**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 2024

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 2024 (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 2024 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 | | |
|---|---|---|---|
| | **2024** | 2023 | Changes |
| | ***RMB'000*** | *RMB'000* | *%* |
| | **Unaudited** | Unaudited | |
| Revenue | **5,037,242** | 5,122,862 | (1.7) |
| Gross profit | **1,914,597** | 1,855,370 | 3.2 |
| Gross profit margin | **38.0%** | 36.2% | 1.8 pp |
| Profit before tax | **811,555** | 796,170 | 1.9 |
| Profit for the period | **683,198** | 717,342 | (4.8) |
| Total comprehensive income for the period | **724,597** | 734,356 | (1.3) |
| Net profit margin | **13.6%** | 14.0% | (0.4 pp) |

| | **30 June** | 31 December | |
|---|---|---|---|
| | **2024** | 2023 | Changes |
| | ***RMB'000*** | *RMB'000* | *%* |
| | **Unaudited** | Audited | |
| Total assets | **26,540,994** | 25,508,284 | 4.0 |
| Total equity | **21,324,640** | 21,409,609 | (0.4) |
| Cash and cash equivalents | **6,534,871** | 5,332,076 | 22.6 |
| Asset-liability ratio (%) | **19.7** | 16.1 | 3.6 pp |
| Current ratio (%) | **396.2** | 548.8 | (152.6 pp) |
| Trade and bills receivables turnover days (days) | **71.2** | 68.5 | 3.9 |
| Inventory turnover days (days) | **45.8** | 43.3 | 5.8 |
| Trade and bills payables turnover days (days) | **71.1** | 64.6 | 10.1 |

*Notes:*

1. Cash and cash equivalents = demand deposits + time deposits with maturity of less than three months as at the end of the period

2. Asset-liability ratio = total liabilities/total assets

3. Current ratio = current assets/current liabilities

4. Trade and bills receivables turnover days = average balance of trade and bills receivables/revenue × 180

5. Inventory turnover days = average balance of inventory/cost of sales × 180

6. Trade and bills payables turnover days = average balance of trade and bills payables/cost of sales × 180

7. Average balance = (beginning balance for the period + ending balance for the period)/2

## MANAGEMENT DISCUSSION AND ANALYSIS

## PRINCIPAL BUSINESS OF THE GROUP

The Group is a global leader in offering atomization technology solutions. During the Review Period, through our innovative and pioneering atomization technology solutions, we mainly operated three business segments: (1) research, design and manufacturing of closed system vaping products, vaping components, heat-not-burn products and atomization products for special purpose for a number of global leading tobacco companies, independent vaping and other corporate clients, as well as providing customers with technological services relating to the above products; (2) research, design, manufacturing and sale of self-branded open system vaping products, or advanced personal vaporizers ("**APV**"), for retail clients; and (3) new businesses such as inhalation therapy to provide patients with inhalation drug delivery products and related technological services and beauty atomization on a basis of atomization technology.

In the first half of 2024, the Group continued its full-category product offerings, strengthened market insight and adhered to compliance operations, achieving robust performance.

In terms of technological research and product development, aiming at leading in technology and products and guided by market demand, the Group continued to optimize its research and development management system to achieve scientific classification management of its research and development projects, which effectively enhanced the efficiency of its research and development. During the Review Period, the Group set up project teams for key research and development projects to rapidly shorten product research and development time. It successfully launched a number of new product solutions within a short period of time, thus actively responding to market changes and customer needs. For closed system vaping products, the Group's new products not only meet the underlying demand for better user experiences and more efficient nicotine delivery, but also achieve comprehensive breakthroughs in terms of appearance, design, product interaction and other aspects. A number of new products to meet different consumer needs were launched in the first half of the year, winning wide attention from customers. The first disposable solution with four-sided surrounding screens, ultra-high wattage and big puffs has ultra-high heating power equipped with four heating coils, bringing consumers premium use experience with a variety of modes and different puffs. FEELM Turbo DUO, the first 20,000-puff high-burst dual-coil disposable solution in the world, enhances the explosive taste of consumers with a dual-ceramic coil combination. For open system vaping products, we launched an iterative version of XROS for mouth-to-lung category and GEN for direct-to-lung category, which are popular among consumers after their launch in the first half of the year, helping to further increase the market share of our own brand VAPORESSO. In addition to self-research projects, the Group is also actively cooperating with clients in research and development in the fields of inhalation therapy and heat-not-burn products, and is expected to provide product solutions and related technological services to customers in the future.

In terms of marketing, the Group continued to enhance its user insights and channel control capabilities. During the Review Period, it continued to build up its localized marketing teams and strengthened its international market expansion. With the help of digital system to capture consumer preferences in real time, the Group quickly launched a number of new products that accurately meet the different needs of consumers. The Group is planning to provide customers with value-added services such as market insights and promotions through innovative partnerships. In the first half of the year, the Group launched MOYAL ("嵐至" in Chinese) beauty atomization products for retail customers, and is in the process of promoting the product through the leading online platforms in the Mainland of China, and has completed the initial development of the business model. During the Review Period, the Group continued to increase its localized presence in international markets to further build up the enterprise's global operation capability and lay the foundation for achieving long-term growth in the future. As of 30 June 2024, the Group has been operating 6 distribution centers in Europe and the United States as well as a number of international sales and research and development centers, and had follow-up plans to further strengthen the deployment of its international distribution centers in accordance with market changes and customer needs. The globalized presence is conducive for the Group not only to approaching its consumers and understanding changing market trends, but also to approaching its customers, saving costs and enhancing delivery speed.

In terms of internal management, the Group continued to promote cost reduction and efficiency enhancement. During the Review Period, the Group continued to improve its operational efficiency by promoting Amoeba management and strengthening the budget management system in its major business segments. During the Review Period, a significant reduction in administrative expenses was successfully achieved.

## BUSINESS REVIEW

### Sales and Marketing

During the Review Period, the Group recorded sales revenue of approximately RMB5,037,242,000, which decreased by approximately 1.7% as compared to the same period last year. Among which, the revenue from self-branded business sales was approximately RMB1,115,607,000, which increased by approximately 71.9% as compared to the same period last year and the proportion of total revenue increased from approximately 12.7% in the same period last year to approximately 22.1% in the Review Period. The revenue from corporate client oriented sales was approximately RMB3,921,635,000, which decreased by approximately 12.3% as compared to the same period last year, and the proportion of total revenue decreased from approximately 87.3% in the same period last year to approximately 77.9% in the Review Period.

During the Review Period, the Group's self-branded business achieved rapid growth, realizing revenue of approximately RMB1,115,607,000, representing a significant increase of approximately 71.9% as compared to the same period last year. Among which, in the European and other markets, the Group recorded revenue of approximately RMB928,687,000, representing a growth of approximately 88.0% as compared to the same period last year. In the U.S. market, revenue was approximately RMB186,920,000, representing a growth of approximately 20.6% year-on-year. The Group's self-branded business has comprehensively promoted the digital marketing operation, thus realizing the monitoring and management of channels through the digital platform as well as real-time and rapid response to consumer needs. Meanwhile, the Group has further stepped up its efforts in international market development. It has vigorously promoted the localization of its insight, research and development, product and sales systems in major global markets to ensure that new products not only satisfy diversified consumer needs, but also can be quickly rolled out to retail terminals. With precise insights into user needs, XRO 4, the iterative version of XROS launched by the Group in the first half of the year, has once again become a market hit. The Group's self-branded VAPORESSO has continued to increase its market share in the open system product segment and has become the leading brand in this category.

During the Review Period, the Group's revenue from corporate client oriented sales was approximately RMB3,921,635,000, which decreased by approximately 12.3% as compared to the same period last year, exhibiting different sales performances in different markets around the world.

