last year to RMB1,384,690,000, and the total comprehensive income for the period decreased from RMB2,878,816,000 in the same period last year to RMB1,384,101,000. The Adjusted net profit for the Review Period was RMB1,436,304,000, representing a decrease of 51.7% over the same period last year. The decrease in the Group's profit for the period was primarily due to the decrease in sales to corporate clients, the decrease in gross profit margin and the increase in selling, administrative and research and development expenses.

1. Revenue — categorized by business types

	For the six months ended 30 June				
	2022		2021		Changes
	RMB'000	*%*	*RMB'000*	*%*	*%*
Corporate client oriented sales	**5,092,905**	**90.1**	6,497,384	93.4	(21.6)
Retail client oriented sales	**560,416**	**9.9**	456,022	6.6	22.9
Total	**5,653,321**	**100.0**	6,953,406	100.0	(18.7)

(1) *Corporate client oriented sales*

During the Review Period, the revenue of corporate client oriented sales was RMB5,092,905,000 (the same period in 2021: RMB6,497,384,000), representing a decrease of 21.6% over the same period last year.

(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 RMB560,416,000 (the same period in 2021: RMB456,022,000), representing an increase of 22.9% over the same period last year.

Revenue — categorized by customers' places of incorporation

	For the six months ended 30 June				
	2022		2021		Changes
	RMB'000	*%*	*RMB'000*	*%*	*%*
U.S.	**606,139**	**10.7**	826,069	11.9	(26.6)
Mainland China*	**2,126,870**	**37.6**	3,156,173	45.4	(32.6)
Hong Kong, China**	**1,269,989**	**22.5**	1,776,529	25.5	(28.5)
Europe and others	**1,650,323**	**29.2**	1,194,635	17.2	38.1
Total	**5,653,321**	**100.0**	6,953,406	100.0	(18.7)

* *To our knowledge, certain customers in mainland China were export trading companies. Those products they purchased from the Group were exported to overseas markets. If we exclude revenue to those customers, revenue generated by the Group from mainland China during the Review Period will be RMB1,698,480,000 (the same period last year: RMB2,835,593,000), and the proportion to total revenue will be 30.0% (the same period last year: 40.8%).*

** *Revenue generated from Hong Kong is on re-export or transhipment 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 transhipment for our overseas customers or trading companies. During the Review Period, revenue from products sold to the United States via Hong Kong amounted to RMB1,139,490,000 (the same period last year: RMB1,669,242,000), representing 89.7% of revenue from Hong Kong (the same period last year: 94.0%).*

Taking into account the above mentioned impact of the export sales revenue of Chinese traders and the transhipment revenue in the Hong Kong market, the distribution of the Group's product sales is as follows:

	For the six months ended 30 June				
	2022		2021		Changes
	RMB'000	***%***	*RMB'000*	*%*	*%*
Corporate client oriented sales	**5,092,905**	**90.1**	6,497,384	93.4	(21.6)
— U.S.	**1,612,821**	**28.6**	2,407,798	34.6	(33.0)
— Mainland China	**1,698,480**	**30.0**	2,835,593	40.8	(40.1)
— Other countries and areas	**1,781,604**	**31.5**	1,253,993	18.0	42.1
Retail client oriented sales	**560,416**	**9.9**	456,022	6.6	22.9
Total revenue	**5,653,321**	**100.0**	6,953,406	100.0	(18.7)

2. Gross Profit and Cost of Sales

During the Review Period, the gross profit of the Group was RMB2,705,607,000 (the same period in 2021: RMB3,818,784,000), representing a decrease of 29.2% from the same period last year while the gross profit margin fell to 47.9% during the Review Period from 54.9% in the same period last year. The decrease in gross profit margin was primarily due to the structural changes of products with different gross profit margins, the increase in the proportion of fixed costs due to revenue decline, and the price adjustment of some products to support clients to improve their market share.

