Smoore

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)

2021
INTERIM REPORT


SMOORE

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Chen Zhiping *(Chairman and Chief executive officer)*
Mr. Xiong Shaoming
Mr. Wang Guisheng

Non-Executive Director

Dr. Liu Jincheng

Independent Non-Executive Directors

Mr. Zhong Shan
Mr. Yim Siu Wing, Simon
Dr. Liu Jie

Audit Committee

Mr. Zhong Shan *(Chairman)*
Mr. Yim Siu Wing, Simon
Dr. Liu Jie

Nomination Committee

Mr. Chen Zhiping *(Chairman)*
Mr. Zhong Shan
Dr. Liu Jie

Remuneration Committee

Mr. Yim Siu Wing, Simon *(Chairman)*
Dr. Liu Jie
Mr. Chen Zhiping

Joint Company Secretaries

Mr. Wang Guisheng *(CICPA, HKICPA, FCCA)*
Ms. Cheng Choi Ha *(ACIS, ACS, CGP)*

Authorized Representatives

Mr. Wang Guisheng
Ms. Cheng Choi Ha

Registered Office

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong

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No. 83 Hung To Road
Kowloon
Hong Kong

Head Office in the PRC

No. 16, Dongcai Industrial Zone
Gushu Community, Xixiang Street
Bao'an District
Shenzhen, Guangdong
China

Legal Advisers

Reed Smith Richards Butler
DeHeng Law Offices (Shenzhen)
Conyers Dill & Pearman

Compliance Adviser

Guotai Junan Capital Limited

CORPORATE INFORMATION (CONTINUED)

Auditor

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

The Cayman Islands Principal Share Registrar and Transfer Office

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Hong Kong Branch Share Registrar

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Principal Banks

Bank of China Limited
China Construction Bank Corporation
Industrial and Commercial Bank of China Limited
Agricultural Bank of China Limited
China Merchants Bank Co., Ltd.
CMB Wing Lung Bank Limited
Bank of Ningbo Co., Ltd.
China Minsheng Banking Corporation Limited
Bank of Shanghai Co., Ltd.
The Hongkong and Shanghai Banking Corporation Limited
Citibank (China) Co., Ltd.
DBS Bank (Hong Kong) Limited
China CITIC Bank International Limited
Standard Chartered Bank (Hong Kong) Limited

Stock Short Name

Smoore Intl

Stock Code

6969

Company's Website

www.smooreholdings.com

Investor Relations Consultants

Porda Havas International Finance Communications Group

CHAIRMAN'S STATEMENT

Dear Shareholders (the "**Shareholders**"),

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Smoore International Holdings Limited (the "**Smoore**" or the "**Company**"), I am pleased to present the unaudited interim report of the Company and its subsidiaries (together referred to as the "**Group**") for the six months ended 30 June 2021 (the "**Review Period**").

Business Review

In the first half of 2021, the Group continued to firmly adhere to the strategy of technology and manufacturing leadership, and made it a top priority to build and continuously strengthen the Group's long-term competitiveness. In terms of research and development, the Group continued to focus on the in-depth application of vaping technology in different fields to lay a solid foundation for the future of the Company in the long run. In terms of production and operation, the Group expanded its production capacity in accordance with the established plan, effectively meeting the delivery requirements of customers and achieving satisfactory revenue growth. To further enhance production efficiency, the Group's self-developed next-generation automated production lines were put into full production during the Review Period, and the productivity of a single line reached a record high of 7,200 standard vaporizers per hour. Benefiting from the Group's continuous improvement in production and operational efficiency and scale effect, the profitability of the Group has been further improved.

We believe that talents are the foundation of a company's ability to sustain innovation. During the Review Period, the Group continued to increase its efforts in recruiting talents, especially in the areas of research and development. During the Review Period, we further increased the recruitment of core talents in the field of basic research (including medical research), which further strengthened the Group's basic research capability in the field of medical atomization.

We firmly believe that people are the most important factor in corporate management. In order to further enhance the cohesiveness of the organization, after fully summarizing the core elements of our corporate culture, the Group officially released the "Smoore Vision Statement" in the first half of the year as the core framework of our corporate culture.

Outlook

In order to meet the growing demand of our customers, we will always maintain sufficient capacity reserves while greatly increase the application for our new generation of automated production lines.

With the expansion of our organization, the challenges of operation and management also increase. We will further improve our capacity in operational management, talents recruitment and IT system implementation to ensure that our production capacity can meet our customers' needs in a more timely and flexible manner.

Although changes in the external environment will have a certain impact on the operation of the enterprise, we always believe that the sustainable development of the enterprise is driven by the continuous enhancement of its internal core competitiveness.

We believe that science and technology is the core driving force of enterprise development. Only by insisting on innovation, we can continue to build long-term competitiveness and create long-term value for our Shareholders. We will focus more firmly on the research and development of core technologies and actively explore the application of atomization technology in the fields of medical and health. Through our innovative products, we will create value for society and bring long-term sustainable returns to our Shareholders.

Sincere Appreciation

I, hereby, on behalf of the Board, would like to express my appreciation to all our Shareholders and partners for their continued support and trust to the Group, as well as our obliging Smoore people for their efforts and dedication during the Review Period. We will continue to work diligently to create more value for our Shareholders and society.

Chen Zhiping
Chairman of the Board
Smoore International Holdings Limited

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2021	2020	Changes
	RMB'000	RMB'000	%
	Unaudited	Unaudited	
Revenue	**6,953,406**	3,880,518	79.2
Gross profit	**3,818,784**	1,900,512	100.9
Profit before tax	**3,396,859**	305,329	1,012.5
Gross profit margin	**54.9%**	49.0%	5.9 pp
Profit and total comprehensive income for the period	**2,878,816**	76,661	3,655.3
*Adjusted profit and total comprehensive income for the period ("**Adjusted net profit**")	**2,975,225**	1,307,973	127.5
Adjusted net profit margin	**42.8%**	33.7%	9.1 pp

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

	For the six months ended 30 June		
	2021	2020	Changes
	RMB'000	RMB'000	%
	Unaudited	Unaudited	
Profit and total comprehensive income for the period before adjustment	**2,878,816**	76,661	3,655.3
Less:			
Listing expenses	**–**	(24,666)	
Share-based payment expenses related to pre-IPO share option scheme	**(96,409)**	(149,050)	
Loss on fair value changes of convertible promissory notes	**–**	(38,487)	
Loss on fair value changes of convertible preferred shares	**–**	(1,019,109)	
Adjusted net profit	**2,975,225**	1,307,973	127.5

FINANCIAL HIGHLIGHTS (CONTINUED)

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 preferred 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 abovementioned items, our management does not track such items as key operating or financial metrics internally when reviewing our performance since these items do not relate to our daily operation. Therefore, by eliminating the impacts of such items in the calculation of adjusted net profit, this measure could better reflect our underlying operating performance and could better facilitate the comparison of operating performance in comparable periods.

	30 June 2021 RMB'000 Unaudited	31 December 2020 RMB'000 Audited	Changes %
Total assets	20,497,014	14,773,809	38.7
Total equity	17,807,707	12,399,721	43.6
Cash and cash equivalents	10,053,906	9,557,802	5.2
Asset-liability ratio (%)	13.1	16.1	(3.0 pp)
Current ratio (%)	689.7	590.0	99.7 pp
Trade and bills receivables turnover days (days)	67.4	52.4	28.5
Inventory turnover days (days)	26.9	38.2	(29.6)
Trade payables turnover days (days)	40.9	44.3	(7.6)

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 vaping technology solutions, including manufacturing vaping devices and vaping components for heat-not-burn ("**HNB**") products on an original design manufacturer ("**ODM**") basis, with advanced R&D technology, strong manufacturing capacity, wide spectrum product portfolio and diverse customer base. During the Review Period, through our innovative and pioneering vaping technology solutions, we operate two principal 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.

Business Review

Summary of Material Laws, Regulations, Executive Orders and Policies Updates

The following table illustrates major updates of material laws, regulations, executive orders and policies in relation to the tobacco products of the e-cigarette and vaping device industry promulgated or proposed by the relevant authorities in our major markets during the Review Period as well as the revenue contribution of the affected products sold in such major markets as a percentage of our total revenue for the period indicated:

Principal Sale Jurisdictions[1]	Material Laws, Regulations, Executive Orders and Policies Updates	Relevant Products, Potential Impact and Compliance Status	Revenue Contribution[2] (%) Six months ended 30 June 2021
US[3]	• **Federal Legislation Extending Prevent All Cigarette Trafficking ("PACT") Act** to electronic nicotine delivery systems ("**ENDS**") and Non-ENDS Products that are not used with nicotine liquids. PACT Act will extend existing legislation affecting the interstate shipment of cigarettes and smokeless tobacco to ENDS and non-ENDS products.	Although the United States Postal Service ("**USPS**") was to have published the regulation in late April 2021, as of 30 June 2021 the regulation still had not been published. Combined with the announcements of FedEx and UPS that they would no longer accept shipments of ENDS products in the United States in the spring of 2021, the new federal legislation is creating carriage challenges for distributors and online retailers of our ENDS and non-ENDS vaporizer products that may be further compounded upon publication of the USPS regulation.	11.9%

Principal Sale Jurisdictions[1]	Material Laws, Regulations, Executive Orders and Policies Updates	Relevant Products, Potential Impact and Compliance Status	Revenue Contribution[2] (%) Six months ended 30 June 2021
China	**New tobacco products ("new tobacco") including e-cigarettes were intended to be regulated with reference to cigarettes**	**The scope of the affected products is not yet specifically defined**	45.4%
	On 22 March 2021, the Ministry of Industry and Information Technology ("**MIIT**") and the State Tobacco Monopoly Administration jointly issued the Decision to Amend the Implementation Regulation of the Tobacco Monopoly Law (Draft for Comment) ("**March 2021 Suggestion**"), decided to add a section to the Regulation:	As of 30 June 2021, the follow-up formal draft of the March 2021 Suggestion has not been issued. The specific product scope and management details covering new tobacco products remain unclear, and we will continue to pay close attention.	
	New tobacco products such as e-cigarettes shall be implemented in accordance with the relevant provisions on cigarettes in the Regulation.		
	Protecting juveniles from cigarettes	**The affected products are closed system vaping devices for domestic corporate customers**	
	On 18 June 2021, the State Administration for Market Regulation and the State Tobacco Monopoly Administration jointly issued Protection of Juveniles from Cigarettes "Guard Growth" Special Action Plan ("**No.89 2021 Announcement**"), stipulated that:	As of 30 June 2021, we have not set up any physical store in China or any online platform to sell our products to end consumers, thus No.89 2021 Announcement mainly affected our domestic corporate customers.	
	1. Strictly supervise the business conduct of e-cigarette; 2. Strengthen the management and control of online channels of e-cigarette; 3. Guide physical stores of e-cigarette to operate in accordance with the laws and regulations.		