In the U.S. market, the Group mainly sells electronic vaping products and atomization products for special purpose. Adhering to our customer-first business philosophy, we have successfully helped one of our major customers maintain its No. 1 market share in the United States in the category of closed system pod-based products through measures such as improving the level of production automation and intelligence and optimizing the cost structure. During the Review Period, there were still a large number of non-compliant electronic vaping products in the U.S. vaping market. However, the regulatory framework for non-compliant electronic vaping products in the U.S. has been further clarified this year, and the law enforcement has been significantly strengthened. During the Review Period, a number of states in the U.S. pushed forward electronic vaping registry bills one after another, while the U.S. Food and Drug Administration ("**FDA**") and the Department of Justice cooperated to set up a federal multi-agency task force to combat the sales of non-compliant electronic vaping products. The first menthol-flavored electronic vaping products have received Marketing Authorizations in premarket tobacco product application ("**PMTA**"). Benefiting from the impact of enhanced law enforcement, although the Group's pod-based electronic vaping products declined year-on-year in the first half of the year, revenue from the category showed a quarter-on-quarter improvement trend. Revenue from pod-based products in the U.S. in the second quarter increased by approximately 6.1% quarter-on-quarter and approximately 6.5% year-on-year. Leveraging its strengths in compliance capability, safety and user experience, the Group is expected to further recover its performance in the U.S. market. During the Review Period, the Group's atomization products for special purpose business was still under recovery. The Group is now actively promoting localization and branding, and continues to strengthen channel penetration and optimize its business model. Taking into account the products transshipped through Hong Kong, revenue of approximately RMB1,858,160,000 was realized in the U.S. market, representing a decrease of approximately 9.8% as compared to the same period last year, and the proportion of total revenue decreased from approximately 40.2% in the same period last year to approximately 36.9% in the Review Period.

In the European and other markets, the Group's corporate client oriented business mainly involves the sale of closed system electronic vaping products. Recently, there has been a gradual increase in regulation of the electronic vaping market in Europe, and demand for disposable electronic vaping products that are not rechargeable or refillable ("**traditional disposable**") is shifting to new closed and open system products. The strengthening of regulation has provided new growth opportunities for manufacturers with strict compliance, large capacity, strong insight and quick response. The Group's revenue from closed system pod-based products showed a clear quarter-on-quarter improvement trend, with revenue from closed system pod-based products in the second quarter surging by approximately 93.2% as compared to the first quarter in the European and other markets, achieving year-on-year growth of approximately 22.5% in the second quarter. During the Review Period, the Group supported its strategic customers in launching new generation of closed system electronic vaping products in the European and other markets, which perform better at user experiences and taste than the previous generation. During the course of regulatory enhancement, the demand for traditional disposable products from some customers was significantly affected, so the Group's revenue from disposable electronic vaping products decreased by approximately 18.9% year-on-year to approximately RMB1,217,423,000. During the Review Period, the Group's corporate client oriented business realized revenue of approximately RMB1,975,700,000 in the European and other markets, representing a decrease of approximately 16.0% as compared to the same period last year, and the proportion of the total revenue decreased from approximately 45.9% in the same period last year to approximately 39.3% in the Review Period. The Group has successfully launched a number of new closed system products in the international market in the first half of the year to meet the different needs of consumers, and is confident that this will translate into stronger orders in the second half of the year, contributing to the further recovery of sales revenue in the European and other markets in the second half of the year.

In the Mainland of China market, the Group's corporate client oriented business is mainly the sale of closed system electronic vaping products. During the Review Period, the Group's sales revenue in the Mainland of China market amounted to approximately RMB87,775,000, representing an increase of approximately 41.4% as compared to the same period last year and accounting for approximately 1.7% of the total revenue.

**Research and Development**

We truly believe that science and technology are the core drivers for corporate development. Being a high-tech manufacturing enterprise, we deem innovative products meeting market demand as our life source, and investments in technology as the core of product innovation. By adhering to such concept, we have built a research and development team with a size of more than 1,400 persons globally and allocated investments in research and development far more than that of our peers, which has laid a solid foundation for innovation and provided strong support for sustainable and healthy development of the Group. Taking full advantage of the innovative resources in the entire innovation ecosystem is vital to maintain innovative momentum for the Group. In 2023, we improved our innovation organization, working mechanisms and innovation cooperation model. On this basis, since entering 2024, we have closely tracked market dynamics, continuously optimized our product planning and technology planning, and guided the deployment of research and development resources with our corporate strategy and technology and product planning, forming a dynamic rolling optimization mechanism to continuously improve the efficiency of technology research and product development.

Based on the capability of the entire innovation management system from market to basic research, we have continuously deepened various management measures, formed a quantifiable and traceable indicator system for the entire lifecycle, and implemented reform initiatives for each innovation segment. In the process of research and development, we saw the effect of comprehensive digital management, realized comprehensive quantification of project progress and achieved comprehensive improvement of human efficiency management. In product development, through process optimization and target optimization, we have significantly shortened the development cycle from project initiation to market launch. In technological research, the distribution of resources has been quantified and controllable, and comprehensively focused on the direction of technology planning and corporate strategy, so as to concentrate on breaking through the key technological difficulties and support the rapid advancement of next-generation strategic product platforms. In organizational capability building, we have comprehensively carried out construction of product manager team building, project manager team building, technical expert team building and technical talent team building, and constructed an innovative talent echelon around the innovation chain, so as to lay a solid talent foundation for the long-term development of the Company's innovation system.

In the field of electronic vaping, we not only continue to promote iterative upgrade on our successful product platforms, but also actively enhance user experience in terms of multi-coil high burst power, product digitization, interactive experience and other aspects. We launched a series of products to improve their cost-effectiveness and user experience to provide differentiated user experience for consumers around the world. The new generation of pod-based solution, FEELM PRO, adopts the latest developed ultra-thin high burst technology, boosting a larger atomization area, stronger flavor reproduction and higher taste consistency. FEELM TURBO Duo equipped with two heated coils brings consumers a sugary atomization experience with more bursting taste. The world's first disposable solution with four-side surrounding screens and ultra-high wattage brings an interactive experience through the four-sided screens and provides consumers with a rich and powerful flavor through four coils with the ultra-high power of 40 watts. The newly launched XROS 4 and XROS 4 mini with COREX 2.0 technology have once again become market hits.

In the field of heat-not-burn products, we continued to increase investment in research and development in the first half of the year, and have continued to strengthened patents and technical barriers. At present, we have developed technology and products that are differentiated from the mainstream products in the market, and we are committed to providing better solutions for our customers.

In the field of atomization products for special purpose, targeting new niche market in the field, the Group launched ultra-thin heaters to greatly enhance the taste and quality of disposable products. The ceramic heaters and new product platforms based on this are progressing well, forming a multi-generation technology platform with clear advantages. On this basis, the new structural design has substantially enhanced the refilling manufacturing efficiency of our customers, improved product quality and yield, and realized a win-win situation.

In respect of beauty atomization, MOYAL ("嵐至" in Chinese) brand, the first beauty atomization product solution, made its debut in the first quarter of 2024 and has become the first beauty product that achieves atomization of high-viscosity skin-care essence in the industry. This product platform comprises efficient essence, atomizer and penetration enhancing appliance, which have made precise delivery and efficient penetration of skin care essence possible and significantly boosted natural absorption efficiency. It is expected that the product will bring a new generation of contactless, efficient and safe way of skin care to the consumers.

One of the Group's research and development centers in the United States is fully qualified for the research and development, production, quality testing, pharmacy and clinical study as well as registration and application of inhalation drug-device combination product. During the Review Period, the Group completed the research and development and the production deployment of several drug delivery devices for the treatment for asthma and chronic obstructive pulmonary disease, as well as the development of more than 10 drug formulations. All of these devices and drug formulations were recognized by the drug regulatory administrations in Europe and the United States. At the same time, the Group has reached consensus with drug regulatory administrations in the United Kingdom, the United States and Europe in respect of the research and development planning of such products, which has entered the preclinical stage and been put into production for the exhibit batch. The Group has obtained recognition from the industry in terms of its research and development capabilities and achievements in the field of pharmaceuticals, and is now actively cooperating with external clients in research and development and production by utilizing its research and development resources.