Cost of Sales

	For the six months ended 30 June				
	2022		2021		Changes
		Percentage		*Percentage*	
	RMB'000	***(%)***	*RMB'000*	*(%)*	*%*
Cost of raw materials	**2,058,810**	**69.8**	2,168,123	69.2	(5.0)
Labor cost	**513,747**	**17.4**	548,838	17.5	(6.4)
Production overhead	**324,496**	**11.0**	352,921	11.3	(8.1)
Tax and surcharge	**50,661**	**1.8**	64,740	2.0	(21.7)
Total	**2,947,714**	**100.0**	3,134,622	100.0	(6.0)

3. Distribution and Selling Expenses

The Group's distribution and selling expenses increased from RMB68,273,000 in the same period last year to RMB176,728,000 during the Review Period, representing an increase of 158.9%. The percentage of distribution and selling expenses to revenue rose from 1.0% in the same period last year to 3.1% in the Review Period. The increase in distribution and selling expenses as a percentage of revenue was mainly due to the Group's strengthening efforts to expand overseas markets, especially the expansion of disposable vaping products and open system vaping products into overseas markets, in line with its established development strategy during the Review Period. Among which:

(1) Employee's salaries and benefits increased by 90.6% from RMB36,787,000 in the same period last year to RMB70,117,000 during the Review Period. The proportion of employee's salaries to revenue increased from 0.5% in the same period last year to 1.2% during the Review Period.

(2) Marketing expenses increased by 185.0% from RMB14,377,000 in the same period last year to RMB40,968,000 during the Review Period. The proportion of marketing expenses to revenue increased from 0.2% in the same period last year to 0.7% in the Review Period.

(3) Other expenses increased by 283.7% from RMB17,109,000 in the same period last year to RMB65,643,000 during the Review Period. The proportion of other expenses to revenue increased from 0.3% in the same period last year to 1.2% in the Review Period. The main reason for the increase in other expenses as a percentage of revenue was that the Group strengthened its efforts in exploring the market during the Review Period, hence the corresponding travel expenses, consulting service expenses, etc. improved significantly. In addition, transportation expenses increased during the Review Period compared with the same period last year due to the influence of the COVID-19 pandemic.

4. Administrative Expenses

The administrative expenses of the Group during the Review Period increased from RMB362,798,000 in the same period last year to RMB587,777,000 during the Review Period, representing an increase of 62.0%. Administrative expenses as a percentage of revenue increased from 5.2% in the same period last year to 10.4% in the Review Period. The increase in administrative expenses as a percentage of revenue was primarily due to the Group's increased investment in the establishment of information systems, improvement in organization and processes during the Review Period in order to further improve management capability and meet the needs of long-term development in the future. At the same time, the Group increased the number of management personnel appropriately in order to support the development of new businesses in the future. Among which:

(1) Employee's salaries and benefits increased by 37.4% from RMB246,923,000 in the same period last year to RMB339,198,000, and its percentage of revenue increased from 3.6% in the same period last year to 6.0% during the Review Period.

(2) Professional fees increased by 147.6% from RMB41,135,000 in the same period last year to RMB101,835,000 during the Review Period. Such fees as a percentage of revenue increased from 0.6% in the same period last year to 1.8% during the Review Period. The main reason for the increase in such fees was the increased expenses on hiring external professional agencies of consultation services in order to further enhance the Company's long-term competitiveness.

(3) Depreciation and amortization expenses increased by 179.5% from RMB15,787,000 in the same period last year to RMB44,125,000 during the Review Period, accounting for 0.8% of revenue with an increase from 0.2% of revenue in the same period last year. The increase of such expenses was primarily due to the increase in amortization of land use rights and right-of-use assets.

5. Research and Development Expenses

The Group's research and development expenses increased from RMB236,264,000 in the same period last year to RMB604,120,000 during the Review Period, representing an increase of 155.7%. The research and development expenses as a percentage of revenue increased from 3.4% in the same period last year to 10.7% during the Review Period. The increase in research and development expenses as a percentage of revenue was primarily due to the Group's continuous increase in research and development investment, especially in the basic research of atomization technology, medical treatment and healthcare, in order to enhance its long-term competitive edge and to develop growth opportunities in new areas in accordance with the its established strategy during the Review Period. Among which:

(1) Employee's salaries and benefits increased by 173.5% from RMB140,900,000 in the same period last year to RMB385,413,000 during the Review Period, and such salaries and benefits as a percentage of revenue increased from 2.0% in the same period last year to 6.8% during the Review Period. The main reason of the 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 during the Review Period.