Principal Sale Jurisdictions[(1)]	Material Laws, Regulations, Executive Orders and Policies Updates	Relevant Products, Potential Impact and Compliance Status	Revenue Contribution[(2)] (%) Six months ended 30 June 2021
Hong Kong	As advised by external legal counsels, no new material laws, regulations, executive orders and rules was issued in Hong Kong as of 30 June 2021.		25.5%
Japan	As advised by external legal counsels, no new material laws, regulations, executive orders and rules was issued in Japan as of 30 June 2021.		1.2%
E.U.[(4)]	As advised by external legal counsels, no new material laws, regulations, executive orders and rules was issued in E.U. as of 30 June 2021.		2.5%
France	As advised by external legal counsels, no new material laws, regulations, executive orders and rules was issued in France as of 30 June 2021.		1.8%
UK	Following the end of the Implementation Period on 31 December 2021 Directive 2014/40/EU remains effective in the UK, but the UK will not automatically adopt amendments made to it by the EU after that date. The Tobacco and Related Products Regulations 2016 (S.I. No. 507) are the UK regulations that implement the EU Directive. There have been no material amendments to this regulation up to 30 June 2021.		9.7%

Notes:

(1) In U.S. market, only federal level laws, regulations, executive orders, and policies were summarized.

(2) The percentage of revenue contribution demonstrates the portion of our business that was affected by the relevant regulations in the Review Period. The percentage of revenue contribution for the half year ended 30 June 2021 also represents the portion of our business that will be affected by the same regulations in the future, assuming the percentage of revenue contribution remains constant and there is no further change to the legislative regimes in relation to e-cigarettes and vaping devices in the relevant jurisdictions.

(3) Revenue contribution from the U.S. excluded sales forwarded through Hong Kong.

(4) On 31 January 2020, the U.K. officially left the European Union.

The legal department of the Group will continue to cooperate with external professionals to closely monitor global regulatory developments and changes related to our business activities, and adjust our business activities such as R&D and production in a timely manner to ensure that our business activities comply with regulations and adapt to the regulatory environment changes. At the same time, the Group will continue to diversify our revenue in different countries and regions, diversify our product portfolio, and promote the application of vaping technology in the healthcare industry.

Research and Development

During the Review Period, the Group continued to increase its investment in basic research and product development in accordance with its established strategy, and research and development expenses increased by approximately 13.1% over the same period last year. During the Review Period, the Group continued to focus on in-depth research on vaping mechanism and actively explored the application of vaping technology in the medical and healthcare fields. Some of the products are in the stage of third party verification or consumer testing. In product development, the Group also continued to develop technology in HNB devices, with technology reserve and patents in different heating methods. The Group conducted HNB related projects cooperation with several tobacco companies in global market. In addition to the research and development institutions established in China, the Group successfully established research institutes in the United States during the Review Period to make full use of overseas talents and technological resources to deepen its development in key fields. As of 30 June 2021, the Group has built 7 research centers in different basic research fields.

According to the information published by the U.S. Food and Drug Administration on 5 April 2021, all clients of our Company engaged in sales of closed ENDS products in the United States have entered the review stage of premarket tobacco application ("**PMTA**") which is the third phase of the application. Four of the Group's APV products for retail customers have also entered the review stage of PMTA application.

During the Review Period, the Group continued to bring in high-end research and development talents, and additionally recruited more than 160 research and development personnel in the first half of 2021. We have established a research and development team with over 1,000 people. The number of research and development personnel accounted for nearly half of the total non-production personnel.

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 our own brands and technology brands. During the Review Period, the Group filed a total of 366 patent applications and 42 trademark applications worldwide and 202 patents and 42 trademarks were granted. As of 30 June 2021, the Group had filed a total of 2,612 patents and 566 trademarks worldwide, and accumulatively 1,272 patents and 360 trademarks had been granted.

While comprehensively deploying intellectual property rights, the Group also actively safeguards the legitimate interests of the Group and its customers through a full range of intellectual property rights protection actions. During the Review Period, more than 10 people were taken coercive measures by national judicial or law enforcement agencies for suspected infringement of the Group's trade secrets or exclusive trademark rights. In addition to defense our rights through criminal laws, the Group also actively promotes civil and administrative rights protection initiatives regarding patent and competition laws.

Production and Operation

During the Review Period, the Group faced a series of challenges due to the epidemic and many other factors, including tight supply of certain materials and prices increase, etc. In the face of growing market demand, the Group effectively overcame a series of difficulties and expanded production capacity in a timely manner to effectively meet customers' orders, and once again set a record high quarterly shipment in the second quarter.

In order to continuously improve the efficiency of production operations and reduce the reliance on labor costs, the Group has been continuously enhancing the automation and intelligence of production through independent research and development. Benefiting from the Group's long-term experience and deep understanding of technology, products and processes, the Group put the latest generation of automated production lines into operation during the Review Period, and the productivity of a single line reached a record high of 7,200 standard vaporizers per hour.

During the Review Period, benefiting from the continuous improvement in the Group's production and operational efficiency, including but not limited to the reduction of material wastage rate, optimization of cost structure and further realization of the scale effect of procurement, the cost of sales as a percentage of revenue decreased, which strongly supported the improvement of the Group's gross profit margin.

Production Capacity and Utilisation Rate

	For the six months ended 30 June 2021		
	Designed Production Capacity (equivalent units in millions)	Production Volume (equivalent units in millions)	Utilisation Rate
Corporate client oriented sales	1,229.9	865.0	70.3%
Retail client oriented sales	12.9	9.0	69.8%

Notes:

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

2. Utilisation rate was calculated based on production volume during the period divided by designed production capacity.

3. As at 30 June 2021, our designed production capacity for corporate clients products has increased to 2,815.0 million equivalent units per year, and our designed production capacity for retail clients products remained at 25.8 million equivalent units per year.

Sales and Marketing

During the Review Period, there was a substantial increase in demand from the Group's key customers. The Group strongly supported the growing demand for orders from customers by adjusting production capacity in a timely manner, accelerating personnel recruitment and prompting suppliers to increase production volume in a timely manner. During the Review Period, the Group realized sales revenue of approximately RMB6,953,406,000, representing an increase of approximately 79.2% over the same period last year. In particular, during the Review Period, the revenue of corporate client oriented products increased by approximately 86.2%, which was mainly due to the fact that the Group's FEELM brand ceramic atomization technology continued to be widely recognized by consumers around the world and the quality and delivery capabilities of the Group's products further gained corporate client's recognition. During the Review Period, the Group's revenue of retail client oriented products increased by approximately 16.7% to approximately RMB456,022,000. The main reasons for the increase in revenue were the Group's active expansion in market and distribution channels during the Review Period as well as the improvement in products competitiveness.

Future Prospects and Strategies

We firmly believe that science and technology are the core driving force behind the development of enterprises. We hope that through continuous efforts, we will focus on building a world-leading vaping technology platform and creating value for society. Benefiting from the long-term accumulation of the underlying technology of the Group and the continuous addition of excellent research and development teams, we will continue to dig in the field of vaping technology and explore the application of vaping technology in different fields through continuous deepening basic research. At the same time, we will also break down the boundaries of the enterprises in research and development, join more alliances with excellent institutions, and conduct joint research and joint development.

In terms of production and operation, the Group has greatly increased the application scope of the self-developed automated and intelligent production lines for suitable product lines based on the characteristics of customers and products. At the same time, we will continue to optimize our supply chain, improve the agility, risk resistance and efficiency of the entire supply chain, and create more value for customers.

In terms of production capacity expansion, we will increase production capacity in an orderly manner in accordance with the established plan, and combine the construction of our own property production bases with leased properties to better balance the relationship between capacity expansion and operational agility. The first phase of the Group's industrial park in Jiangmen is under construction as planned and is currently progressing smoothly.

In terms of sales, benefiting from the in-depth cooperation relationship with existing large-scale ODM customers, the Group is able to understand customers' in-depth needs from a strategic level and develop competitive innovative products in a timely manner, as well as provide strong assurance to our customers in terms of stability of supply, product safety and consistency, thus better helping our customers to succeed. We will create more value for our customers through continuous innovation in technology, products and cooperation models.

Financial Review

During the Review Period, the total revenue of the Group was approximately RMB6,953,406,000, representing an increase of approximately 79.2% from RMB3,880,518,000 over the same period last year. The Group's gross profit margin increased from approximately 49.0% in the same period last year to approximately 54.9% during the Review Period. The Group's profit and total comprehensive income for the Review Period increased from approximately RMB76,661,000 in the same period last year to approximately RMB2,878,816,000 and the adjusted net profit for the Review Period was approximately RMB2,975,225,000, representing an increase of approximately 127.5%, primarily due to 1) the significant increase in the Group's financial performance during the Review Period, representing an increase of approximately 79.2% over the same period last year; 2) the increase in gross profit margin during the Review Period as compared with the same period last year.

1. Revenue — categorized by business types

	For the six months ended 30 June				
	2021		2020		Changes
	RMB'000	**%**	RMB'000	%	%
Corporate client oriented sales	**6,497,384**	**93.4**	3,489,724	89.9	86.2
Retail client oriented sales	**456,022**	**6.6**	390,794	10.1	16.7
Total	**6,953,406**	**100.0**	3,880,518	100.0	79.2

(1) Corporate client oriented sales

During the Review Period, the revenue of corporate client oriented sales was approximately RMB6,497,384,000 (the same period in 2020: RMB3,489,724,000), indicating an increase of approximately 86.2% from the same period last year, which was primarily attributable to the recognition of vaping devices of our Group by consumers and corporate customers and strong support for the marketing and development of corporate customers by virtue of our technical excellence, as well as products with high quality and reliability and a better consumer experience.