During the Review Period, the Group's total research and development expenditure amounted to approximately RMB760,112,000, representing an increase of approximately 23.7% as compared to the same period last year and an increase as a percentage of revenue from approximately 12.0% in the same period last year to approximately 15.1% in the Review Period. The increase was mainly attributable to the fields of inhalation therapy and heat-not-burn products. The research and development expenditures by different business were as below:

| | For the six months ended 30 June | | | | |
|---|---|---|---|---|---|
| | **2024** | | 2023 | | Changes |
| | ***RMB'000*** | *%* | *RMB'000* | *%* | *%* |
| Research and development of electronic nicotine delivery system (including electronic vaping products and heat-not-burn products) | **481,988** | **63.4** | 418,776 | 68.1 | 15.1 |
| Research and development of atomization products for special purpose and solutions | **92,653** | **12.2** | 82,322 | 13.4 | 12.5 |
| Research and development of inhalation therapy and beauty atomization products | **185,471** | **24.4** | 113,626 | 18.5 | 63.2 |
| Total | **760,112** | **100.0** | 614,724 | 100.0 | 23.7 |

**Production and Operation**

In 2024, the product iteration cycle was shortened as cost competition in the electronic vaping market intensified. During the Review Period, the Group maximized efficiency by increasing employee motivation and engagement through Amoeba management. For existing products, we continued to drive cost improvement. For new products, the production and operation team successfully shortened the ramp-up time for mass production and enhanced efficiency by participating in the design of manufacturability of the products in advance and upgrading the level of process design and other methods. In addition, the Group has made a lot of efforts to improve the management level of production and operations, and actively promoted the reduction of manufacturing costs through the integration and coordination of resources such as man, machine, material and method in production and operations. During the Review Period, the Group significantly improved the efficiency of its production and operations, which strongly supported the enhancement of product competitiveness.

## FUTURE PROSPECTS AND STRATEGIES

The Group is committed to building the world's leading atomization technology platform and is confident in the long-term growth of the global atomization market. In the future, we will continue to focus on "atomization technology" as the core and proactively lay out its business in the fields of electronic vaping products, heat-not-burn products, atomization products for special purpose, inhalation therapy and beauty atomization, so as to provide comprehensive atomization technology solutions to our customers and users.

Regarding electronic vaping, according to Sullivan report, the global market for electronic vaping products will reach approximately US$102.32 billion in 2028 based on retail price, with a projected compound growth rate of approximately 11.0% between 2023 and 2028. In recent years, regulatory frameworks of major countries around the world have been introduced one after another, imposing gradually intensifying regulation. However, the presence of non-compliant products during the regulatory enforcement process has affected user demand in the compliant market. The Group believes that the intensified efforts in regulation and enforcement will be conducive to the long-term development of the industry as well as the development and growth of compliant enterprises. The Group will continue to strengthen its compliant operation capability to assist more customers in market expansion. In terms of products, the Group adheres to the strategy of full-category product offerings. In recent years, the global electronic vaping market has exhibited blurred boundaries among different categories of products and shorter product iteration cycle. Consumers have begun to pursue more personalized options for their products in addition to the most basic needs for taste and flavor. The Group will continue with its full-category product offerings. On the basis of adhering to its technological and manufacturing leadership, the Group will strengthen its market insights and speed up its response to the end-market in order to meet the diversified needs of consumers. Meanwhile, leveraging its consumer insights and brand operation capabilities accumulated over the years, the Group is planning to deepen its cooperation with its customers to provide more customized services on the basis of providing research and development and manufacturing services, so as to help its customers achieve greater success in the ever-changing market. The Group is confident that it will continue to maintain its global leading position in the electronic vaping field through accurate market insights, cutting-edge technology reserves and flexible business models.

Regarding heat-not-burn products, according to the Sullivan report, the global market size for heat-not-burn products will reach approximately US$75.51 billion in 2028 based on retail price, with a projected compound growth rate of approximately 15.5% from 2023 to 2028. We maintain close cooperation with strategic customers and aim to provide them with overall solutions including products and technological services, which are expected to gradually contribute to the revenue in the future.

Regarding atomization products for special purpose, according to Sullivan report, the global market for atomization products for special purpose will reach approximately US$2.09 billion in 2028 based on ex-factory price, with a projected compound growth rate of approximately 10.9% from 2023 to 2028. The Group will continue to launch innovative products, expand product offerings, strengthen brand building and optimize its business model on this basis. The Group is confident that this business will gradually recover in the future and evolve into one of the key business pillars of the Group.

Regarding inhalation therapy, we are committed to developing generic drugs for several leading products used in Europe and the United States for the treatment of asthma and COPD, in order to appropriately lower the price of the products while ensuring the same level of safety and efficacy, thus making the treatments more affordable to a wider range of patients. According to a report in 2023 released by Market Research Future, an international market research firm, the global market for drugs and drug delivery devices for the treatment of these two indications reached approximately US$56.01 billion in 2022 and is expected to reach approximately US$93.28 billion in 2030, representing a promising market outlook. The Group will, on the one hand, continue to steadily advance the development of drug-device combination products for the treatment of respiratory diseases such as asthma and COPD in accordance with the established product development plan, and on the other hand, will collaborate with external parties in research and development and manufacturing by utilizing its research and development resources, with a view to complementing each other's strengths and giving full play to the value of the team. The Group will continue to improve its research and development efficiency and strive to complete the process from product development, mass production, marketing approval to commercialization in accordance with the established plan. The inhalation therapy business is expected to gradually contribute to the Group's revenue in the future.

Regarding beauty atomization, according to Euromonitor, an international market research firm, the market size of home beauty devices in China was approximately RMB28.97 billion in 2023 in terms of retail price, and is expected to reach approximately RMB37.22 billion in 2028. The market size of skin care products in China was approximately RMB323.81 billion in 2023 in terms of retail price, and is expected to reach approximately RMB413.47 billion in 2028. The Group's beauty atomization business, which aims to provide users with efficient skincare solutions combining devices and essence, plans to conduct a wider marketing promotion in the second half of the year and will launch more professional MOYAL skincare products targeting corporate clients such as beauty salons, in a bid to contribute more revenue to the Group.

Regarding research and development, the Group will continue to adhere to the concept that "science and technology are primary productive forces", and uphold the principle of compliance operation and the route of technological differentiation, so as to lay a good foundation for the launch of innovative products in the future. Based on the above-mentioned business fields, the Company's established business strategies as well as the main research and development tasks, the Group will continuously enhance consumer insights, conduct research and development based on market, and focus on addressing core technological pain points in the industry, thus strategically creating a platform with commercial value for products. In the future, the Group will focus on key projects in electronic vaping, while increasing its investment in research and development in the fields such as heat-not-burn products and inhalation therapy products, thereby building product portfolio with stronger development momentum. Apart from self-developed project, the Group also conducts research and development in collaboration with its customers, and share the benefits of cooperation with them. Thanks to the Group's progresses made in technologies, products and system building, we are confident that we will be able to iterate our product portfolio quickly under the premise of compliance and continue to maintain our leading position in our key business areas.

Regarding market development and sales, the Group will continue to enhance its market insight and capabilities on channel penetration, as well as improve the efficiency in delivering to local customers through an efficient operational model and enhanced organizational flexibility, in order to continuously meet the rapidly changing market demands.