(2) The development costs increased by 136.1% from RMB66,026,000 in the same period last year to RMB155,897,000 during the Review Period, and the development costs as a percentage of revenue increased from 0.9% in the same period last year to 2.8% during the Review Period.

6. Other Income and expenses

During the Review Period, the total other income of the Group was RMB245,563,000, representing an increase of 13.5% from RMB216,298,000 in the same period last year, of which:

Items	For the six months ended 30 June		
	2022	2021	Changes
	RMB'000	*RMB'000*	%
Interest income from bank deposits	**204,657**	167,890	21.9
Government grants	**36,094**	36,500	(1.1)
Compensation income from customers	**2,498**	2,541	(1.7)
Income from technical consultation services	**1,706**	1,975	(13.6)
Interest income from rental deposits	**852**	672	26.8
Others	**(244)**	6,720	N/A
Total	**245,563**	216,298	13.5

7. Other Gains and Losses

During the Review Period, the total other gains of the Group were RMB106,185,000, representing an increase of 183.9% from RMB37,396,000 in the same period last year, of which:

Items	For the six months ended 30 June		
	2022	2021	Changes
	RMB'000	*RMB'000*	%
Net foreign exchange gain (loss)	**69,946**	(12,815)	N/A
(Loss) gain arising on forward foreign exchange contracts	**(8,960)**	13,311	N/A
Gain arising on short-term bank deposits with variable interest rate	**48,345**	52,243	(7.5)
Gain on early termination of lease	**250**	950	(73.7)
Impairment loss recognised on intangible assets	**—**	(17,847)	(100.0)
Loss on disposal/write off of property, plant and equipment and intangible assets	**(2,244)**	(4,246)	(47.2)
Others	**(1,152)**	5,800	N/A
	106,185	37,396	183.9

8. Finance Costs

The finance costs of the Group primarily include interest expenses on lease liabilities and interest expenses on discounted bank acceptance bill. During the Review Period, the finance costs of the Group were RMB14,690,000, representing an increase of 93.8% from RMB7,579,000 in the same period last year. The increase in the finance costs of the Group was primarily due to the increase in interest expenses on discounting as a result of an increase in the discounted bank acceptance bill during the Review Period.

9. Income Tax Expense

During the Review Period, the Group's income tax expense was RMB291,275,000, representing a decrease of 43.8% from RMB518,043,000 in the same period last year. Income tax expenses accounted for 16.9% (the same period in 2021: 14.8%) of adjusted profits before tax. The main reason for the decrease in income tax was the decrease in taxable profit.

10. Total Comprehensive Income for the Period

The Group's total comprehensive income for the period was RMB1,384,101,000, representing a decrease of 51.9% from RMB2,878,816,000 in the same period last year. The Adjusted net profit was RMB1,436,304,000, representing a decrease of 51.7% from RMB2,975,225,000 in the same period last year. The main reason for such decrease was the decrease in revenue, gross profit margin and the increase in expenses.

11. Liquidity and Financial Resources

As at 30 June 2022, the net current assets of the Group were RMB14,494,776,000 (31 December 2021: RMB14,591,532,000). As at 30 June 2022, the Group's bank balance and cash were RMB13,875,609,000 (31 December 2021: RMB11,426,758,000), mainly involving RMB13,757,418,000 denominated in RMB, RMB27,345,000 denominated in USD, RMB86,452,000 denominated in HKD (31 December 2021: mainly involving RMB11,348,674,000 were denominated in RMB, RMB35,770,000 were denominated in USD, RMB41,796,000 were denominated in HKD). As at 30 June 2022, the current ratio of the Group was 491.4% (31 December 2021: 529.9%).

Treasury management policy

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

Borrowings

As at 30 June 2022, the Group did not have any bank borrowings (31 December 2021: nil). As of 30 June 2022, the banking facilities secured by the Group were RMB4,460.0 million, of which RMB70.1 million had been used for the issuance of letter of credit.