(2) Retail client oriented sales

The Group's products for retail clients are mainly self-branded open system vaping devices and related ancillary products ("**APV products**"). During the Review Period, the revenue from retail clients was approximately RMB456,022,000 (the same period in 2020: RMB390,794,000), indicating an increase of approximately 16.7% from the same period last year, mainly attributable to the Group's active expansion in market and distribution channels during the Review Period as well as improvement in products competitiveness. The main sales channels of APV products are vape shops and tobacco shops. With the improvement in curbing the epidemic, a number of vape shops and tobacco shops have gradually resumed to normal business, which boosted the sales of APV products.

Revenue — categorized by customers' places of incorporation

	For the six months ended 30 June				
	2021		2020		Changes
	RMB'000	%	RMB'000	%	%
U.S.	826,069	11.9	649,089	16.7	27.3
Mainland China*	3,156,173	45.4	732,675	18.9	330.8
Hong Kong, China**	1,776,529	25.5	1,476,106	38.0	20.4
Japan	86,262	1.2	142,890	3.7	(39.6)
Europe	921,036	13.2	737,955	19.0	24.8
Others	187,337	2.8	141,803	3.7	32.1
Total	6,953,406	100.0	3,880,518	100.0	79.2

* To our knowledge, certain customers in mainland China were export trading companies. Those products they purchased from the Group were exported to overseas market. If we exclude revenue to those customers, revenue generated from mainland China will account for approximately 40.8% of total revenue during the Review Period (same period last year: approximately 14.2%).

** Revenue generated from Hong Kong is on re-export or transshipment basis and, to our knowledge, none of our products are distributed or sold in Hong Kong. Our customers incorporated in Hong Kong are mainly responsible for transshipment for our overseas customers or trading companies. Approximately 94.0% (the same period last year: approximately 96.7%) of the products sold to customers incorporated in Hong Kong during the Review Period were forwarded to the U.S..

2. Gross Profit and Cost of Sales

During the Review Period, the gross profit of the Group was RMB3,818,784,000 (the same period in 2020: RMB1,900,512,000), indicating an increase of approximately 100.9% from the same period last year while the gross profit margin rose to approximately 54.9% during the Review Period from 49.0% in the same period last year. The main reasons for the increase in gross profit margin include: (i) the scale effect out of steady revenue growth; (ii) the continuous improvement in operating efficiency.

Cost of Sales

	For the six months ended 30 June				
	2021		2020		Changes
	RMB'000	**Revenue %**	RMB'000	Revenue %	%
Cost of raw materials	**2,168,123**	**31.2**	1,414,713	36.5	53.3
Labor cost	**548,838**	**7.9**	275,413	7.1	99.3
Production overhead	**352,921**	**5.1**	258,820	6.7	36.4
Tax and surcharge	**64,740**	**0.9**	31,060	0.7	108.4
Total	**3,134,622**	**45.1**	1,980,006	51.0	58.3

3. Distribution and Selling Expenses

The Group's distribution and selling expenses decreased from approximately RMB74,029,000 in the same period last year to approximately RMB68,273,000 during the Review Period, representing a decrease of approximately 7.8%. Distribution and selling expenses as a percentage of revenue dropped from approximately 1.9% in the same period last year to approximately 1.0% in the Review Period. The decrease in distribution and selling expenses as a percentage of revenue was mainly due to the scale effect brought by the growth of revenue and the continuous improvement in management efficiency. Among which:

(1) Employee's salaries and benefits decreased by approximately 11.3% from approximately RMB41,479,000 in the same period last year to approximately RMB36,787,000 during the Review Period. The proportion of employee's salaries in revenue decreased from approximately 1.07% in the same period last year to approximately 0.53% during the Review Period.

(2) Marketing expenses decreased by approximately 22.1% from approximately RMB18,452,000 in the same period last year to approximately RMB14,377,000. The proportion of marketing expenses to revenue decreased from approximately 0.5% in the same period last year to about 0.2% in the Review Period.

4. Administrative Expenses

The administrative expenses of the Group during the Review Period increased from approximately RMB281,187,000 in the same period last year to approximately RMB362,798,000 during the Review Period, representing an increase of approximately 29.0%. Administrative expenses as a percentage of revenue dropped from approximately 7.2% in the same period last year to approximately 5.2% in the Review Period. The decrease in administrative expenses as a percentage of revenue was mainly due to the scale effect of revenue growth. On top of that, excluding the effect of share option expenses, the Group's administrative expenses during the Review Period increased by approximately 77.0%, and it as a percentage of revenue maintained at approximately 3.4%, which was basically the same as that of the same period last year. Among which:

(1) Employee's salaries and benefits increased by approximately 16.8% from approximately RMB211,326,000 in the same period last year to approximately RMB246,923,000, and its percentage of revenue decreased from approximately 5.4% in the same period last year to approximately 3.6% during the Review Period. The increase in employee's salaries and benefits was mainly due to the expansion of the production scale of the Company during the Review Period resulted in the increase in the number of management staff.

(2) Professional fees increased by approximately 128.6% from approximately RMB17,991,000 in the same period last year to approximately RMB41,135,000 during the Review Period. Such fees as a percentage of revenue increased from approximately 0.5% in the same period last year to approximately 0.6% 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 approximately 80.8% from approximately RMB8,732,000 in the same period last year to approximately RMB15,787,000 during the Review Period, accounting for approximately 0.2% of revenue (the same period last year: approximately 0.2%). The increase in such expense was mainly due to the expansion of the Company's business scale and the corresponding increase of investment in equipment and decoration expenses.

5. Research and Development Expenses

The Group's research and development expenses increased from approximately RMB208,935,000 in the same period last year to approximately RMB236,264,000 during the Review Period, representing an increase of approximately 13.1%. If the impact of the large amount of PMTA expenses in the first half of 2020 was excluded, the research and development expenses during the Review Period will increase by approximately 23.7% over the same period last year. The Group has always regarded technological leadership as the core driving force of the Group's development, continued to increase basic research, widened the research and development field and recruited more talents for research and development. Among which:

(1) Employee's salaries and benefits increased by approximately 36.2% from approximately RMB103,472,000 in the same period last year to approximately RMB140,900,000 during the Review Period.

(2) The development costs decreased by approximately 24.7% from approximately RMB87,740,000 in the same period last year to approximately RMB66,026,000. The decrease in the development costs was mainly due to the decrease in research and testing expenses related to the PMTA products during the Review Period.

6. Other Income

During the Review Period, the total other income of the Group was approximately RMB216,298,000, representing an increase of approximately 386.4% from approximately RMB44,465,000 in the same period last year, of which:

Items	For the six months ended 30 June 2021 RMB'000	2020 RMB'000	Changes %
Interest income from bank deposits	167,890	4,418	3,700.1
Interest income from rental deposits	672	560	20.0
Government grants	36,500	29,105	25.4
Compensation income from customers	2,541	6,915	(63.3)
Income from technical consultation services	1,975	1,093	80.7
Others	6,720	2,374	183.1
Total	216,298	44,465	386.4

7. Other Gains and Losses

During the Review Period, the total other gains of the Group were approximately RMB37,396,000, representing an increase of approximately 69.8% from RMB22,022,000 in the same period last year, of which:

Items	For the six months ended 30 June 2021 RMB'000	2020 RMB'000	Changes %
Gain arising on financial assets at fair value through profit or loss ("**FVTPL**")	52,243	2,870	1,720.3
Gain arising on forward foreign exchange contracts	13,311	1,305	920.0
Net foreign exchange (loss) gain	(12,815)	6,936	(284.8)
Gain on early termination of lease	950	1,599	(40.6)
Loss on disposal/write off of property, plant and equipment	(4,246)	(725)	485.7
Impairment loss recognised on intangible assets	(17,847)	—	(100.0)
Others	5,800	10,037	(42.2)
	37,396	22,022	69.8

8. Listing Expenses

The Group's listing expenses incurred during the Review Period and recognized in the condensed consolidated statement of profit or loss and other comprehensive income amounted to zero (the same period last year: RMB24,666,000). The Group's listing expenses generated in the same period last year were mainly attributable to the expenses payable to relevant intermediaries incurred by the Group in preparation for the initial public offering ("**IPO**") and the listing of the Company's shares on the Stock Exchange on 10 July 2020. Such expenses were fully recognized in last year.

9. Finance Costs

During the Review Period, the finance costs of the Group were approximately RMB7,579,000, representing a decrease of approximately 8.6% from approximately RMB8,295,000 in the same period last year. The decrease in the finance costs of the Group was primarily due to the decrease in average lease liabilities during the Review Period.

10. Income Tax Expense

During the Review Period, the Group's income tax expense was approximately RMB518,043,000, representing an increase of approximately 126.5% from approximately RMB228,668,000 in the same period last year. Income tax expenses accounted for approximately 14.8% (approximately 14.9% in the same period last year) of adjusted profits before tax. The main reason for the increase in income tax was the increase in taxable profit.

11. Profit and Total Comprehensive Income for the Period

The Group's profit and total comprehensive income for the period during the Review Period was approximately RMB2,878,816,000, representing an increase of approximately 3,655.3% from approximately RMB76,661,000 in the same period last year. The adjusted net profit was approximately RMB2,975,225,000, representing an increase of approximately 127.5% from approximately RMB1,307,973,000 in the same period last year. The main reason for such growth was the increase in revenue, gross profit margin and other income.