Regarding business operation, in the second half of the year, the Group's sale, research and development, procurement and operation teams will work closely to continuously promote cost reduction in production of electronic vaping products, enhancement of delivery efficiency and improvement of quality. By various ways such as the enhancement of operation and management capabilities, and the application of new technology, the Group will further shorten delivery cycle while providing customers with more valuable products, thus enhancing our competitiveness in the market. Quality has always been our core concern. Therefore, we will continue to strengthen the building of quality capability. Through reliability verification of new products and quality control over mass-production products, the Group strives to provide customers with high-quality products. Meanwhile, the Group will further sort and study the manufacturing craftsmanship of all kinds of electronic vaping products thoroughly, build a standard process library and further develop corresponding solutions for standard automation, which will contribute to speeding up the introduction of new products and maximizing production efficiency. Finally, working with customers and suppliers, we will continue to optimize environment-friendly design process including removable battery, further explore recyclable or degradable environment-friendly materials and continuously promote deplasticized and lightweight packaging of materials and packaging of products, to create more environment-friendly and low-carbon green products, thus delivering greater value to the society.

In the future, the Group will launch differentiated new products that can stand out in core areas. Apart from that, the Group will also continue to expand the application of atomization technology and strive to create greater value for our customers and consumers with our leading technology and innovative products, by which we are able to bring sustainable returns to our shareholders with healthy growth in business.

## FINANCIAL REVIEW

During the Review Period, the total revenue of the Group was approximately RMB5,037,242,000 (the corresponding period in 2023: approximately RMB5,122,862,000), representing a decrease of approximately 1.7% as compared to the same period last year. The Group's gross profit margin was approximately 38.0% (the corresponding period in 2023: approximately 36.2%). The Group's total profit before tax was approximately RMB811,555,000 (the corresponding period in 2023: approximately RMB796,170,000), representing an increase of approximately 1.9% as compared to the same period last year. The Group's total comprehensive income for the period was approximately RMB724,597,000 (the corresponding period in 2023: approximately RMB734,356,000), representing a decrease of approximately 1.3% as compared to the same period last year. The increase in the Group's total profit before tax for the Review Period compared with the corresponding period last year was primarily attributable to the higher gross profit margin, the increase in other income and the remarkable decline in administrative expenses, offsetting the impacts of the increases in research and development expenses and selling expenses. Total comprehensive income for the period decreased year-on-year, mainly because the increase in profit before tax was less than the increase in income tax expenses.

### 1. Revenue — Categorized by Business Types

| | For the six months ended 30 June | | | | |
|---|---|---|---|---|---|
| | **2024** | | 2023 | | Changes |
| | ***RMB'000*** | ***%*** | *RMB'000* | *%* | *%* |
| Self-branded business sales | **1,115,607** | **22.1** | 648,852 | 12.7 | 71.9 |
| Corporate client oriented sales | **3,921,635** | **77.9** | 4,474,010 | 87.3 | (12.3) |
| Total | **5,037,242** | **100.0** | 5,122,862 | 100.0 | (1.7) |

**(1) *Self-branded business sales***

The Group's self-branded business sales products are mainly open system vaping products and related ancillary products. During the Review Period, revenue from self-branded business sales amounted to approximately RMB1,115,607,000 (the corresponding period in 2023: approximately RMB648,852,000), representing an increase of approximately 71.9% as compared to the same period last year. Revenue from the Europe and other countries and regions amounted to approximately RMB928,687,000 (the corresponding period in 2023: approximately RMB493,923,000), representing an increase of approximately 88.0% as compared to the same period last year, while revenue from the United States amounted to approximately RMB186,920,000 (the corresponding period in 2023: approximately RMB154,929,000), representing an increase of approximately 20.6% as compared to the same period last year.

**(2) *Corporate client oriented sales***

During the Review Period, revenue from corporate client oriented sales amounted to approximately RMB3,921,635,000 (the corresponding period in 2023: approximately RMB4,474,010,000), representing a decrease of approximately 12.3% as compared to the same period last year, (i) revenue from the Europe and other countries and regions amounted to approximately RMB1,975,700,000 (the corresponding period in 2023: approximately RMB2,351,548,000), representing a decrease of approximately 16.0% as compared to the same period last year, and the proportion of total revenue decreased from approximately 45.9% for the same period last year to approximately 39.3% in the Review Period; (ii) revenue from the United States market amounted to approximately RMB1,858,160,000 (the corresponding period in 2023: approximately RMB2,060,375,000), representing a decrease of approximately 9.8% as compared to the same period last year, and the proportion of total revenue decreased from approximately 40.2% for the same period last year to approximately 36.9% in the Review Period; (iii) revenue from the Mainland of China market amounted to approximately RMB87,775,000 (the corresponding period in 2023: approximately RMB62,087,000), representing an increase of approximately 41.4% as compared to the same period last year, and the proportion of total revenue increased from approximately 1.2% for the same period last year to approximately 1.7% in the Review Period.

**Revenue — Categorized by Customers' Places of Incorporation**

| | For the six months ended 30 June | | | | |
|---|---|---|---|---|---|
| | **2024** | | 2023 | | Changes |
| | ***RMB'000*** | **%** | *RMB'000* | % | % |
| Europe and other countries and regions | **2,287,394** | **45.4** | 2,182,129 | 42.6 | 4.8 |
| Hong Kong, China* | **1,858,393** | **36.9** | 2,058,603 | 40.2 | (9.7) |
| U.S. | **564,812** | **11.2** | 488,923 | 9.5 | 15.5 |
| Mainland of China** | **326,643** | **6.5** | 393,207 | 7.7 | (16.9) |
| Total | **5,037,242** | **100.0** | 5,122,862 | 100.0 | (1.7) |

* *Revenue generated from Hong Kong is on a re-export or transshipment basis and, to our knowledge, none of our products are distributed or sold in Hong Kong. Our clients incorporated in Hong Kong are mainly responsible for the transshipment for our international clients or trading companies. During the Review Period, revenue from products sold to the United States via Hong Kong amounted to approximately RMB1,480,268,000 (the corresponding period in 2023: approximately RMB1,726,382,000), representing approximately 79.7% of revenue from Hong Kong, China (the corresponding period in 2023: approximately 83.9%).*

** *During the Review Period, the Group's revenue from the Mainland of China market was approximately RMB326,643,000 (the corresponding period in 2023: approximately RMB393,207,000). To our knowledge, revenue from the Mainland of China market includes some of the revenue that exported to international markets ultimately. Excluding those effects, revenue generated by the Group from the Mainland of China during the*

*Review Period was approximately RMB87,775,000 (the corresponding period in 2023: approximately RMB62,087,000), accounting for approximately 1.7% (the corresponding period in 2023: approximately 1.2%) of total revenue.*

Taking into account the above impact, the final distribution of the Group's product sales is roughly as follows:

| | For the six months ended 30 June | | | | |
|---|---|---|---|---|---|
| | **2024** | | 2023 | | Changes |
| | ***RMB'000*** | % | *RMB'000* | % | % |
| **Self-branded business sales** | **1,115,607** | **22.1** | 648,852 | 12.7 | 71.9 |
| — Europe and other countries and regions | **928,687** | **18.4** | 493,923 | 9.7 | 88.0 |
| — U.S. | **186,920** | **3.7** | 154,929 | 3.0 | 20.6 |
| **Corporate client oriented sales** | **3,921,635** | **77.9** | 4,474,010 | 87.3 | (12.3) |
| — Europe and other countries and regions | **1,975,700** | **39.3** | 2,351,548 | 45.9 | (16.0) |
| — U.S. | **1,858,160** | **36.9** | 2,060,375 | 40.2 | (9.8) |
| — Mainland of China | **87,775** | **1.7** | 62,087 | 1.2 | 41.4 |
| **Total sales revenue** | **5,037,242** | **100.0** | 5,122,862 | 100.0 | (1.7) |

## 2. Gross Profit and Cost of Sales

During the Review Period, the Group's gross profit was approximately RMB1,914,597,000 (the corresponding period in 2023: approximately RMB1,855,370,000), representing an increase of approximately 3.2% as compared to the corresponding period last year, and the gross profit margin increased from approximately 36.2% for the corresponding period last year to approximately 38.0% for the Review Period. The increase in gross profit margin was mainly attributable to (i) the significant growth in the self-branded business, which had a relatively higher gross profit margin and accounted for a higher portion of the Group's overall business during the Review Period; (ii) the decrease in cost driven by the implementation of the Amoeba management and the expansion of product range covered by cost-efficient measures during the Review Period.

