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)

Annual Report 2022

CONTENTS

CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Chen Zhiping *(Chairman and Chief executive officer)*
Mr. Xiong Shaoming
Mr. Wang Guisheng
Ms. Wang Xin (appointed on 24 November 2022)

Non-Executive Directors

Dr. Liu Jincheng (resigned on 28 December 2022)
Ms. Jiang Min (appointed on 28 December 2022)

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

Environmental, Social and Governance Committee

Mr. Chen Zhiping *(Chairman)*
Mr. Wang Guisheng
Mr. Zhong Shan

Joint Company Secretaries

Mr. Wang Guisheng *(CICPA, HKICPA, FCCA)*
Ms. Cheng Choi Ha *(ACG, HKACG)*

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

Office B, 28/F, EGL Tower
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 LLP
DeHeng Law Offices (Shenzhen)
Conyers Dill & Pearman

Auditor

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

35/F, One Pacific Place
88 Queensway
Hong Kong

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
17/F, Far East Finance Centre, 16 Harcourt Road
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
CMB Wing Lung Bank Limited
Bank of Ningbo Company Limited
China Minsheng Banking Corporation Limited
Bank of Shanghai Company Limited
China Everbright Bank Company Limited
Citibank (China) Company Limited
China CITIC Bank International Limited
Standard Chartered Bank (Hong Kong) Limited
Hua Xia Bank Co., Limited

Stock Short Name

Smoore Intl

Stock Code

6969

Company's Website

www.smooreholdings.com

Investor Relations Consultants

Christensen China Limited

FINANCIAL HIGHLIGHTS

Key Financial Information

	For the year ended/as at 31 December				
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000	**2022** **RMB'000**
Revenue	3,433,709	7,610,601	10,009,937	13,755,242	**12,144,980**
Gross profit	1,190,505	3,352,352	5,295,813	7,377,039	**5,259,632**
Gross profit margin	34.7%	44.0%	52.9%	53.6%	**43.3%**
Profit for the year	733,952	2,173,789	2,399,921	5,286,967	**2,510,316**
Total comprehensive income for the year	733,952	2,173,789	2,399,921	5,286,991	**2,494,934**
*Adjusted total comprehensive income for the year ("**Adjusted net profit**")	734,760	2,265,391	3,893,428	5,442,613	**2,575,122**
Non-current assets	588,136	1,132,163	2,333,221	4,885,534	**5,160,544**
Current assets	1,841,116	2,169,740	12,440,588	17,985,772	**19,198,773**
Current liabilities	1,248,465	2,049,243	2,108,440	3,394,240	**3,588,957**
Net current assets	592,651	120,497	10,332,148	14,591,532	**15,609,816**
Total assets	2,429,252	3,301,903	14,773,809	22,871,306	**24,359,317**
Total assets less current liabilities	1,180,787	1,252,660	12,665,369	19,477,066	**20,770,360**
Total equity/net assets	968,958	734,673	12,399,721	19,246,359	**20,377,208**
Cash and cash equivalents	941,964	731,394	9,557,802	11,426,758	**9,762,933**

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

	For the year ended 31 December				
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000	**2022** **RMB'000**
Total comprehensive income for the year before adjustment	733,952	2,173,789	2,399,921	5,286,991	**2,494,934**
Less:					
Listing expenses	(808)	(26,299)	(72,988)	—	**—**
Share-based payment expenses related to pre-IPO share option scheme	—	(61,268)	(362,923)	(155,622)	**(80,188)**
Loss on fair value changes of convertible promissory notes	—	(3,635)	(38,487)	—	**—**
Loss on fair value changes of convertible preferred shares	—	(400)	(1,019,109)	—	**—**
Adjusted net profit	734,760	2,265,391	3,893,428	5,442,613	**2,575,122**

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

The Board proposed to declare a final dividend of HK8 cents per ordinary share for the year ended 31 December 2022.

Key Financial Ratios

	For the year ended/as at 31 December				
	2018	2019	2020	2021	**2022**
Gross profit margin (%)	34.7	44.0	52.9	53.6	**43.3**
Adjusted net profit margin (%)	21.4	29.8	38.9	39.6	**21.2**
Asset-liability ratio (%)	60.1	77.8	16.1	15.8	**16.3**
Current ratio (%)	147.5	105.9	590.0	529.9	**534.9**
Trade and bills receivables turnover days (Day)	26.2	24.3	52.4	61.4	**70.8**
Inventory turnover days (Day)	45.8	40.3	38.2	28.6	**37.1**
Trade and bills payables turnover days (Day)	76.4	43.4	44.3	43.8	**52.4**

Notes:

1. Gross profit margin = gross profit/revenue
2. Adjusted net profit margin = adjusted net profit/revenue
3. Asset-liability ratio = total liabilities/total assets
4. Current ratio = current assets/current liabilities
5. Trade and bills receivables turnover days = average balance of trade and bills receivables/revenue*365
6. Inventory turnover days = average balance of inventory/cost of sales*365
7. Trade and bills payables turnover days = average balance of trade and bills payables/cost of sales*365
8. Average balance = (beginning balance for the year + ending balance for the year)/2

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "**Directors**") (the "**Board**") of Smoore International Holdings Limited ("**Smoore**" or the "**Company**"), I am pleased to present the annual report of the Company and its subsidiaries (together referred to as the "**Group**") for the year ended 31 December 2022 ("**Review Period**").

Business Review

In 2022, the Group experienced a rapidly changing and challenging external environment. On the policy front, the countries where major markets are located have gradually clarified its policies on electronic nicotine delivery systems, laying a solid foundation for the Group's long-term sustainable development in this area. In the short term, the formulation and implementation of a policies goes through a process, and the short-term impact of non-compliant products in some markets has certain effect on the business of the Group. We always believe that only by adhering to the first principles thinking and creating value for the society through innovation can we be recognized by more stakeholders.

During the Review Period, the Group continuously increased its investment in research and development. On the one hand, we believe that the electronic nicotine delivery is a relatively new industry with vast room for improvement in technologies, which requires players in this market to continuously make product iteration and upgrade, from the perspectives of consumers, regulators and other stakeholders, in terms of safety, user experience, youth protection, environment and sustainability. On the other hand, we also notice that vaping technology still has broad application prospects. With accumulated experience in the fundamental research on vaping technology platform, we have the confidence to further apply vaping technology to other areas, including healthcare and medical applications. During the Review Period, we made satisfactory progress in research and development ("**R&D**") investment, particularly in new heating element technology, special-purpose vaping devices and aerosol drug delivery devices, etc., laying a solid foundation for the long-term competitiveness of the Group.

In terms of production and operation, the Group has been active in applying for the tobacco monopoly production license ("**Production License**") in strict compliance with the requirements of the regulatory authorities in China. During the Review Period, six enterprises of the Group were granted the Production License, under which the authorized production capacity provides strong support to the Group in meeting the export and domestic market demand. During the Review Period, the Group continued to increase its investment in the whole-process quality management system, further improving the competitiveness of product cost and quality.

In respect of marketing, the Group further expanded overseas market during the Review Period. Through the establishment of a digital marketing platform, the set-up of local distribution centers covering key markets in North America and Europe and the building up of local sales teams, our self-branded business team continued to launch innovative products and achieved satisfactory growth in the self-branded products market. For the Original Design Manufacturer ("**ODM**") business, the Group helped customers to continuously improve their long-term competitiveness and contribute to their success through an in-depth understanding of customer and consumer needs. The Group launched more competitive disposable electronic vaping products in a timely manner in response to the recent changes in overseas markets, which quickly won the recognition of many customers and consumers, and achieved rapid revenue growth of these products in the second half of the year.

Outlook

We expect greater clarity and certainty of the regulatory policies of major economies on the market of new vaping products, especially electronic nicotine delivery systems, which will benefit the long-term growth of the Group.

During the Review Period, we made satisfactory breakthroughs in our core technologies, including but not limited to the heat-not-burn products, the new heating element technology platform, the more differentiated new vaping technology platform, and the application of vaping technology in the medical field. In the future, we will adhere to long-termism to further strengthen our research on the underlying technologies. Besides, the Group will accelerate the transformation of our technological achievements and strive to bring more innovative products, covering areas like electronic nicotine delivery systems, special-purpose vaping products and atomization in medical applications, to the market in order to create more value for consumers, clients and the society.

Sincere Appreciation

Tseng Kuo-fan said, "it is only possible to succeed by sparing no effort to work and having the courage to take responsibility." We need to remain sober-minded in the face of difficulties, implement an agile methodology to withstand the pressure, and take active measures to adapt to changes.

An enterprise shall bring together the risk awareness in times of peace and agile action. As such, Smoore will continue to be committed to meet the needs of consumers for a better life, practicing the product R&D innovation, high standards of safety production and compliance operation in the vaping industry, actively fulfilling social responsibilities, and delivering the global value of intelligent manufacturing and high-quality development in China.

2022 was an extraordinary year. On behalf of the Board, I would like to express my sincere gratitude to our government, clients, employees and shareholders for their understanding and support to us.