12. Liquidity and Financial Resources

As at 30 June 2021, the net current assets of the Group were approximately RMB14,370,442,000 (31 December 2020: RMB10,332,148,000). As at 30 June 2021, the Group's bank balance and cash were approximately RMB10,053,906,000 (31 December 2020: RMB9,557,802,000), of which approximately RMB10,027,608,000 were denominated in RMB, approximately RMB25,221,000 were denominated in USD, approximately RMB430,000 were denominated in HKD, approximately RMB266,000 were denominated in GBP, approximately RMB381,000 were denominated in EUR. (31 December 2020: of which approximately RMB9,547,624,000 were denominated in RMB, approximately RMB8,388,000 were denominated in USD, approximately RMB1,667,000 were denominated in HKD, approximately RMB123,000 were denominated in GBP). As at 30 June 2021, the current ratio of the Group was approximately 689.7% (31 December 2020: 590.0%). The increase in net current assets during the Review Period was primarily due to the increase in bank balance and cash.

Treasury management policy

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

Borrowings

As at 30 June 2021, the Group did not have any bank borrowings (31 December 2020: nil). As of 30 June 2021, the banking facilities secured by the Group were RMB1,910.0 million, of which RMB110.3 million had been used for the issuance of letter of credit.

Gearing Ratio

As at 30 June 2021, the asset-liability ratio (total liabilities divided by total assets) was approximately 13.1% (31 December 2020: 16.1%).

13. Pledge of Assets

As of 30 June 2021, the Group did not have any pledges on its assets (31 December 2020: nil), except for the deposit of the Group for purchasing forward foreign exchange contracts of approximately RMB48,000,000.

14. Exposure to Foreign Exchange Risk

During the six months ended 30 June 2021, the Group recorded a net foreign exchange loss of approximately RMB12,815,000 (the same period last year: a net foreign exchange gain of RMB6,936,000). Meanwhile, the Group recorded a net gain of approximately RMB13,311,000 from forward foreign exchange contracts (the same period last year: RMB1,305,000).

The functional currency of the Group is RMB and the sales of the Group are mainly settled in U.S. dollars and RMB. During the Review Period, approximately 50% of the Group's revenue was settled in U.S. dollars and approximately 50% was settled in RMB. Meanwhile, most of the material, labor and various expenditures paid by the Group were settled in RMB. The foreign exchange risk of the Group mainly refers to the risks of foreign exchange gains or loss arisen from the net amount of monetary funds denominated in U.S. dollars, trade and bills receivables denominated in U.S. dollars deducted by trade payables denominated in U.S. dollars ("**U.S. dollars exposure**") as a result of changes in the exchange rate between U.S. dollars and RMB.

Sensitivity Analysis

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

Based on the amounts of assets and liabilities of the Group denominated in USD as of 30 June 2021, if the exchange rate of USD against RMB rises by 10%, the Group's profit after tax will increase by approximately RMB81,274,000 (31 December 2020: profit after tax would increase by approximately RMB69,668,000). Otherwise, if the exchange rate of USD against RMB drops by 10%, the Group's profit after tax will decrease by approximately RMB81,274,000 (31 December 2020: profit after tax would decrease by approximately RMB69,668,000).

15. Employment, Training and Development

As of 30 June 2021, the Group has 24,472, 8 and 2 employees in mainland China, Hong Kong and the United States respectively. The Group provides comprehensive and attractive remunerations, retirement plan, share option schemes and benefits for its employees and also awards discretionary bonuses to its employees based on their work performance. The Group is required to contribute to the China Social Security Schemes. Both the Group and its employees in China are required to make contributions to pension insurance, medical insurance and unemployment insurance according to the rate set out in relevant laws and regulations of China. The Group has adopted the provident fund scheme for employees in Hong Kong in accordance with Mandatory Provident Fund Scheme Ordinance. In addition, the Group also offers other incentives to motivate the personal growth and career development of employees. For instance, the Group continues to provide training to employees for improving their understanding in technology, product knowledge and industry quality standards. All new employees of the Group are required to participate in induction training courses and various training courses are also available to all employees, etc.

During the Review Period, the total staff costs (including management and administration staff) accounted for approximately 16.7% of the revenue of the Group (the same period in 2020: 18.9%). The decrease in total staff costs as a percentage of revenue was mainly due to the substantial increase in revenue with scale effects during the Review Period.

16. Capital Expenditures

During the six months ended 30 June 2021, the total investment in property, plant and equipment and intangible assets of the Group was approximately RMB451,626,000 (approximately RMB188,612,000 in the same period last year), which was mainly used for purchasing property, plant and equipment to support the expansion of production scale and increase in R&D activities of the Group.

17. Capital Commitments

As at 30 June 2021, the Group had contracted capital commitment of RMB547,596,000 (31 December 2020: RMB70,272,000) for procurement of land use right, property, plant and equipment, which will be financed with net proceeds from the Listing and generated from operations.

18. Material Acquisitions and Disposal

During the six months ended 30 June 2021, the Group did not carry out any material acquisitions or disposals of any subsidiaries, associates or joint ventures.

19. Significant Investments

For the six months ended 30 June 2021, the Group did not have any significant investments (six months ended 30 June 2020: nil).

20. Contingent Liabilities

As at 30 June 2021, the Group did not have any material contingent liabilities.

21. Future Plans for Material Investments or Capital Expenditures

Save as disclosed under the section "Future Plans and Use of Proceeds" in the prospectus of the Company dated 29 June 2020 and the section "Intended Use of Net Proceeds" in the announcement of the Company 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.

OTHER INFORMATION

Major Customers and Suppliers

For the six months ended 30 June 2021, the Group's sales to its top five customers accounted for approximately 78.2% (six months ended 30 June 2020: approximately 72.9%) of its total sales, the Group's purchase amounts from its top five suppliers accounted for approximately 29.4% (six months ended 30 June 2020: approximately 32.8%) of its total purchase amounts. The Group aims to maintain long-term cooperative relationship with reputable customers and suppliers for the expansion of its business.

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 2021, 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 A.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.

Terms of Reference of Board Committees

The terms of reference for each Board committee and the list of Directors and their roles and functions have been published on the websites of the Company and the Stock Exchange, respectively.

Audit Committee

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 2021, the interim report, the accounting principles and practices adopted by the Group and has discussed the risk management, internal controls and financial reporting matters.

Remuneration Committee

For the six months ended 30 June 2021, the remuneration committee consists of Mr. Chen Zhiping, an executive Director, Mr. Yim Siu Wing, Simon and Dr. Liu Jie, two independent non-executive Directors. Mr. Yim Siu Wing, Simon is the chairman of the remuneration committee.

The principal responsibilities of the remuneration committee are to make recommendations to the Board of Directors on the overall remuneration policy and structure for the Directors and senior management and on the establishment of a formal and transparent process for approving such remuneration policy. The remuneration committee makes recommendations to the Board on the remuneration packages of individual executive directors and senior management. No Director will take part in any discussion on his or her own remuneration.

The objective of remuneration policy of the Company is to maintain fair and competitive packages based on business requirements and industry practice. In order to determine the level of remuneration and fees paid to members of the Board of Directors, market rates and factors such as each Director's workload, responsibility, and job complexity are taken into account.

Nomination Committee

For the six months ended 30 June 2021, the nomination committee consists of Mr. Chen Zhiping, an executive Director, Mr. Zhong Shan and Dr. Liu Jie, two independent non-executive Directors. Mr. Chen Zhiping is the chairman of the nomination committee.

The primary duties of the nomination committee are to identify candidates with suitable qualifications as Directors, select and nominate such candidates for directorship and provide recommendations to the Board of Directors in this regard; regularly review the structure, size and composition (including skills, knowledge and experience) of the Board of Directors and make recommendations to the Board of Directors for any proposed changes.

Risk Management and Internal Controls

The Company has an internal audit function in place to provide an independent assessment of the Group's risk management and internal control systems and review of their effectiveness in accordance with the CG Code. The Internal Audit Department prepares its audit plan using a risk-based methodology in consultation with, but independent of, the management for the review by the Audit Committee of the Company (the "**Audit Committee**"). The audit work focuses on identification and analysis of the risks in relation to the Group's finance, operation and compliance monitoring and business activities. An integral part of the internal audit function is to monitor and ensure effective operation of risk management and internal control systems.

The Board of Directors, through the Audit Committee, has conducted a review of the effectiveness of the risk management and internal control systems of the Group for the six months ended 30 June 2021.

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 2021.

Directors' Interests in Competing Business

During the six months ended 30 June 2021, none of the Directors had any interest in any business which competes with the Company or any of its subsidiaries.

OTHER INFORMATION (CONTINUED)

Continuous Professional Development of Directors

All Directors should participate in continuous professional training to acquire and refresh their knowledge and skills pursuant to the code provision A.6.5 as set out in the CG Code. The Company has arranged for continuous professional training on the updates of the Listing Rules and the related legal and regulatory requirements for the Directors.

Changes of Directors' Information

For the six months ended 30 June 2021, there were no changes to the information of Directors which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Investor Relations and Communication with Shareholders

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

The Shareholders' communication policy and procedures for Shareholders to propose a person for election as Director have been adopted by the Company on 15 June 2020.

Interim Dividend

The Board resolved to declare an interim dividend of HK21 cents per share for the six months ended 30 June 2021 (six months ended 30 June 2020: nil), to be paid to the shareholders of the Company as appearing on the register of members of the Company on 8 September 2021. The interim dividend is expected to be distributed on 20 September 2021.

Closure of Register of Members

The register of members of the Company will be closed from 6 September 2021 to 8 September 2021, both dates inclusive, during which period no transfer of Shares will be registered. In order to establish the identity of the Shareholders who are entitled to 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 3 September 2021.

Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures

As of 30 June 2021, the interests and short positions of our Directors or chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name of Directors or chief executives	Notes	**Nature of interest**	**Ordinary shares held**	**Approximate percentage of the total number of issued Shares** (Note 1)
Chen Zhiping	(2)	Interest in controlled corporation	1,989,705,600	33.34%
	(3)	Interest of concert party	272,202,400	4.56%
	(4)	Beneficial owner	76,073,000	1.27%
Xiong Shaoming	(5)	Interest in controlled corporation	272,202,400	4.56%
	(6)	Interest of concert party	1,989,705,600	33.34%
	(7)	Beneficial owner	234,000	0.0039%
Liu Jincheng	(8)	Interest in controlled corporation	1,950,240,000	32.68%
Wang Guisheng	(9)	Interest in controlled corporation	6,000,000	0.10%
	(10)	Beneficial owner	6,133,000	0.10%

Notes:

(1) The percentage is calculated based on the total number of shares of the Company in issue as of 30 June 2021, which was 5,967,915,720 Shares.