***Cost of sales as a percentage of revenue:***

| | For the six months ended 30 June | | | | |
|---|---|---|---|---|---|
| | **2024** | | 2023 | | Changes |
| | ***RMB'000*** | ***%*** | *RMB'000* | *%* | *%* |
| Cost of raw materials | **2,409,079** | **47.9** | 2,548,503 | 49.8 | (5.5) |
| Labor cost | **329,300** | **6.5** | 332,953 | 6.5 | (1.1) |
| Production overhead | **349,584** | **6.9** | 365,123 | 7.1 | (4.3) |
| Tax and surcharge | **34,682** | **0.7** | 20,913 | 0.4 | 65.8 |
| Total | **3,122,645** | **62.0** | 3,267,492 | 63.8 | (4.4) |

The Group's cost of sales during the Review Period was mainly the cost of raw materials. Cost of raw materials as a percentage of revenue decreased from approximately 49.8% for the corresponding period last year to approximately 47.9% for the Review Period, which was mainly attributable to (i) the decrease in the proportion of revenue from disposable electronic vaping products, which reduced the proportion of cost of raw materials to total revenue; (ii) the Group's continued promotion of cost-efficient measures on products, resulting in a continuous decline in cost of materials.

## 3. Distribution and Selling Expenses

The Group's distribution and selling expenses increased by approximately 79.5% from approximately RMB208,656,000 for the corresponding period last year to approximately RMB374,516,000 for the Review Period. The distribution and selling expenses as a percentage of revenue increased from approximately 4.1% for the corresponding period last year to approximately 7.4% for the Review Period. The increase in distribution and selling expenses as a percentage of revenue was mainly due to the Group's efforts to continue to improve the capability of glocalizational operation, further expand international market and promote new products during the Review Period. In particular:

(1) Staff salaries and benefits increased by approximately 37.1% from approximately RMB108,439,000 for the corresponding period last year to approximately RMB148,642,000 for the Review Period, and as a percentage of revenue, increased from approximately 2.1% for the corresponding period last year to approximately 3.0% for the Review Period. The increase in staff salaries and benefits was mainly attributable to the increase in the remuneration of the Group's marketing personnel for the Review Period in order to further expand international market.

(2) Market development costs increased by approximately 33.4% from approximately RMB44,988,000 for the corresponding period last year to approximately RMB60,014,000 for the Review Period, and as a percentage of revenue, increased from approximately 0.9% for the corresponding period last year to approximately 1.2% for the Review Period. The increase in

market development costs was mainly attributable to (i) the promotion expenses related to the atomizing beauty product solutions launched by the Group during the Review Period; (ii) the increased efforts to promote electronic and special purpose vaping products in the international market.

(3) Travelling expenses decreased by approximately 6.0% from approximately RMB16,647,000 for the corresponding period last year to approximately RMB15,646,000 for the Review Period, and travelling expenses as a percentage of revenue was broadly maintained at the same level as the corresponding period last year, i.e. approximately 0.3%.

(4) Other expenses increased by approximately 289.3% from approximately RMB38,582,000 for the corresponding period last year to approximately RMB150,214,000 during the Review Period, and as a percentage of revenue, increased from approximately 0.8% for the corresponding period last year to approximately 2.9% during the Review Period. The increase in other expenses was primarily due to an increase in provisions for product related expenses in light of expected product changes in connection with regulatory and compliance requirements.

**4. Administrative Expenses**

The administrative expenses of the Group decreased by approximately 27.2% from approximately RMB465,940,000 for the corresponding period last year to approximately RMB339,229,000 for the Review Period. Administrative expenses as a percentage of revenue decreased from approximately 9.1% for the corresponding period last year to approximately 6.7% for the Review Period. The decrease in administrative expenses as a percentage of revenue was primarily due to the continued implementation of cost-efficient measures, strengthening the budget management system, and continued promotion of Amoeba management to significantly improve management efficiency by the Group during the Review Period, which resulted in a substantial decrease in administrative expenses during the Review Period. In particular:

(1) Staff salaries and benefits decreased by approximately 29.8% from approximately RMB289,043,000 for the corresponding period last year to approximately RMB202,790,000 for the Review Period, and as a percentage of revenue, decreased from approximately 5.6% for the corresponding period last year to approximately 4.0% for the Review Period. The decrease in staff salaries and benefits was mainly attributable to the decrease of management remuneration expenses brought by the increase of management efficiency of the Group during the Review Period.

(2) Professional service fees decreased by approximately 61.7% from approximately RMB39,646,000 for the corresponding period last year to approximately RMB15,190,000 for the Review Period, and as a percentage of revenue, decreased from approximately 0.8% for the corresponding period last year to approximately 0.3% for the Review Period. The decrease

in professional service fees was mainly attributable to the substantial decrease of the Group's spending on legal advice and recruitment service during the Review Period as compared to the corresponding period last year.

(3) Depreciation and amortization expenses increased by approximately 23.1% from approximately RMB42,304,000 for the corresponding period last year to approximately RMB52,097,000 during the Review Period, and as a percentage of revenue, slightly increased from approximately 0.8% for the corresponding period last year to approximately 1.0% during the Review Period.

**5. Research and Development Expenses**

The Group's research and development expenses increased by approximately 23.7% from approximately RMB614,724,000 for the corresponding period last year to approximately RMB760,112,000 during the Review Period. As a percentage of revenue, research and development expenses increased from approximately 12.0% for the corresponding period last year to approximately 15.1% during the Review Period. The increase in research and development expenses as a percentage of revenue was primarily due to the fact that the Group increased investment in the fields of inhalation therapy and heat-not-burn products during the Review Period. The research and development expenses used for electronic nicotine delivery (including electronic vaping products and heat-not-burn products) increased by approximately 15.1% compared to the corresponding period last year; for special purpose vaping products and solutions increased by approximately 12.5% compared to the corresponding period last year; and for inhalation therapy and beauty atomization products increased by approximately 63.2% compared to the corresponding period last year. In particular:

(1) Staff salaries and benefits increased by approximately 23.6% from approximately RMB386,633,000 for the corresponding period last year to approximately RMB477,901,000 for the Review Period, and as a percentage of revenue, increased from approximately 7.5% for the corresponding period last year to approximately 9.5% for the Review Period. The increase in staff salaries and benefits was mainly due to the increase in the remuneration of research and development personnel in the inhalation therapy field and the heat-not-burn products field during the Review Period.

(2) Development costs increased by approximately 31.7% from approximately RMB132,772,000 for the corresponding period last year to approximately RMB174,900,000 for the Review Period, and as a percentage of revenue, increased from approximately 2.6% for the corresponding period last year to approximately 3.5% for the Review Period. The increase in development costs was mainly due to the increase in mold expenses, development expenses, material sample expenses and other expenses incurred in the fields of inhalation therapy and heat-not-burn products in accordance with the Group's strategy during the Review Period.

(3) Depreciation and amortization expenses increased by approximately 44.3% from approximately RMB42,086,000 for the corresponding period last year to approximately RMB60,727,000 for the Review Period, and as a percentage of revenue, increased from approximately 0.8% for the corresponding period last year to approximately 1.2% for the Review Period. The increase in depreciation and amortization expenses was mainly due to the increase in depreciation of research and development equipment acquired by the Group.