Gearing Ratio

As at 30 June 2022, the gearing ratio (total liabilities divided by total equity) was 20.2% (31 December 2021: 18.8%).

12. Pledge of Assets

As of 30 June 2022, the Group did not have any pledges on its assets (31 December 2021: except for the bank deposit of the Group for purchasing forward foreign exchange contracts of RMB4.0 million, the Group did not have any pledges on its assets).

13. Exposure to Foreign Exchange Risk

During the six months ended 30 June 2022, the Group recorded a net foreign exchange gain of RMB69,946,000 (the same period in 2021: a net foreign exchange loss of RMB12,815,000). Meanwhile, the Group recorded a loss of RMB8,960,000 from forward foreign exchange contracts (the same period in 2021: a forward foreign exchange contracts gain of RMB13,311,000) during the Review Period.

The functional currency of the Group is RMB and 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. 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 ("**USD exposure**") as a result of changes in the exchange rate between USD and RMB.

Sensitivity Analysis

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

Based on the amounts of assets and liabilities of the Group denominated in USD as of 30 June 2022, if the exchange rate of USD against RMB rises by 10%, the Group's profit after tax will increase by RMB141,566,000 (31 December 2021: RMB95,410,000). Otherwise, if the exchange rate of USD against RMB drops by 10%, the Group's profit after tax will decrease by RMB141,566,000 (31 December 2021: RMB95,410,000).

14. Employment, Training and Development

As of 30 June 2022, the Group has 17,814, 9 and 889 employees in mainland China, Hong Kong and overseas countries respectively. The Group provides comprehensive and attractive remunerations, retirement plans, 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 mainland 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 corresponding pension insurance, pension scheme, medical insurance, etc. for its employees in accordance with the laws and regulations of overseas countries where it operates. 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, etc.

During the Review Period, the total staff costs (including management and administration staff) accounted for 26.0% of the revenue of the Group (the same period in 2021: 16.7%). The increase in total staff costs as a percentage of revenue was mainly due to the fact that the Group increased the number of R&D personnel, management personnel and marketing personnel in line with its long-term development strategy during the Review Period.

15. Capital Expenditures

During the six months ended 30 June 2022, the total investment in property, plant and equipment and intangible assets of the Group was RMB1,549,959,000 (the same period in 2021: RMB451,626,000), which was mainly used for purchasing land use rights for the headquarter office building, purchasing equipment for expanding R&D activities, etc.

16. Capital Commitments

As at 30 June 2022, the Group had contracted capital commitment of RMB723,749,000 (31 December 2021: RMB390,128,000) for procurement of property, plant and equipment, which will be financed with net proceeds from the Listing and generated from operations.

17. Material Acquisitions and Disposal

During the six months ended 30 June 2022, the Group did not carry out any material acquisitions or disposals of any subsidiaries, associates or joint ventures.

18. Significant Investments

During the six months ended 30 June 2022, the Group did not have any significant investments.

19. Contingent Liabilities

As at 30 June 2022, the Group did not have any material contingent liabilities.

20. Future Plans for Material Investments or Capital Expenditures

According to the existing plan, the Group initially plans to invest approximately RMB1,500 million from 2022 to 2026, to implement the headquarter office building project of the Group.

Save as the plan above and 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 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.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	For the six months ended 30 June 2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Revenue	4	**5,653,321**	6,953,406
Cost of sales		**(2,947,714)**	(3,134,622)
Gross profit		**2,705,607**	3,818,784
Other income and expenses		**245,563**	216,298
Distribution and selling expenses		**(176,728)**	(68,273)
Administrative expenses		**(587,777)**	(362,798)
Research and development expenses		**(604,120)**	(236,264)
Finance costs		**(14,690)**	(7,579)
Other gains and losses	5	**106,185**	37,396
Impairment loss recognised on trade receivables, net		**1,925**	(705)
Profit before tax		**1,675,965**	3,396,859
Income tax expense	6	**(291,275)**	(518,043)
Profit for the period	7	**1,384,690**	2,878,816
Other comprehensive expenses:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(589)**	—
Other comprehensive expenses for the period		**(589)**	—
Total comprehensive income for the period		**1,384,101**	2,878,816
Earnings per share	9		
Basic (RMB cents)		**23.08**	48.45
Diluted (RMB cents)		**22.38**	46.54