(2) Mr. Chen Zhiping holds all the issued shares of SMR & Alon Limited, which in turn directly holds 1,989,705,600 shares of the Company. Accordingly, Mr. Chen is deemed to be interested in the 1,989,705,600 shares of the Company held by SMR & Alon Limited.

(3) By virtue of the acting-in-concert agreement entered into between Mr. Chen Zhiping and Mr. Xiong Shaoming on 24 March 2017 and as amended and restated on 11 December 2019 (the "**Concert Party Agreement**"), Mr. Chen and Mr. Xiong are deemed to be interested in their respective interests in the shares of the Company.

(4) These Shares represent the shares of the Company to be issued upon the exercise of pre-IPO share options of the Company granted to Mr. Chen Zhiping. In addition, subject to the pre-IPO share option scheme of the Company and pursuant to an undertaking dated 1 May 2020, Mr. Chen has irrevocably and unconditionally undertaken to our Company that he would only exercise the pre-IPO share options of the Company granted to and vested with him when the market capitalization of our Company reaches or exceeds HK$110 billion.

(5) Mr. Xiong Shaoming holds all the issued shares of Andy Xiong Holding Limited, which in turn directly holds 272,202,400 shares of the Company. Accordingly, Mr. Xiong is deemed to be interested in the 272,202,400 shares of the Company held by Andy Xiong Holding Limited.

(6) By virtue of the Concert Party Agreement, Mr. Chen Zhiping and Mr. Xiong Shaoming are deemed to be interested in each other's interests in the shares of the Company.

(7) Mr. Xiong Shaoming beneficially holds a total interests of 234,000 Shares. Such Shares represent the shares of the Company to be issued upon the exercise of the post-IPO share option scheme of the Company granted to Mr. Xiong Shaoming.

(8) Dr. Liu Jincheng holds all the issued shares of Golden Energy Global Investment Ltd., which in turn directly holds 48,720,000 shares of the Company. In addition, Dr. Liu through EVE Energy Co., Ltd. and EVE Asia Co., Limited ultimately controls EVE BATTERY INVESTMENT LTD., which in turn directly holds 1,901,520,000 shares of the Company. Accordingly, Dr. Liu is deemed to be interested in an aggregate of 1,950,240,000 shares of the Company held by Golden Energy Global Investment Ltd. and EVE BATTERY INVESTMENT LTD..

(9) Mr. Wang Guisheng holds all the issued shares of Sunrise & Rainbow Holding Limited, which directly holds 6,000,000 shares of the Company. Therefore, Mr. Wang is deemed to be interested in the 6,000,000 shares of the Company held by Sunrise & Rainbow Holding Limited.

(10) Mr. Wang Guisheng beneficially holds a total interests of 6,133,000 Shares. Such Shares represent the shares of the Company to be issued upon the exercise of pre-IPO share options and post-IPO share option scheme of the Company granted to Mr. Wang Guisheng.

Substantial Shareholders' and Other Persons' Interests and Short Positions in the Shares and Underlying Shares

As of 30 June 2021, so far as the Directors of the Company are aware, the following parties (other than our Directors or chief executives of the Company) had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and Section 366 of the SFO:

Name of substantial shareholders	Notes	**Nature of interest**	**Ordinary shares held**	**Approximate percentage of the total number of issued Shares** (Note 1)
SMR & Alon Limited	(2)	Beneficial owner	1,989,705,600	33.34%
Zhao Zihan	(3)	Interest of spouse	2,337,981,000	39.18%
Andy Xiong Holding Limited	(4)	Beneficial owner	272,202,400	4.56%
Han Xiao	(5)	Interest of spouse	2,262,142,000	37.91%
EVE BATTERY INVESTMENT LTD.	(6)	Beneficial owner	1,901,520,000	31.86%
EVE Asia Co., Limited	(6)	Interest in controlling corporation	1,901,520,000	31.86%
EVE Energy Co., Ltd.	(6)	Interest in controlling corporation	1,901,520,000	31.86%
Luo Jinhong	(7)	Interest of spouse	1,950,240,000	32.68%

Notes:

(1) The percentage is calculated based on the total number of shares of the Company in issue as of 30 June 2021, which was 5,967,915,720 Shares.

(2) SMR & Alon Limited is beneficially and wholly owned by Mr. Chen Zhiping. Mr. Chen is therefore deemed to be interested in the Shares held by SMR & Alon Limited under the SFO.

(3) Ms. Zhao Zihan is the spouse of Mr. Chen Zhiping. Under the SFO, Ms. Zhao Zihan is deemed to be interested in the same number of Shares in which Mr. Chen is interested.

(4) Andy Xiong Holding Limited is beneficially and wholly owned by Mr. Xiong Shaoming. Mr. Xiong is therefore deemed to be interested in the Shares held by Andy Xiong Holding Limited under the SFO.

(5) Ms. Han Xiao is the spouse of Mr. Xiong Shaoming. Under the SFO, Ms. Han Xiao is deemed to be interested in the same number of Shares in which Mr. Xiong is interested.

(6) EVE BATTERY INVESTMENT LTD is an investment holding company wholly owned by EVE Asia Co., Limited, which is a wholly-owned subsidiary of EVE Energy Co., Ltd.. EVE Energy Co., Ltd. is ultimately controlled by Dr. Liu Jincheng and Ms. Luo Jinhong (spouse of Dr. Liu).

(7) Ms. Luo Jinhong is the spouse of Dr. Liu Jincheng. Under the SFO, Ms. Luo Jinhong is deemed to be interested in the same number of Shares in which Dr. Liu is interested.

Share Option Scheme

Pre-IPO Share Option Scheme

The pre-IPO share option scheme was approved for adoption by all Shareholders of the Company on 30 September 2019. The purpose of the pre-IPO share option scheme is to incentivize and reward eligible persons for their contribution to the Group and to align their interests with that of the Company so as to encourage them to work towards enhancing the value of the Company.

As at 30 September 2019 and 1 May 2020, the Company has granted share options for the purchase of a total of 319,032,000 Shares to eligible participants under the pre-IPO share option scheme.

For more information on the pre-IPO share option scheme, please refer to “Appendix IV — Statutory and General Information — Share Option Scheme — Pre-IPO Share Option Scheme” in the prospectus of the Company dated 29 June 2020.

Details of the movement of the pre-IPO share option scheme as of 30 June 2021 are as follows:

Grantee	Date of grant	Number of options	Vesting period	Exercisable period	Exercise price (RMB)	Number of options at 2021/01/01	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Number of options at 2021/06/30
Chen Zhiping	2020/05/01	16,000,000	2020/05/01–2020/10/09	2020/10/10–2030/04/30	0.38	16,000,000	—	—	—	16,000,000
		16,000,000	2020/05/01–2021/07/09	2021/07/10–2030/04/30	0.38	16,000,000	—	—	—	16,000,000
		16,000,000	2020/05/01–2022/07/09	2022/07/10–2030/04/30	0.38	16,000,000	—	—	—	16,000,000
		16,000,000	2020/05/01–2023/07/09	2023/07/10–2030/04/30	0.38	16,000,000	—	—	—	16,000,000
		12,073,000	2020/05/01–2024/07/09	2024/07/10–2030/04/30	0.38	12,073,000	—	—	—	12,073,000
Wang Guisheng	2019/09/30	6,000,000	2019/09/30–2020/10/09	2020/10/10–2029/09/29	0.38	6,000,000	—	6,000,000	—	—
		1,800,000	2019/09/30–2021/07/09	2021/07/10–2029/09/29	0.38	1,800,000	—	—	—	1,800,000
		1,800,000	2019/09/30–2022/07/09	2022/07/10–2029/09/29	0.38	1,800,000	—	—	—	1,800,000
		2,400,000	2019/09/30–2023/07/09	2023/07/10–2029/09/29	0.38	2,400,000	—	—	—	2,400,000
Li Xiaoping	2019/09/30	1,192,000	2019/09/30–2020/10/09	2020/10/10–2029/09/29	0.38	1,192,000	—	1,192,000	—	—
		358,000	2019/09/30–2021/07/09	2021/07/10–2029/09/29	0.38	358,000	—	—	—	358,000
		358,000	2019/09/30–2022/07/09	2022/07/10–2029/09/29	0.38	358,000	—	—	—	358,000
		476,000	2019/09/30–2023/07/09	2023/07/10–2029/09/29	0.38	476,000	—	—	—	476,000
	2020/05/01	10,000	2020/05/01–2021/07/09	2021/07/10–2030/04/30	0.38	10,000	—	—	—	10,000
		40,000	2020/05/01–2022/07/09	2022/07/10–2030/04/30	0.38	40,000	—	—	—	40,000
		25,000	2020/05/01–2023/07/09	2023/07/10–2030/04/30	0.38	25,000	—	—	—	25,000
		25,000	2020/05/01–2024/07/09	2024/07/10–2030/04/30	0.38	25,000	—	—	—	25,000
Yuan Xiang	2019/09/30	52,000	2019/09/30–2020/10/09	2020/10/10–2029/09/29	0.38	52,000	—	52,000	—	—
		31,000	2019/09/30–2021/07/09	2021/07/10–2029/09/29	0.38	31,000	—	—	—	31,000
		31,000	2019/09/30–2022/07/09	2022/07/10–2029/09/29	0.38	31,000	—	—	—	31,000
		31,000	2019/09/30–2023/07/09	2023/07/10–2029/09/29	0.38	31,000	—	—	—	31,000
		32,000	2019/09/30–2024/07/09	2024/07/10–2029/09/29	0.38	32,000	—	—	—	32,000
Xiong Fei	2019/09/30	81,000	2019/09/30–2020/10/09	2020/10/10–2029/09/29	0.38	81,000	—	81,000	—	—
		24,000	2019/09/30–2021/07/09	2021/07/10–2029/09/29	0.38	24,000	—	—	—	24,000
		24,000	2019/09/30–2022/07/09	2022/07/10–2029/09/29	0.38	24,000	—	—	—	24,000
		33,000	2019/09/30–2023/07/09	2023/07/10–2029/09/29	0.38	33,000	—	—	—	33,000