## 6. Other Income and Expenses

During the Review Period, the Group's total other income amounted to approximately RMB394,989,000, representing an increase of approximately 64.3% as compared to approximately RMB240,379,000 for the corresponding period last year, as set out below:

| | **For the six months ended 30 June** | | |
|---|---|---|---|
| | **2024** | 2023 | Changes |
| | ***RMB'000*** | *RMB'000* | % |
| Interest income from bank deposits | **322,425** | 193,437 | 66.7 |
| Government grants | **57,955** | 35,096 | 65.1 |
| Compensation income from customers | **8,457** | 5,549 | 52.4 |
| Interest income from rental deposits | **685** | 882 | (22.3) |
| Others | **5,467** | 5,415 | 1.0 |
| Total | **394,989** | 240,379 | 64.3 |

## 7. Other Gains and Losses

During the Review Period, the Group's total other losses amounted to approximately RMB6,051,000, representing an increase of approximately 5071.8% compared with approximately RMB117,000 for the corresponding period last year, as set out below:

| | **For the six months ended 30 June** | | |
|---|---|---|---|
| | **2024** | 2023 | Changes |
| | ***RMB'000*** | *RMB'000* | % |
| Net foreign exchange gain | **8,134** | 37,100 | (78.1) |
| Loss arising on forward foreign exchange contracts | **—** | (86,810) | N/A |
| Gain arising on short-term bank deposits with variable interest rate | **1,118** | 52,638 | (97.9) |
| Gain on early termination of leases | **396** | 1,178 | (66.4) |
| Loss on disposal/write off of property, plant and equipment and intangible assets | **(22,935)** | (4,502) | 409.4 |
| Others | **7,236** | 279 | 2493.5 |
| Total | **(6,051)** | (117) | 5071.8 |

## 8. Finance Costs

During the Review Period, the finance costs of the Group amounted to approximately RMB18,512,000 (the corresponding period in 2023: approximately RMB10,980,000), representing an increase of approximately 68.6% as compared to the corresponding period last year. The finance costs of the Group were mainly derived from the interest expenses on lease liabilities and the interest expenses on discount of bills receivables.

## 9. Income Tax Expense

During the Review Period, the Group's income tax expense amounted to approximately RMB128,357,000 (the corresponding period in 2023: approximately RMB78,828,000), representing an increase of approximately 62.8% as compared to the corresponding period last year. The increase in income tax was mainly due to the increase in taxable profit and deferred income taxes.

## 10. Total Comprehensive Income for the Period

During the Review Period, the Group's total comprehensive income for the period was approximately RMB724,597,000 (the corresponding period in 2023: approximately RMB734,356,000), representing a decrease of approximately 1.3% as compared to the corresponding period last year. The decrease was mainly due to increases in research and development expenses, selling expenses and income tax expenses, which were partially offset by an increase in gross profit margin, an increase in other income and a significant decrease in administrative expenses.

## 11. Liquidity and Financial Resources

As at 30 June 2024, the net current assets of the Group were approximately RMB13,861,870,000 (31 December 2023: approximately RMB16,004,419,000). As at 30 June 2024, the Group's cash and cash equivalents were approximately RMB6,534,871,000 (31 December 2023: approximately RMB5,332,076,000), which mainly consisted of approximately RMB2,363,367,000 denominated in RMB, approximately RMB4,028,226,000 denominated in USD and approximately RMB134,235,000 denominated in HKD (31 December 2023: mainly consisted of approximately RMB4,957,792,000 denominated in RMB, approximately RMB365,215,000 denominated in USD and approximately RMB8,664,000 denominated in HKD). As at 30 June 2024, the current ratio of the Group was approximately 396.2% (31 December 2023: approximately 548.8%).

***Treasury Management Policy***

The treasury management policy of the Group is primarily to utilize surplus cash reserves to invest in low-risk products such as low-risk wealth management products, structured deposit or time deposit, etc. and to generate income without interfering with the Group's business operations or capital expenditures.

***Borrowings***

As at 30 June 2024, the Group did not have any bank or other financial institutions borrowings (31 December 2023: nil). As at 30 June 2024, the banking facilities secured by the Group were approximately RMB6,900.0 million, of which approximately RMB1,938.9 million had been utilized, primarily used for the issuance and discounting of bills and letters of credit.

***Gearing Ratio***

As at 30 June 2024, the gearing ratio, calculated as total liabilities divided by total equity, was approximately 24.5% (31 December 2023: approximately 19.1%).

## 12. Pledge of Assets

As of 30 June 2024, except for the bank deposits of the Group in the aggregate amount of approximately RMB355.2 million, the Group did not have any pledge of assets (31 December 2023: nil).

## 13. Exposure to Foreign Exchange Risk

The functional currency of the Company 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, approximately 80% of the materials, labors and various expenditures paid by the Group were settled in RMB. The foreign exchange risk of the Group mainly refers to the risks of foreign exchange gain or loss arising from the net amount of monetary funds denominated in USD, trade 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 30 June 2024, if the exchange rate of USD against RMB rises by 10%, the Group's total comprehensive income will increase by approximately RMB752,282,000 (31 December 2023: increase by approximately RMB599,744,000). Otherwise, if the exchange rate of USD against RMB drops by 10%, the Group's total comprehensive income will decrease by approximately RMB752,282,000 (31 December 2023: decrease by approximately RMB599,744,000).

## 14. Employment, Training and Development

As of 30 June 2024, the Group has 11,225 and 1,771 employees in China (including the Mainland of China and Hong Kong) and other countries and regions respectively. The Group provides its employees with comprehensive and attractive remuneration, retirement schemes, share option schemes and benefit packages, and also grants discretionary bonuses to the Group's employees based on their performance. The Group is required to contribute to the PRC social security scheme. Each of the Group and its employees in the Mainland of China is required to make contributions to pension insurance, medical insurance and unemployment insurance at rates specified in the relevant PRC laws and regulations. The Group has adopted a provident fund scheme for its Hong Kong employees under the Mandatory Provident Fund Schemes Ordinance. The Group also pays corresponding pension insurance, pension scheme, medical insurance, etc. for its employees in other countries in accordance with the laws and regulations of such countries.

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

During the Review Period, the total staff costs (including management and administration staff) accounted for approximately 25.9% of the revenue of the Group (the corresponding period in 2023: approximately 24.3%). The increase in total staff costs as a percentage of revenue was mainly due to (i) the increase in the remuneration of the related research and development personnel as the Group increased its investment in inhalation therapy and heat-not-burn products field during the Review Period; and (ii) the increase in the remuneration of marketing personnel as the Group further expanded international market.

## 15. Capital Expenditures

For the six months ended 30 June 2024, the total investment in property, plant and equipment and intangible assets of the Group was approximately RMB282,315,000 (the corresponding period in 2023: approximately RMB560,670,000), which was mainly from the recognition of capital expenditure related to the headquarter building, expenditure on equipment related to production, research and development, and renovation expenditure.

## 16. Capital Commitments

As at 30 June 2024, the Group had contracted capital commitment for property, plant and equipment of approximately RMB395,328,000 (31 December 2023: approximately RMB494,304,000), which will be financed with proceeds from the Listing and net proceeds generated from operations.

## 17. Material Acquisitions and Disposals

For the six months ended 30 June 2024, the Group did not carry out any material acquisitions or disposals of any subsidiaries, associates or joint ventures.

## 18. Significant Investments

For the six months ended 30 June 2024, the Group did not have any significant investments.

## 19. Contingent Liabilities

As at 30 June 2024, the Group did not have any material contingent liabilities.

## 20. Future Plans for Material Investments or Capital Expenditures

Save as disclosed below, the Company has no other plans for material investments or capital expenditures:

(1) The section headed "Future Plans and Use of Proceeds" in the Prospectus;

(2) The section headed "Intended Use of Net Proceeds" in the Company's announcement dated 4 February 2021 in connection with the completion of top-up placing; and

(3) The Group's investment plans as disclosed in the 2021 Annual Report "Future Plans for Material Investments or Capital Expenditures".