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	**At 30 June 2022** *RMB'000* **(unaudited)**	At 31 December 2021 *RMB'000* (audited)
Non-current assets			
Property, plant and equipment		**3,536,949**	2,107,839
Intangible assets		**68,949**	66,399
Deposits paid for acquisition of property, plant and equipment		**268,971**	1,154,085
Deferred tax assets		**15,352**	15,778
Long-term bank deposits		**1,541,722**	1,516,030
Rental deposits		**24,121**	25,403
		5,456,064	4,885,534
Current assets			
Inventories		**549,800**	560,070
Trade and bills receivables	*10*	**2,706,572**	2,409,254
Other receivables, deposits and prepayments		**550,192**	335,245
Financial assets at fair value through profit or loss ("**FVTPL**")		**—**	6,385
Restricted bank deposits		**8,412**	12,412
Short-term bank deposits over three months		**507,228**	3,235,648
Bank balances and cash		**13,875,609**	11,426,758
		18,197,813	17,985,772
Current liabilities			
Trade payables	*11*	**794,580**	826,800
Other payables and accrued expenses		**1,457,854**	1,434,129
Tax payables		**181,702**	294,972
Contract liabilities		**215,411**	250,183
Lease liabilities		**141,989**	145,513
Deferred income		**5,134**	5,138
Advances drawn on bills receivables discounted with recourse		**906,367**	437,505
		3,703,037	3,394,240
Net current assets		**14,494,776**	14,591,532
Total assets less current liabilities		**19,950,840**	19,477,066

	At 30 June 2022 *RMB'000* (unaudited)	At 31 December 2021 *RMB'000* (audited)
Non-current liabilities		
Lease liabilities	**215,161**	174,562
Deferred income	**2,521**	5,084
Deferred tax liability	**51,061**	51,061
	268,743	230,707
Net assets	**19,682,097**	19,246,359
Capital and reserves		
Share capital	**418,628**	419,451
Reserves	**19,263,469**	18,826,908
Total equity	**19,682,097**	19,246,359

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
NET CASH (USED IN)/FROM OPERATING ACTIVITIES *(NOTE)*	**(333,257)**	2,440,733
INVESTING ACTIVITIES		
Payment for acquisition of property, plant and equipment	**(651,851)**	(480,254)
Purchase of intangible assets	**(11,320)**	(2,285)
Placement of structure deposits with variable interests	**(3,000,000)**	(6,836,000)
Withdrawal of structure deposits with variable interests	**3,048,345**	3,930,477
Placement of restricted bank deposits	**—**	(48,000)
Withdrawal of restricted bank deposits	**4,000**	—
Placement of long-term bank deposits	**—**	(1,000,000)
Withdrawal of long-term bank deposits	**—**	50,000
Placement of short-term bank deposits over three months	**(500,000)**	—
Withdrawal of short-term bank deposits over three months	**3,277,884**	—
Payments for rental deposits	**(9,710)**	(13,445)
Refund of rental deposits upon termination of leases	**5,218**	3,458
Interest received	**142,281**	134,290
Government grants received	**—**	2,000
Proceeds from disposal of property, plant and equipment	**3,990**	20,413
Development costs paid	**—**	(3,792)
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	**2,308,837**	(4,243,138)
FINANCING ACTIVITIES		
Dividends paid	**(915,901)**	(1,321,531)
Proceeds from issue of shares upon exercise of share options	**41**	16,264
Payment on repurchase and cancellation of shares	**(161,787)**	—
Purchase of shares under share award scheme	**(81,207)**	—
Repayment of lease liabilities	**(81,746)**	(60,548)
Interest paid	**(15,330)**	(7,579)
Issue of shares of the Company	**—**	3,720,744
Payment of issue costs	**—**	(37,496)
Transaction cost attributable to issuance of shares	**—**	(15,170)
Advances drawn on bills receivables discounted with recourse *(note)*	**1,716,867**	—
NET CASH FROM FINANCING ACTIVITIES	**460,937**	2,294,684