Grantee	Date of grant	Number of options	Vesting period	Exercisable period	Exercise price (RMB)	Number of options at 2021/01/01	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Number of options at 2021/06/30
Other employees	2019/09/30	75,481,000	2019/09/30–2020/10/09	2020/10/10–2029/09/29	0.38	39,774,000	—	35,403,000	—	4,371,000
		33,626,000	2019/09/30–2021/07/09	2021/07/10–2029/09/29	0.38	33,233,000	—	—	46,000	33,187,000
		36,364,000	2019/09/30–2022/07/09	2022/07/10–2029/09/29	0.38	35,733,000	—	—	46,000	35,687,000
		31,990,000	2019/09/30–2023/07/09	2023/07/10–2029/09/29	0.38	31,477,000	—	—	46,000	31,431,000
		10,735,000	2019/09/30–2024/07/09	2024/07/10–2029/09/29	0.38	10,231,000	—	—	46,000	10,185,000
	2020/05/01	37,000	2020/05/01–2020/10/09	2020/10/10–2030/04/30	0.38	37,000	—	37,000	—	—
		7,407,500	2020/05/01–2021/07/09	2021/07/10–2030/04/30	0.38	7,005,000	—	—	145,000	6,860,000
		13,672,500	2020/05/01–2022/07/09	2022/07/10–2030/04/30	0.38	12,527,000	—	—	580,000	11,947,000
		9,565,500	2020/05/01–2023/07/09	2023/07/10–2030/04/30	0.38	8,816,500	—	—	362,500	8,454,000
		9,257,500	2020/05/01–2024/07/09	2024/07/10–2030/04/30	0.38	8,515,000	—	—	362,500	8,152,500

Post-IPO Share Option Scheme

The post-IPO share option scheme was conditionally approved and adopted by the Shareholders on 15 June 2020. The terms of post-IPO employee share option scheme are subject to Chapter 17 of the Listing Rules. The purpose of the post-IPO share option scheme is to incentivize and reward eligible persons for their contribution to our Group and to align their interests with that of our Company so as to encourage them to work towards enhancing the value of our Company. Participants of the post-IPO share option scheme included employees (whether full time or part time) or Directors of the members of the Group, and the number of share subscription could be determined by the Board of Directors.

As of 30 June 2021, the Company has granted share options for a total of 26,388,000 Shares to eligible participants under the post-IPO share option scheme on 1 April 2021.

For further information of the post-IPO share option scheme, please refer to “Appendix IV — Statutory and General Information — Share Option Scheme — Post-IPO Share Option Scheme” in the prospectus of the Company dated 29 June 2020.

Details of the movement of the post-IPO share option scheme as of 30 June 2021 are as follows:

Grantee	Date of grant	Number of options	Vesting period	Exercisable period	Exercise price (HKD)	Number of options at 2021/01/01	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Number of options at 2021/06/30
Wang Guisheng	2021/04/01	44,333	2021/04/01–2022/03/31	2022/04/01–2031/03/31	51.05	—	44,333	—	—	44,333
		44,333	2021/04/01–2023/03/31	2023/04/01–2031/03/31	51.05	—	44,333	—	—	44,333
		44,334	2021/04/01–2024/03/31	2024/04/01–2031/03/31	51.05	—	44,334	—	—	44,334
Xiong Shaoming	2021/04/01	78,000	2021/04/01–2022/03/31	2022/04/01–2031/03/31	51.05	—	78,000	—	—	78,000
		78,000	2021/04/01–2023/03/31	2023/04/01–2031/03/31	51.05	—	78,000	—	—	78,000
		78,000	2021/04/01–2024/03/31	2024/04/01–2031/03/31	51.05	—	78,000	—	—	78,000
Li Xiaoping	2021/04/01	21,667	2021/04/01–2022/03/31	2022/04/01–2031/03/31	51.05	—	21,667	—	—	21,667
		21,667	2021/04/01–2023/03/31	2023/04/01–2031/03/31	51.05	—	21,667	—	—	21,667
		21,666	2021/04/01–2024/03/31	2024/04/01–2031/03/31	51.05	—	21,666	—	—	21,666
Bu Zhiqiang	2021/04/01	10,333	2021/04/01–2022/03/31	2022/04/01–2031/03/31	51.05	—	10,333	—	—	10,333
		10,333	2021/04/01–2023/03/31	2023/04/01–2031/03/31	51.05	—	10,333	—	—	10,333
		10,334	2021/04/01–2024/03/31	2024/04/01–2031/03/31	51.05	—	10,334	—	—	10,334
Other Employees	2021/04/01	6,918,335	2021/04/01–2022/03/31	2022/04/01–2031/03/31	51.05	—	6,918,335	—	70,000	6,848,335
		6,918,335	2021/04/01–2023/03/31	2023/04/01–2031/03/31	51.05	—	6,918,335	—	70,000	6,848,335
		6,918,330	2021/04/01–2024/03/31	2024/04/01–2031/03/31	51.05	—	6,918,330	—	70,000	6,848,330
		5,170,000	2021/04/01–2025/03/31	2025/04/01–2031/03/31	51.05	—	5,170,000	—	70,000	5,100,000

Purchase, Sale or Redemption of the Listed Securities of the Company

For the six months ended 30 June 2021, neither the Company nor its subsidiaries purchased, redeemed or sold any of the listed securities of the Company.

Pledge of Controlling Shareholder's Equity

As at the date of this interim report, EVE BATTERY INVESTMENT LTD. has pledged an aggregate of 230,000,000 shares of the Company (representing approximately 3.85% of the issued share capital of the Company) out of the 1,901,520,000 shares of the Company (representing approximately 31.86% of the issued share capital of the Company) held by it. The aforementioned pledge of shares of the Company by EVE BATTERY INVESTMENT LTD. does not fall within the scope of Rule 13.17 of the Listing Rules.

Adequacy of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public for the six months ended 30 June 2021.

Use of Proceeds from the Global Offering

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

The net proceeds from the Listing have been and will be utilised in the same manner and proportion as set out in the prospectus of the Company dated 29 June 2020 under the section headed "Future Plans and Use of Proceeds". The table below sets out the planned applications of the net proceeds and actual usage as of 30 June 2021:

Use of proceeds		Approximate percentage of total amount	Amount of net proceeds allocated upon Listing (HK$ million)	Actual usage up to 30 June 2021 (HK$ million)	Unutilised amount as at 30 June 2021 (HK$ million)	Expected timeline
(i)	Expand our production capacity, including the establishment of industrial parks in Jiangmen and Shenzhen, Guangdong Province	50%	3,954.9	102.1	3,852.8	By the end of 2026
(ii)	Implement automated production and assembly lines at our new production bases, upgrade our group-level ERP system and upgrade our existing factories	25%	1,977.5	620.0	1,357.5	By the end of 2026
(iii)	Invest in research and development, including building a group-level research center in Shenzhen, developing new heating technology and paying for product certification expenses	20%	1,582.0	210.9	1,371.1	By the end of 2027
(iv)	Provide funding for our working capital and other general corporate purposes	5%	395.5	395.5	—	—
		100%	7,909.9	1,328.5	6,581.4	

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

Placing

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

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

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

The intended and actual use of proceeds from the Placing and the Subscription up to 30 June 2021 are set out as follows:

Intended use of proceeds	Approximate percentage of total amount	Amount of net proceeds allocated (HK$ million)	Actual usage up to 30 June 2021 (HK$ million)	Unutilised amount as at 30 June 2021 (HK$ million)	Expected timeline
(i) Expansion of production capacity	55%	2,445.0	20.9	2,424.1	By the end of 2026
(ii) Allocating more resources and funds in the PMTA application for more products rollout in the market of the United States once approved	10%	444.5	—	444.5	By the end of 2026
(iii) Investing in the R&D on the vaping devices for healthcare and pharmaceutical industry	35%	1,556.0	66.7	1,489.3	By the end of 2025
	100%	4,445.5	87.6	4,357.9	

Appendix 16 to the Listing Rules

According to paragraph 40 of Appendix 16 to the Listing Rules headed “Disclosure of Financial Information”, save as disclosed in this interim report, the Company confirms that the Company’s current information in relation to those matters set out in paragraph 32 of Appendix 16 to the Listing Rules has not been changed materially from the information disclosed in the Company’s annual report 2020.

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 2021 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

As of 30 June 2021, except for the events disclosed in note 19 to the condensed consolidated financial statement, there is no other major event after 30 June 2021 that is required to be disclosed by the Company.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte. 德勤

TO THE BOARD OF DIRECTORS OF
SMOORE INTERNATIONAL HOLDINGS LIMITED
思摩爾國際控股有限公司
(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Smoore International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 37 to 56, which comprise the condensed consolidated statement of financial position as of 30 June 2021 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("HKSRE 2410") issued by the HKICPA. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
19 August 2021

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	For the six months ended 30 June 2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Revenue	4	6,953,406	3,880,518
Cost of sales		(3,134,622)	(1,980,006)
Gross profit		3,818,784	1,900,512
Other income		216,298	44,465
Distribution and selling expenses		(68,273)	(74,029)
Administrative expenses		(362,798)	(281,187)
Research and development expenses		(236,264)	(208,935)
Finance costs		(7,579)	(8,295)
Other gains and losses	5	37,396	22,022
Impairment loss recognised on trade receivables, net		(705)	(6,962)
Loss on fair value changes of convertible promissory notes		–	(38,487)
Loss on fair value changes of convertible preferred shares		–	(1,019,109)
Listing expenses		–	(24,666)
Profit before tax		3,396,859	305,329
Income tax expense	6	(518,043)	(228,668)
Profit and total comprehensive income for the period	7	2,878,816	76,661
Earnings per share	9		
Basic (RMB cents)		48.45	1.53
Diluted (RMB cents)		46.54	1.47