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | | For the six months ended 30 June | |
|---|---|---|---|
| | | **2024** | 2023 |
| | *NOTES* | ***RMB'000*** | *RMB'000* |
| | | **(unaudited)** | (unaudited) |
| Revenue | *4* | **5,037,242** | 5,122,862 |
| Cost of sales | | **(3,122,645)** | (3,267,492) |
| Gross profit | | **1,914,597** | 1,855,370 |
| Other income and expenses | | **394,989** | 240,379 |
| Distribution and selling expenses | | **(374,516)** | (208,656) |
| Administrative expenses | | **(339,229)** | (465,940) |
| Research and development expenses | | **(760,112)** | (614,724) |
| Finance costs | | **(18,512)** | (10,980) |
| Other gains and losses | *5* | **(6,051)** | (117) |
| Impairment loss recognised on trade receivables, net | | **389** | 838 |
| Profit before tax | | **811,555** | 796,170 |
| Income tax expense | *6* | **(128,357)** | (78,828) |
| Profit for the period | *7* | **683,198** | 717,342 |
| Other comprehensive income: | | | |
| Item that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences arising on translation of foreign operations | | **41,399** | 17,014 |
| Other comprehensive income for the period | | **41,399** | 17,014 |
| Total comprehensive income for the period | | **724,597** | 734,356 |
| Earnings per share | *9* | | |
| Basic (RMB cents) | | **11.20** | 11.81 |
| Diluted (RMB cents) | | **11.11** | 11.63 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | NOTES | At **30 June 2024** ***RMB'000*** **(unaudited)** | At 31 December 2023 *RMB'000* (audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **4,630,375** | 4,675,648 |
| Intangible assets | | **82,400** | 90,126 |
| Deposits paid for acquisition of property, plant and equipment | | **166,152** | 97,777 |
| Deferred tax assets | | **35,680** | 34,120 |
| Long-term bank deposits | | **3,056,949** | 1,017,889 |
| Rental deposits | | **26,946** | 21,972 |
| | | **7,998,502** | 5,937,532 |
| **Current assets** | | | |
| Inventories | | **808,001** | 781,204 |
| Trade and bills receivables | *10* | **2,098,983** | 1,888,208 |
| Other receivables, deposits and prepayments | | **739,950** | 729,271 |
| Financial assets at fair value through profit or loss ("**FVTPL**") | | **601,701** | — |
| Restricted bank deposits | | **358,650** | 4,116 |
| Short-term bank deposits over three months | | **7,400,336** | 10,835,877 |
| Bank balances and cash | | **6,534,871** | 5,332,076 |
| | | **18,542,492** | 19,570,752 |
| **Current liabilities** | | | |
| Trade and bills payables | *11* | **1,197,415** | 1,269,804 |
| Other payables and accrued expenses | | **1,179,667** | 1,478,708 |
| Tax payables | | **46,668** | 61,822 |
| Contract liabilities | | **466,700** | 242,395 |
| Lease liabilities | | **129,599** | 118,415 |
| Deferred income | | **1,744** | 2,166 |
| Advances drawn on bills receivables discounted with recourse | | **1,658,829** | 393,023 |
| | | **4,680,622** | 3,566,333 |
| **Net current assets** | | **13,861,870** | 16,004,419 |
| **Total assets less current liabilities** | | **21,860,372** | 21,941,951 |

| | At 30 June 2024 *RMB'000* (unaudited) | At 31 December 2023 *RMB'000* (audited) |
|---|---|---|
| **Non-current liabilities** | | |
| Lease liabilities | **240,688** | 264,957 |
| Deferred income | **4,189** | 4,992 |
| Deferred tax liability | **290,855** | 262,393 |
| | **535,732** | 532,342 |
| **Net assets** | **21,324,640** | 21,409,609 |
| **Capital and reserves** | | |
| Share capital | **428,343** | 428,272 |
| Reserves | **20,896,297** | 20,981,337 |
| **Total equity** | **21,324,640** | 21,409,609 |

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | For the six months ended 30 June | |
|---|---|---|
| | **2024** | 2023 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| **NET CASH FROM OPERATING ACTIVITIES** | **602,829** | 1,072,440 |
| **NET CASH FROM INVESTING ACTIVITIES** | **267,909** | 2,303,452 |
| **NET CASH FROM/(USED IN) FINANCING ACTIVITIES** | **332,125** | (537,990) |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | **1,202,863** | 2,837,902 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD** | **5,332,076** | 9,762,933 |
| **EFFECT OF FOREIGN EXCHANGE RATE CHANGES** | **(68)** | 4,543 |
| **CASH AND CASH EQUIVALENTS AT END OF THE PERIOD,** represented by bank balances and cash | **6,534,871** | 12,605,378 |

# 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 Group are (i) research, design and manufacturing of closed system vaping products, vaping components, heat-not-burn products and atomization products for special purpose for a number of global leading tobacco companies, independent vaping and other corporate clients, as well as providing customers with technological services relating to the above products; (ii) research, design, manufacturing and sale of self-branded open system vaping products, or advanced personal vaporizers ("**APV**"), for retail clients; and (iii) new businesses such as inhalation therapy to provide patients with inhalation drug delivery products and related technological services and beauty atomization on a basis of atomization technology.

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

## 2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("**HKAS 34**") "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") as well as the applicable disclosure requirements of Appendix D2 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 2024 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2023.

**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 2024 for the preparation of the Group's condensed consolidated financial statements:

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

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 products 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 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 90 days upon 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 period is as follows:

| | **For the six months ended 30 June** | |
|---|---|---|
| | **2024** | 2023 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| Vaping products and components, other than APV | **3,921,635** | 4,474,010 |
| APV | **1,115,607** | 648,852 |
| Total revenue that recognised at a point in time | **5,037,242** | 5,122,862 |

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

| | For the six months ended 30 June | |
|---|---|---|
| | **2024** | 2023 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| Segment revenue | **5,037,242** | 5,122,862 |
| Segment profit | **820,065** | 802,075 |
| Unallocated loss | **(19,232)** | (3,759) |
| Unallocated income | **13,178** | 89 |
| Unallocated expenses | **(2,456)** | (2,235) |
| Profit before tax | **811,555** | 796,170 |

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

**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 | |
|---|---|---|
| | **2024** | 2023 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| Hong Kong, China *(Note)* | **1,858,393** | 2,058,603 |
| United Kingdom | **1,145,912** | 1,293,476 |
| United States of America | **564,812** | 488,923 |
| The PRC (excluding Hong Kong) | **326,643** | 393,207 |
| France | **160,310** | 159,735 |
| New Zealand | **117,897** | 57,770 |
| The United Arab Emirates | **115,017** | 26,814 |
| Japan | **114,880** | 201,806 |
| Others | **633,378** | 442,528 |
| | **5,037,242** | 5,122,862 |

*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 | |
|---|---|---|
| | **2024** | 2023 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| Net foreign exchange gain | **8,134** | 37,100 |
| Loss arising on forward foreign exchange contracts | **—** | (86,810) |
| Gain arising on short-term bank deposits with variable interest rate | **1,118** | 52,638 |
| Gain on early termination of leases | **396** | 1,178 |
| Loss on disposal/write-off of property, plant and equipment and intangible assets | **(22,935)** | (4,502) |
| Others | **7,236** | 279 |
| | **(6,051)** | (117) |

6. **INCOME TAX EXPENSE**

| | For the six months ended 30 June | |
|---|---|---|
| | **2024** | 2023 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| PRC Enterprise Income Tax ("**EIT**") | **87,985** | 67,889 |
| Hong Kong Profits Tax | **11,882** | 11,094 |
| Other countries and regions | **1,588** | 2,481 |
| | **101,455** | 81,464 |
| Deferred tax | **26,902** | (2,636) |
| | **128,357** | 78,828 |

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 and New Technology Enterprise in November 2015 which was subsequently renewed in November 2018 and December 2021. Moore Jiangmen and Maishi Technology were qualified as High and New Technology Enterprise in December 2021, and therefore Smoore Shenzhen, Moore Jiangmen and Maishi Technology were entitled to a preferential income tax rate of 15% for three years from 2021 to 2023.