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**2,436,517**	492,279
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**11,426,758**	9,557,802
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**12,334**	3,825
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	**13,875,609**	10,053,906

Note: During the six months ended 30 June 2022, the Group received bills receivables of RMB1,701,318,000 (six months ended 30 June 2021: RMB2,304,365,000) and transferred bills receivables of RMB1,716,867,000 (six months ended 30 June 2021: nil) to banks by discounting the bills receivables on a full recourse basis. Without discounting the bills receivables, the cash collection upon maturity of the bills receivables would be included in cash flows from operating activities in the condensed consolidated statement of cash flows. During the current period, the Group has discounted the bills receivables and the relevant cash flows have been included in cash flows from financing activities and subsequent settlement by customers to banks directly would be accounted for as non-cash transactions.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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. 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 (1) the research, design and manufacture of vaping devices and components, other than self-branded advanced personal vaporizers ("**APV**") and (2) the research, design, manufacture and sale of APV.

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

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("**HKAS 34**") "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

3. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2021.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

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

4. REVENUE AND SEGMENT INFORMATION

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 the executive directors of the Company (the "**CODM**"), for the purpose of resource allocation and performance assessment, which is the consolidated results of the Group. As a result, there is only one reporting segment 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 period is as follows:

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Vaping devices and components, other than APV	**5,092,905**	6,497,384
APV	**560,416**	456,022
Total revenue that recognised at a point in time	**5,653,321**	6,953,406

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

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Segment revenue	**5,653,321**	6,953,406
Segment profit	**1,649,741**	3,368,202
Unallocated income	**28,765**	32,493
Unallocated expenses	**(2,541)**	(3,836)
Profit before tax	**1,675,965**	3,396,859

The accounting policies of the operating segment is the same as the Group's accounting policies. Segment profit represents profit earned from the segment without allocation of certain interest income from bank deposits and central administration costs. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

Geographical information

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

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
The PRC (excluding Hong Kong)	**2,126,870**	3,156,173
Hong Kong, China *(note)*	**1,269,989**	1,776,529
United Kingdom	**1,110,892**	672,632
United States of America	**606,139**	826,069
France	**139,218**	126,034
Japan	**78,632**	86,262
New Zealand	**62,957**	60,440
Others	**258,624**	249,267
	5,653,321	6,953,406

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

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

5. OTHER GAINS AND LOSSES

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Net foreign exchange gain/(loss)	**69,946**	(12,815)
(Loss)/gain arising on forward foreign exchange contracts	**(8,960)**	13,311
Gain arising on short-term bank deposits with variable interest rate	**48,345**	52,243
Gain on early termination of lease	**250**	950
Impairment loss recognised on intangible assets	**—**	(17,847)
Loss on disposal/write off of property, plant and equipment and intangible assets	**(2,244)**	(4,246)
Others	**(1,152)**	5,800
	106,185	37,396

6. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current tax:		
— PRC Enterprise Income Tax ("**EIT**")	**287,513**	519,550
— Hong Kong Profits Tax	**—**	3,015
	287,513	522,565
Underprovision in prior years		
— PRC EIT	**3,336**	753
	290,849	523,318
Deferred tax	**426**	(5,275)
	291,275	518,043

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 for Smoore Shenzhen, Jiangmen Moore Technology Co., Ltd ("**Moore Jiangmen**") and Shenzhen Maishi Technology Co., Ltd ("**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 six months ended 30 June 2021 and 2022. 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 six months ended 30 June 2022 (six months ended 30 June 2021: 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.

7. PROFIT FOR THE PERIOD

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging:		
Depreciation of right-of-use assets for buildings and land use rights	**98,282**	64,173
Depreciation of property, plant and equipment	**131,674**	74,689
Amortisation of intangible asset	**8,529**	11,524
	238,485	150,386
Less: amounts capitalised as cost of inventories manufactured	**(148,768)**	(111,103)
	89,717	39,283
Allowance for inventories, net	**1,176**	1,084
Government grants	**36,094**	36,500

8. DIVIDENDS

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Dividends recognised as distribution during the period	**915,901**	1,321,534

During the current interim period, a final dividend of HK18 cents per share in respect of the year ended 31 December 2021 (six months ended 30 June 2021: HK27 cents) was declared and paid to owners of the Company. The aggregate amount of the final dividend paid in the interim period amounted to HK$1,079,181,000 (equivalent to approximately RMB915,901,000) (six months ended 30 June 2021: HK$1,610,837,000 (equivalent to approximately RMB1,321,531,000)).

Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of HK10 cents per share amounting to approximately HK$608,493,000 in aggregate (six months ended 30 June 2021: HK$1,262,033,000) will be paid to owners of the Company whose names appear in the register of members of the Company on 13 September 2022.

9. EARNINGS PER SHARE

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

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Earnings:		
Earnings for the purpose of basic and diluted earnings per share	**1,384,690**	2,878,816
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating earnings per share	5,999,590	5,941,819
Effect of dilutive potential ordinary shares:		
Share options/Award shares	186,569	243,894
	6,186,159	6,185,713

10. TRADE AND BILLS RECEIVABLES

	At 30 June 2022	At 31 December 2021
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade receivables		
— contracts with customers	**1,714,791**	1,703,163
Less: Allowance for credit losses	**(14,586)**	(16,562)
	1,700,205	1,686,601
Bills receivables	**1,006,367**	722,653
	2,706,572	2,409,254

The Group allows a credit period of 0 to 75 days to its trade customers.

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

	At 30 June 2022	At 31 December 2021
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade receivables		
Within 30 days	**836,231**	998,721
31 to 60 days	**480,288**	438,734
61 to 90 days	**376,087**	248,221
Over 90 days	**7,599**	925
	1,700,205	1,686,601

As at 30 June 2022, bills receivables of RMB1,006,367,000 (31 December 2021: RMB722,653,000) are with a maturity period of less than three months.

11. TRADE PAYABLES

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:

	At 30 June 2022	At 31 December 2021
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 30 days	**689,830**	763,272
31-60 days	**89,981**	61,708
61-90 days	**12,645**	1,737
Over 90 days	**2,124**	83
	794,580	826,800

12. SUBSEQUENT EVENTS

Pursuant to the Administrative Measures for Electronic Cigarettes (the "**Administrative Measures**") issued by the State Tobacco Monopoly Administration of China (the "**Tobacco Monopoly Administration**") on 11 March 2022 and related questions and answers, the production, wholesale and retail of e-cigarettes in China shall acquire relevant tobacco monopoly licenses, and a transition period from 1 May 2022 to 30 September 2022 is imposed.

Relevant subsidiaries of the Group are applying for relevant Licenses strictly in accordance with the provisions of the Administrative Measures. On 20 July 2022, the wholly-owned subsidiary of the Company, Shenzhen Vaporesso Technology Co., Ltd. has received the tobacco monopoly production enterprise license issued by Tobacco Monopoly Administration which is valid from 11 July 2022 to 31 July 2023. And on 3 August 2022, other two wholly-owned subsidiaries of the Company, Smoore Shenzhen and Shenzhen Maike Brothers Technology Co., Ltd. have received the tobacco monopoly production enterprise licenses issued by Tobacco Monopoly Administration with validity period from 25 July 2022 to 31 July 2023.

OTHER INFORMATION

CORPORATE GOVERNANCE

Compliance with the Code Provisions of the Corporate Governance Code

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.

For the six months ended 30 June 2022, the Company had applied the principles and complied with all code provisions (except as stated below) and (where applicable) the recommended best practices of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). In respect of code provision C.2.1 of the CG Code, the positions of the chairman of the Board and the chief executive officer are held by the same individual, namely, Mr. Chen Zhiping. The Board 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 of Directors 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 of Directors. Therefore, the Board of Directors believes that there are sufficient checks and balances within the Board of Directors;

(2) Mr. Chen and 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 of the Company consists of experienced talents in different fields. These members meet regularly to discuss significant issues relating to the business strategies and operations of the Group;

(4) The Group's development strategies and other major operating decisions are jointly made by the management team, the Board 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.