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	At 30 June 2021 RMB'000 (unaudited)	At 31 December 2020 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	10	1,475,791	1,116,212
Intangible assets		64,864	88,158
Deposits paid for acquisition of property, plant and equipment		113,582	82,668
Deferred tax assets		16,891	11,616
Long-term bank deposits		1,989,644	1,006,044
Rental deposits		28,946	28,523
		3,689,718	2,333,221
Current assets			
Inventories		498,028	438,830
Trade and bills receivables	11	2,990,498	2,217,590
Other receivables, deposits and prepayments		259,097	226,366
Financial assets at fair value through profit or loss ("**FVTPL**")		2,957,767	—
Restricted bank deposits	12	48,000	—
Bank balances and cash		10,053,906	9,557,802
		16,807,296	12,440,588
Current liabilities			
Trade payables	13	723,775	702,324
Other payables and accrued expenses		880,193	748,773
Tax payables		338,917	284,755
Contract liabilities		349,200	253,788
Lease liabilities		143,456	118,014
Deferred income		1,313	786
		2,436,854	2,108,440
Net current assets		14,370,442	10,332,148
Total assets less current liabilities		18,060,160	12,665,369
Non-current liabilities			
Lease liabilities		198,855	212,644
Deferred income		2,537	1,943
Deferred tax liability		51,061	51,061
		252,453	265,648
Net assets		17,807,707	12,399,721

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	NOTE	At 30 June 2021 RMB'000 (unaudited)	At 31 December 2020 RMB'000 (audited)
Capital and reserves			
Share capital	14	416,715	410,068
Reserves		17,390,992	11,989,653
Total equity		17,807,707	12,399,721

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital RMB'000	Share premium RMB'000	Share-based payments reserve RMB'000	Statutory reserve RMB'000 (Note i)	Other reserve RMB'000 (Note ii)	Retained profits RMB'000	Total RMB'000
At 1 January 2020 (audited)	4	—	61,268	33,709	(1,194,032)	1,833,724	734,673
Profit and total comprehensive income for the period	—	—	—	—	—	76,661	76,661
Recognition of equity-settled share-based payments	—	—	149,050	—	—	—	149,050
At 30 June 2020 (unaudited)	4	—	210,318	33,709	(1,194,032)	1,910,385	960,384
At 1 January 2021 (audited)	410,068	8,577,982	338,349	35,819	(1,194,032)	4,231,535	12,399,721
Profit and total comprehensive income for the period	—	—	—	—	—	2,878,816	2,878,816
Recognition of equity-settled share-based payments	—	—	128,875	—	—	—	128,875
Dividends recognised as distribution	—	(1,321,534)	—	—	—	—	(1,321,534)
Issue of shares (note 14)	3,877	3,716,867	—	—	—	—	3,720,744
Transaction costs attributable to issue of shares	—	(15,170)	—	—	—	—	(15,170)
Exercise of share options	2,770	116,881	(103,396)	—	—	—	16,255
At 30 June 2021 (unaudited)	416,715	11,075,026	363,828	35,819	(1,194,032)	7,110,351	17,807,707

Notes:

(i) Pursuant to the relevant laws in the People's Republic of China (the "PRC"), each of the subsidiaries established in the PRC is required to transfer at least 10% of its profit after taxation to the statutory reserve until the reserve reaches 50% of their registered capital. Transfer to this reserve must be made before distributing dividends to equity holders. The statutory reserve can be used to make up for previous years' losses, expand the existing operations or convert into additional capital of the subsidiaries.

(ii) Other reserve represents i) the difference between the share capital and share premium of Shenzhen Smoore Technology Co., Ltd. ("Smoore Shenzhen"), a subsidiary of the Company, and cash considerations paid for the acquisition of Smoore Shenzhen pursuant to the group reorganisation in 2019; and ii) the difference between the par value and fair value of convertible preferred shares of the Company. The convertible preferred shares were converted into ordinary shares of the Company during the year ended 31 December 2020.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
NET CASH FROM OPERATING ACTIVITIES	**2,427,423**	1,101,836
INVESTING ACTIVITIES		
Payment for acquisition of property, plant and equipment	**(480,254)**	(172,948)
Purchase of intangible assets	**(2,285)**	(4,997)
Placement of financial assets at FVTPL	**(9,235,983)**	(1,082,200)
Withdrawal of financial assets at FVTPL	**6,343,770**	1,086,375
Placement of restricted bank deposits	**(48,000)**	—
Placement of long-term bank deposits	**(1,000,000)**	—
Withdrawal of long-term bank deposits	**50,000**	—
Payments for rental deposits	**(13,445)**	(165)
Refund of rental deposits upon termination of leases	**3,458**	—
Interest received	**134,290**	4,418
Government grants received	**2,000**	1,142
Proceeds from disposal of property, plant and equipment	**20,413**	218
Development costs paid	**(3,792)**	—
NET CASH USED IN INVESTING ACTIVITIES	**(4,229,828)**	(168,157)
FINANCING ACTIVITIES		
Issue of shares of the Company	**3,720,744**	—
Proceeds from issue of shares upon exercise of share options	**16,264**	—
Repayment of lease liabilities	**(60,548)**	(48,274)
Interest paid	**(7,579)**	(8,295)
Payment of issue costs	**(37,496)**	(2,322)
Transaction cost attributable to issuance of shares	**(15,170)**	—
Dividends paid	**(1,321,531)**	—
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	**2,294,684**	(58,891)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**492,279**	874,788
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**9,557,802**	731,394
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**3,825**	4,063
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	**10,053,906**	1,610,245

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 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.

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.

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 2021 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2020.

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 annual periods beginning on or after 1 January 2021 for the preparation of the Group's condensed consolidated financial statements:

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

3. Principal Accounting Policies (Continued)

Application of amendments to HKFRSs (Continued)

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	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Vaping devices and components, other than APV	**6,497,384**	3,489,724
APV	**456,022**	390,794
Total revenue that recognised at a point in time	**6,953,406**	3,880,518

4. Revenue and Segment Information (Continued)

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

	For the six months ended 30 June 2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Segment revenue	**6,953,406**	3,880,518
Segment profit	**3,368,202**	1,388,916
Unallocated income	**32,493**	973
Unallocated expenses	**(3,836)**	(2,298)
Listing expenses	**–**	(24,666)
Loss on fair value changes of convertible promissory notes	**–**	(38,487)
Loss on fair value changes of convertible preferred shares	**–**	(1,019,109)
Profit before tax	**3,396,859**	305,329

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, listing expenses, loss on fair value changes of convertible promissory notes and loss on fair value changes of convertible preferred shares. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

4. Revenue and Segment Information (Continued)

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	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
The PRC (excluding Hong Kong)	3,156,173	732,675
Hong Kong, China (note)	1,776,529	1,476,106
United States of America	826,069	649,089
United Kingdom	672,632	352,010
Japan	86,262	142,890
Switzerland	65,764	131,186
France	126,034	213,979
Others	243,943	182,583
	6,953,406	3,880,518

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	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Gain arising on financial assets at FVTPL	52,243	2,870
Gain arising on forward foreign exchange contracts	13,311	1,305
Net foreign exchange (loss) gain	(12,815)	6,936
Gain on early termination of lease	950	1,599
Impairment loss recognised on intangible assets	(17,847)	—
Loss on disposal/write off of property, plant and equipment	(4,246)	(725)
Others	5,800	10,037
	37,396	22,022

6. Income Tax Expense

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax:		
— PRC Enterprise Income Tax ("**EIT**")	**519,550**	195,439
— Hong Kong Profits Tax	**3,015**	29,040
	522,565	224,479
Underprovision in prior years		
— PRC EIT	**753**	3,946
	523,318	228,425
Deferred tax	**(5,275)**	243
	518,043	228,668

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% except that Smoore Shenzhen, a major operating subsidiary in the PRC, was qualified as High Technology and New Enterprise, and therefore Smoore Shenzhen is entitled to a preferential income tax rate of 15% for three years from 2018 to 2020.

Pursuant to the Announcement of the State Administration of Taxation on Issues Concerning Implementation of the Preferential Income Tax Policy for High Technology and New Enterprise (State Administration of Taxation Announcement [2017] No.24), Shenzhen Smoore is entitled to pay EIT at the rate of 15% in the year that the High Technology and New Enterprise certification ("**the Certificate**") expires on a provisional basis.

As at June 30, 2021, Smoore Shenzhen is in process of reapplying the Certificate. The Group performed an assessment in accordance with relevant regulatory requirements and the EIT of Smoore Shenzhen is provided at 15% for the six months ended 30 June 2021.

7. Profit for the Period

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging (crediting):		
Directors' remuneration	**35,940**	34,708
Other staff costs:		
Salaries, bonus and other benefits	**925,611**	568,938
Equity-settled share-based payment expense	**95,211**	116,130
Retirement benefit scheme contributions	**95,578**	13,785
	1,116,400	698,853
Less: amounts capitalised as cost of inventories manufactured	**(726,799)**	(377,284)
	389,601	321,569
Depreciation of right-of-use assets for buildings and land use rights	**64,173**	53,258
Depreciation of property, plant and equipment	**74,689**	45,247
Amortisation of intangible asset	**11,524**	7,547
	150,386	106,052
Less: amounts capitalised as cost of inventories manufactured	**(111,103)**	(84,965)
	39,283	21,087
Allowance for (reversals of allowance for) inventories, net	**1,084**	(10,990)
Government grants	**36,500**	29,105

8. Dividends

	For the six months ended 30 June 2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Dividends recognised as distribution during the period	**1,321,534**	—

During the current interim period, a final dividend of HK27 cents per share in respect of the year ended 31 December 2020 (six months ended 30 June 2020: nil) was declared and paid to owners of the Company. The aggregate amount of the final dividend paid in the interim period amounted to HK$1,610,837,000 (equivalent to approximately RMB1,321,531,000) (six months ended 30 June 2020: nil).

Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of HK21 cents per share amounting to approximately HK$1,262,033,000 in aggregate (six months ended 30 June 2020: nil) will be paid to owners of the Company whose names appear in the register of members of the Company on 8 September 2021.