Pursuant to the Announcement of the State Administration of Taxation on Issues Concerning Implementation of the Preferential Income Tax Policy for High and New Technology Enterprise (State Administration of Taxation Announcement [2017] No.24), Smoore Shenzhen, Moore Jiangmen and Maishi Technology are entitled to pay EIT at the rate of 15% in the year that the High and New Technology Enterprise certification ("**the Certificate**") expires on a provisional basis. As at June 30, 2024, Smoore Shenzhen, Moore Jiangmen and Maishi Technology are in process of reapplying the Certificate. The Group performed an assessment in accordance with relevant regulatory requirements and the EIT of Smoore Shenzhen, Moore Jiangmen and Maishi Technology are provided at 15% for the six months ended 30 June 2024.

As at 30 June 2024, the Group mainly operates in the Mainland of China, in which the Pillar Two income tax legislation is not yet enacted. Besides, the government of the Netherlands, France and the United Kingdom, where certain group entities are incorporated, has enacted the Pillar Two Rules which has already taken effect.

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

## 7. PROFIT FOR THE PERIOD

| | **For the six months ended 30 June** | |
|---|---|---|
| | **2024** | 2023 |
| | ***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 | **88,819** | 112,542 |
| Depreciation of property, plant and equipment | **258,614** | 204,395 |
| Amortisation of intangible asset | **16,875** | 15,065 |
| | **364,308** | 332,002 |
| Less: amounts capitalised as cost of inventories manufactured | **(204,302)** | (216,997) |
| | **160,006** | 115,005 |
| Allowance (reversal) for inventories included in cost of sales | **17,993** | (785) |
| Government grants | **57,955** | 35,096 |

## 8. DIVIDENDS

| | For the six months ended 30 June | |
|---|---|---|
| | **2024** | 2023 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| Dividends recognised as distribution during the period | **275,861** | 439,328 |

During the current interim period, a final dividend of HK5 cents per share in respect of the year ended 31 December 2023 (six months ended 30 June 2023: HK8 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$303,581,000 (equivalent to approximately RMB276,037,000) (six months ended 30 June 2023: HK$485,942,000 (equivalent to approximately RMB439,155,000)).

Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of HK5 cents per share amounting to approximately HK$308,888,000 in aggregate (six months ended 30 June 2023: approximately HK$306,647,000) will be paid to owners of the Company whose names appear in the register of members of the Company on 9 September 2024.

## 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 | |
|---|---|---|
| | **2024** | 2023 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| Earnings: | | |
| Earnings for the purpose of basic and diluted earnings per share | **683,198** | 717,342 |
| | ***'000*** | *'000* |
| Number of shares: | | |
| Weighted average number of ordinary shares for the purpose of calculating earnings per share | **6,101,812** | 6,073,784 |
| Effect of dilutive potential ordinary shares: | | |
| Share options/award shares | **50,173** | 96,303 |
| | **6,151,985** | 6,170,087 |

## 10. TRADE AND BILLS RECEIVABLES

| | At 30 June 2024 *RMB'000* (unaudited) | At 31 December 2023 *RMB'000* (audited) |
|---|---|---|
| Trade receivables from contracts with customers | **2,048,265** | 1,891,413 |
| Less: Allowance for credit losses | **(17,895)** | (18,228) |
| | **2,030,370** | 1,873,185 |
| Bills receivables | **68,613** | 15,023 |
| | **2,098,983** | 1,888,208 |

The Group allows a credit period of 0 to 90 days (31 December 2023: 0 to 90 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 2024 *RMB'000* (unaudited) | At 31 December 2023 *RMB'000* (audited) |
|---|---|---|
| **Trade receivables** | | |
| Within 30 days | **775,183** | 690,863 |
| 31 to 60 days | **650,725** | 608,095 |
| 61 to 90 days | **343,428** | 301,103 |
| Over 90 days | **261,034** | 273,124 |
| | **2,030,370** | 1,873,185 |

The maturity dates of bills receivables are within three months as at 30 June 2024 and 31 December 2023.

## 11. TRADE AND BILLS PAYABLES

| | **At 30 June 2024** *RMB'000* **(unaudited)** | At 31 December 2023 *RMB'000* (audited) |
|---|---|---|
| Trade payables | **912,266** | 1,014,315 |
| Bills payables | **285,149** | 255,489 |
| | **1,197,415** | 1,269,804 |

The Group is normally granted credit terms of 30 to 75 days (31 December 2023: 30 to 75 days).

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

| | **At 30 June 2024** *RMB'000* **(unaudited)** | At 31 December 2023 *RMB'000* (audited) |
|---|---|---|
| Within 30 days | **673,100** | 746,870 |
| 31–60 days | **174,236** | 125,777 |
| 61–90 days | **40,231** | 123,469 |
| Over 90 days | **24,699** | 18,199 |
| | **912,266** | 1,014,315 |

The maturity dates of bills payables are within six months as at 30 June 2024 and 31 December 2023.

## OTHER INFORMATION

## CORPORATE GOVERNANCE

### Compliance with the Code Provisions of the Corporate Governance Code

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

For the six months ended 30 June 2024, the Company had applied the principles and complied with all code provisions (except as stated below) and (where applicable) the recommended best practices of the Corporate Governance Code (the "**CG Code**") as set out in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). In respect of code provision C.2.1 of the CG Code, the positions of the chairman of the Board and the chief executive officer are held by the same individual, namely, Mr. Chen Zhiping. The Board is of the view that this is the most appropriate arrangement in the interest of the Shareholders as a whole at present, and will not impair the balance of power between the Board and the Company's management, which is mainly in view of the following considerations:

(1) The decision of the Board requires the approval of a majority of Directors. Currently, the Board of the Company consists of eight Directors, including three independent non-executive Directors and one non-executive Director. Therefore, the Board believes that there are sufficient checks and balances within the Board;

(2) Mr. Chen and the other Directors have already undertaken to fulfill their fiduciary duties as Directors, which requires them to act for the benefits and in the best interests of the Company;

(3) The balance of power guarantees the functioning of the Board. The Board of the Company consists of experienced talents in different fields. These members meet regularly to discuss significant issues relating to the business strategies and operations of the Group;

(4) The Group's development 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.

## AUDIT COMMITTEE

The Audit Committee currently consists of three independent non-executive Directors, namely Mr. Zhong Shan, Mr. Yim Siu Wing, Simon and Dr. Wang Gao. Mr. Zhong Shan is the chairman of the Audit Committee. His expertise in accounting, auditing and finance enables him to lead the Audit Committee.

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

The Audit Committee has reviewed, with the management and the independent auditor of the Company, the Group's unaudited condensed consolidated interim financial information for the six months ended 30 June 2024, the interim report, the accounting principles and practices adopted by the Group and has discussed the risk management, internal controls and financial reporting matters.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set forth in the Appendix C3 to the Listing Rules as a code of conduct of the Company for Directors' securities transactions (the "**Securities Trading Code**"). Having made specific enquiry on this matter, all Directors confirmed that they have strictly complied with the relevant provisions of the Securities Trading Code for the six months ended 30 June 2024.

## INTERIM DIVIDEND

The Board resolved to declare an interim dividend of HK5 cents per share for the six months ended 30 June 2024 (six months ended 30 June 2023: HK5 cents per share), to be paid to the shareholders of the Company as appearing on the register of members of the Company on 9 September 2024. The interim dividend is expected to be distributed on 23 September 2024, and the ex-dividend date is 3 September 2024.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 5 September 2024 to 9 September 2024, 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 4 September 2024.

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

During the Review Period, neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities (including transfer of treasury shares) of the Company.

## 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 2024 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

## EVENTS AFTER THE REVIEW PERIOD

There are no material events that are required to be disclosed by the Company after 30 June 2024.

## 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 2024 containing all the information required to be disclosed by the Listing Rules will be published on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 19 August 2024

*As at the date of this announcement, the executive Directors of the Company are Mr. Chen Zhiping, Mr. Xiong Shaoming, Mr. Wang Guisheng and Ms. Wang Xin; the non-executive Director of the Company is Ms. Jiang Min; and the independent non-executive Directors of the Company are Mr. Zhong Shan, Mr. Yim Siu Wing, Simon and Dr. Wang Gao.*