AUDIT COMMITTEE

For the six months ended 30 June 2022, 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 Audit Committee has reviewed, with the management and the independent auditor of the Company, the Group's unaudited condensed consolidated interim financial information for the six months ended 30 June 2022, the interim report, the accounting principles and practices adopted by the Group and has discussed the risk management, internal controls and financial reporting matters.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set forth in the Appendix 10 to the Listing Rules as a code of conduct of the Company for Directors' securities transactions (the "**Securities Trading Code**"). Having made specific enquiry on this matter, all Directors confirmed that they have strictly complied with the relevant provisions of the Securities Trading Code for the six months ended 30 June 2022.

INTERIM DIVIDEND

The Board resolved to declare an interim dividend of HK10 cents per share for the six months ended 30 June 2022 (six months ended 30 June 2021: HK21 cents per share), to be paid to the shareholders of the Company as appearing on the register of members of the Company on 13 September 2022. The interim dividend is expected to be distributed on 26 September 2022.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 8 September 2022 to 13 September 2022, 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 the interim dividend, all transfer forms, accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on 7 September 2022.

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

Pursuant to the Repurchase Mandate passed at the annual general meeting on 27 May 2021, the Company was allowed to repurchase up to 596,607,872 shares, being 10% of the total number of shares in issue as at the date of passing the resolution at the annual general meeting. During the period under review, the Company has repurchased totally 11,888,000 shares on the market in accordance with the Repurchase Mandate. The total consideration for the repurchased shares was approximately HK$199,490,420 (before brokerage and expenses). These shares have been cancelled on 13 May 2022. Details are as follows:

		Share price (per share)	
Repurchase date	**Number of shares**	**Highest**	**Lowest**
		HK$	*HK$*
7 April 2022	2,913,000 shares	17.48	16.72
8 April 2022	2,902,000 shares	17.36	17.04
11 April 2022	3,022,000 shares	16.62	16.22
12 April 2022	3,051,000 shares	16.88	15.70
Total	11,888,000 shares		

REVIEW OF ACCOUNTS

Deloitte Touche Tohmatsu, the independent auditor of the Company, has reviewed the unaudited condensed consolidated interim financial information for the six months ended 30 June 2022 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

EVENTS AFTER THE REVIEW PERIOD

On 11 March 2022, the State Tobacco Monopoly Administration of China announced the Administrative Measures and answers to some questions, 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-cigarettes shall acquire relevant tobacco monopoly licenses; the sale of flavoured e-cigarettes (other than tobacco flavor) and e-cigarettes which can be added with atomization materials are prohibited 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 has been implemented since 1 May 2022. During the transition period from 1 May 2022 to 30 September 2022, the existing e-cigarette production and operation entities may continue to carry out production and operation activities, and shall apply for relevant licenses and conduct product technical review pursuant to the requirements under the Administrative Measures, National Standards and other supporting policies.

On 20 July 2022, Shenzhen Vaporesso Technology Co., Ltd. (深圳市韋普萊思科技有限公司), a wholly-owned subsidiary of the Group, received the tobacco monopoly production enterprise license issued by the Tobacco Monopoly Administration, with a validity period from 11 July 2022 to 31 July 2023. On 3 August 2022, Shenzhen Smoore Technology Co., Ltd. (深圳麥克韋爾科技有限公司) and Shenzhen Maike Brothers Technology Co., Ltd. (深圳市麥克兄弟科技有限公司), also being wholly-owned subsidiaries of the Group, received the tobacco monopoly production enterprise licenses issued by the Tobacco Monopoly Administration, with a validity period from 25 July 2022 to 31 July 2023 respectively.

The issuance of the tobacco monopoly production enterprise licenses further improves the confidence of Smoore toward future development and enables the Group to produce and operate as scheduled. In the future, Smoore will firmly support the relevant national policies, continue to implement regulatory requirements, and operate in compliance with laws and regulations. With science and technology as the driving force for its development, the Group will proactively promote the long-term and healthy development of the industry to provide services to global clients and users, fulfill its corporate responsibilities and create higher values for the society.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement has been published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.smooreholdings.com. The interim report for the six months ended 30 June 2022 containing all the information required to be disclosed by the Listing Rules 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, 24 August 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.