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 2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Earnings:		
Earnings for the purpose of basic and diluted earnings per share	**2,878,816**	76,661
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating earnings per share	**5,941,819**	4,996,962
Effect of dilutive potential ordinary shares:		
Share options	**243,894**	208,161
	6,185,713	5,205,123

9. Earnings Per Share (Continued)

The computation of diluted earnings per share does not assume the conversion of the Company's convertible promissory notes and convertible preferred shares since their exercise would result in an increase in earnings per share for the six months ended 30 June 2020.

10. Property, Plant and Equipment

During the current interim period, the Group acquired property, plant and equipment of RMB572,488,000 (six months ended 30 June 2020: RMB190,018,000). Furthermore, during the current interim period, the Group entered into several new lease agreements with lease terms ranged from 2 years to 10 years. On lease commencement, the Group recognised right-of-use assets of RMB123,148,000 (six months ended 30 June 2020: RMB5,603,000) and lease liabilities of RMB121,739,000 (six months ended 30 June 2020: RMB5,558,000).

11. Trade and Bills Receivables

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 2021 RMB'000 (unaudited)	At 31 December 2020 RMB'000 (audited)
Trade receivables		
Within 30 days	**1,076,173**	836,092
31 to 60 days	**465,194**	423,510
61 to 90 days	**162,950**	150,207
Over 90 days	**499**	3,397
	1,704,816	1,413,206

As at 30 June 2021, bills receivables of RMB1,285,682,000 (31 December 2020: RMB804,384,000) are with a maturity period of less than three months.

12. Restricted Bank Deposits

Restricted bank deposits represent security deposits placed at a bank to secure certain foreign currency forward contracts entered with the bank and the amounts were fully released subsequently on 30 July 2021.

13. 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 periods:

	At 30 June 2021 RMB'000 (unaudited)	At 31 December 2020 RMB'000 (audited)
Within 30 days	677,271	644,595
31–60 days	46,305	51,195
61–90 days	65	3,821
Over 90 days	134	2,713
	723,775	702,324

14. Share Capital

	Number of shares	Share Capital US$'000
Ordinary shares		
Ordinary shares of US$0.01 each		
Authorised:		
At 1 January 2020 (audited) and 30 June 2020 (unaudited)	9,700,000,000	97,000
Reclassification and re-designation from convertible preferred shares to ordinary shares	300,000,000	3,000
At 31 December 2020 (audited) and 30 June 2021 (unaudited)	10,000,000,000	100,000

14. Share Capital (Continued)

	Number of shares	Share Capital	
		US$'000	RMB'000
Issued and fully paid			
At 1 January 2020 (audited) and 30 June 2020 (unaudited)	62,462.031	—*	4
Automatic conversion of convertible preferred shares upon initial public offering ("**IPO**") (Note i)	2,152.478	—*	—*
Capitalisation issue (Note ii)	5,169,096,105.491	51,691	361,542
Issuance of ordinary share (Note iii)	574,352,000.000	5,744	40,172
Issuance of shares on exercise of over-allotment option (Note iv)	86,152,000.000	862	6,018
Exercise of share options (Note v)	35,486,000.000	355	2,332
At 31 December 2020 (audited)	5,865,150,720.000	58,652	410,068
Issuance of ordinary share (Note vi)	60,000,000.000	600	3,877
Exercise of share options (note 15)	42,765,000.000	428	2,770
At 30 June 2021 (unaudited)	5,967,915,720.000	59,680	416,715

* Less than US$1,000/RMB1,000

Notes:

(i) On 4 July 2020, all convertible preferred shares met the conversion condition to convert into ordinary shares of the Company and the conversion completed on 10 July 2020.

(ii) Pursuant to the resolutions of the Company's shareholders passed on 15 June 2020, the Company allotted and issued a total of 5,169,096,105.491 shares by way of capitalisation of the sum of US$51,690,961.06 standing to the credit of the share premium account of the Company, credited as fully paid at par to the Shareholders as appearing on the register of members of the Company on 10 July 2020.

(iii) On 10 July 2020, the Company issued 574,352,000 ordinary shares of US$0.01 each pursuant to the global offering of the shares of the Company at the price of HK$12.40 per share for a total gross cash consideration of approximately HK$7,121,965,000 (equivalent to approximately RMB6,427,431,000) and the Company's shares were listed on the Stock Exchange on the same date. The shares allotted and issued rank pari passu with the existing shares in all respects.

(iv) On 31 July 2020, the over-allotment option was fully exercised and the Company issued additional 86,152,000 ordinary shares at the price of HK$12.40 per share for a total gross cash consideration of approximately HK$1,068,285,000 (equivalent to approximately RMB962,792,000) on 5 August 2020. The shares allotted and issued rank pari passu with the existing shares in all respects.

(v) In the second half of 2020, share option holders exercised their rights to subscribe for 35,486,000 ordinary shares in the Company at RMB0.38 per share. The shares allotted and issued rank pari passu in all respects with the then existing issued shares of the Company.

14. Share Capital (Continued)

Notes: (Continued)

(vi) On 27 January 2021, the Company entered into a placing and subscription agreement with Aletech Holding Limited (the "**Vendor**") and CLSA Limited (the "**Placing Agent**"), pursuant to which the Placing Agent agreed to place 60,000,000 existing shares to not less than six placees at HK$74.40 per share (the "**Placing**"), and the Vendor agreed to subscribe for 60,000,000 new shares of the Company at HK$74.40 per share (the "**Subscription**"). The Placing and the Subscription were completed on 1 February 2021 and 4 February 2021 respectively. The net proceeds (after deducting related costs and expenses) from the Subscription amounted to approximately HK$4,445.5 million (equivalent to RMB3,705.6 million).

The net proceeds received by the Company was recognised as share capital at par value of US$0.01 each and the remaining amount was recognised as share premium of the Company.

15. Share-Based Payment Transactions

(i) The Pre-IPO share option scheme

On 30 September 2019, a share option scheme (the "**Pre-IPO share option scheme**") was adopted by the Shareholders of the Company for the purpose of incentivising and retaining directors, senior management and other employees for their contribution to the Group. Under the Pre-IPO share option scheme, the board of directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The table below discloses movement of the Pre-IPO share option scheme:

	2021		2020	
	Weighted average exercise price RMB	Number of share option	Weighted average exercise price RMB	Number of share option
As at 1 January (audited)	0.38	278,244,500	0.38	202,919,000
Granted during the period	—	—	0.38	116,113,000
Exercised during the period	0.38	(42,765,000)	—	—
Forfeited during the period	0.38	(1,634,000)	0.38	(3,887,500)
As at 30 June (unaudited)	0.38	233,845,500	0.38	315,144,500
Exercisable at the end of the reporting period	0.38	20,371,000	—	—

15. Share-Based Payment Transactions (Continued)

(ii) The Post-IPO share option scheme

On 15 June 2020, a share option scheme (the "**Post-IPO share option scheme**") was adopted by the Shareholders of the Company for the purpose of incentivising and retaining directors, senior management and other employees for their contribution to the Group. Under the Post-IPO share option scheme, the board of directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The table below discloses movement of the Post-IPO share option scheme:

	2021 Weighted average exercise price HK$	**2021** Number of share option	2020 Weighted average exercise price HK$	2020 Number of share option
As at 1 January (audited)	—	—	—	—
Granted during the period	51.05	26,388,000	—	—
Forfeited during the period	51.05	(280,000)	—	—
As at 30 June (unaudited)	51.05	26,108,000	—	—
Exercisable at the end of the reporting period	51.05	—	—	—

The total expenses recognised in the condensed consolidated statement of profit or loss and other comprehensive income for share options granted to directors of the Company and employees are RMB128,875,000 (six months ended 30 June 2020: RMB149,050,000) for the six months ended 30 June 2021.

During the current interim period, 26,388,000 share options were granted on 1 April 2021 under the Post-IPO share option scheme. The fair value of the options determined at the date of grant using the Binomial Option Pricing model was HK$308,428,000 (equivalent to approximately RMB260,215,000). The key inputs into the model were as follows:

Weighted average share price	HK$51.05
Exercise price	HK$51.05
Risk-free rate	1.42%
Expected volatility	27.43%
Expected dividend yield	1.17%

15. Share-Based Payment Transactions (Continued)

The directors of the Company estimated the risk-free rate based on the yield of the Hong Kong government bonds with a maturity life close to the option life of the share option. Expected volatility was estimated at grant date based on the average of historical volatilities of the comparable companies with length commensurable to the time of maturity of the share options. Expected dividend yield is based on management estimation at the grant date.

16. Related Party Transactions

(a) The Group entered into the following transaction with a related party:

		For the six months ended 30 June	
Name of related party	Name of transaction	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
EVE Energy Co., Ltd., the substantial shareholder of the Company and controlled by a non-executive director of the Company	Purchase of raw material	100,572	72,421

(b) Compensation of key management personnel

The remuneration of key management personnel, including the executive directors and other senior management were as follows:

	For the six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Salaries and other benefits	2,609	2,737
Retirement benefit schemes contributions	171	104
Share-based payment expense	41,216	54,335
	43,996	57,176

The remuneration of directors and key executives is determined with regard to the performance of individuals and market trends.

17. Commitments

	At 30 June 2021 RMB'000 (unaudited)	At 31 December 2020 RMB'000 (audited)
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	547,596	70,272

18. Fair Value Measurements of Financial Instruments

Some of the Group's financial instruments are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial instruments are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

18. Fair Value Measurements of Financial Instruments (Continued)

Financial assets	Fair value as at 30 June 2021 RMB'000	Fair value as at 31 December 2020 RMB'000	Fair value hierarchy	Valuation techniques and key input	Signification unobservable input
Financial assets at FVTPL — short-term bank deposit with variable interest rate	2,957,767	—	2	Income approach — the discounted cash flow method was used to estimate the interest from the underlying bank deposit	—

There was no transfer between different level of the fair value hierarchy during the current interim period.

Except the above financial instruments that are measured at fair value on a recurring basis, the directors of the Company consider the carrying amounts of financial assets and liabilities recorded at amortised costs approximate their fair values.

19. Subsequent Events

Save as disclosed in the condensed consolidated financial statements, the Company granted a total of 3,670,000 share options under the Post-IPO share option scheme on 9 July 2021 with an exercise price of HK$42.08 per shares to certain eligible employees of the Group.