Chen Zhiping
Chairman of the Board
Smoore International Holdings Limited

MANAGEMENT DISCUSSION AND ANALYSIS

Principal Business of the Group During the Review Period

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

In 2022, the prolonged and recurring COVID-19 pandemic had a certain impact on the production, logistics and supply chain of the Group. Meanwhile, the increasing pressure on the global economy and the gradual introduction, refinement and implementation of regulatory policies and regulations in global major markets had certain short-term impact on market demand; but in a long run, will facilitate the healthy and orderly development of the industry with the gradual actual and exact implementation of policies.

In 2022, the Group faced a complex and dynamic external environment. The Group always keeps a long-term perspective with a focus on the construction of long-term competitiveness. During the Review Period, the Group continued to step up efforts in the research and development ("**R&D**") of core technologies, the development of talents and the improvement of management capability. In terms of policy, the Group actively cooperated with the State Tobacco Monopoly Administration to report production capacity and applied for the e-cigarette production enterprise licenses. As of 31 December 2022, the Group had obtained six e-cigarette production enterprise licenses.

The Group is committed to providing clients with comprehensive atomization technology solutions. During the Review Period, the Group made satisfactory breakthroughs in many technical fields. In respect of the vaping field, the Group launched in overseas markets a new generation of a ceramic coil technology platform FEELM Max, which boasted more excellent performance than competitors in the markets in terms of indicators such as atomization efficiency and puff number. The Group correspondingly made available on the overseas markets a new generation of disposable vaping devices, which has gained popularity from clients and users after launch and achieved rapid growth in sales volume. In respect of the heat-not-burn devices, the Group has successfully developed a variety of solutions on heating technology, which is expected to achieve a significant performance improvement. In respect of vaping products for special purpose, the Group further improved its product matrix during the Review Period and will actively expand the product line to more market segments in the future to further increase its market share in such field. In respect of the atomization in medical treatment, the Group independently completed the research and development of a domestic ventilator in combination of an atomization drug delivery device and has successfully obtained the production license. The product boasts international leading level in terms of various technical parameters and the Group will provide patients with more economical, efficient, convenient and safe drug delivery products.

In terms of management improvement, the Group focused on future developments and insisted on improving the level of management. During the Review Period, the Group has cooperated with an international well-known management consultation and system implementation team and successfully launched the SAP system covering all major business fields, laying a solid foundation for the long-term development of the Group.

For marketing and sales, the Group further optimized its product portfolio by understanding market demands, actively built local sales channels to enhance the channel penetration and to increase the availability of products, and established an overseas transit warehouse to achieve rapid delivery, helping us maintain the leading position in the industry.

Operating Environment

In the external environment of the Group's operations, the Group shall pay close attention to the changes in laws and regulations in the main markets where clients are located and adjust the product strategies of the Group in a timely manner.

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

The following table supplements the related disclosures in the published prospectus of the Company dated 29 June 2020 (the "**Prospectus**"), past interim and annual reports and illustrates major updates of material laws, regulations, executive orders and policies in relation to e-cigarettes and the vaping device industry promulgated or proposed by relevant authorities in our major markets as well as the revenue contribution of the affected products sold in such major markets as a percentage of our total revenue for the year ended 31 December 2022:

Principal Sale Jurisdictions	Material Laws, Regulations, Executive Orders and Policies Updates	Relevant Products, Potential Impact and Compliance Status	Revenue Contribution[2] (%) for the year ended 31 December 2022
U.S.[1]	Premarket tobacco application ("**PMTA**") filing requirements for electronic nicotine delivery system ("**ENDS**") products, including devices, assemblies and/or components that deliver vaporized e-liquids when inhaled	As of 31 March 2023, the Food and Drug Administration ("**FDA**") has taken action on more than 99% of PMTA submitted as of the deadline, being 9 September 2020. Among them, marketing denial orders ("**MDO**") have been issued for more than 1 million non-tobacco and non-menthol-flavored and at least six menthol-flavored ENDS products. Many manufacturers have challenged these MDOs in court, and as of 31 March 2023, one federal appellate court had cancelled certain MDOs, and four federal appellate courts had granted a stay of such MDOs while other appeals continue on the merits. The MDOs issued by the FDA for five menthol-flavored products have also been suspended by the court. The FDA has not indicated that the issues behind these MDOs were related to our PMTA for open ENDS. As of 31 March 2023, the FDA had issued marketing authorization for 11 closed-system tobacco-flavored ENDS products produced by the Group for its clients.	10.7%[3]

Principal Sale Jurisdictions	Material Laws, Regulations, Executive Orders and Policies Updates	Relevant Products, Potential Impact and Compliance Status	Revenue Contribution[2] (%) for the year ended 31 December 2022
	Federal legislation subjecting ENDS products containing nicotine from any source to the Tobacco Control Act	Federal legislation enacted in March 2022 subjects ENDS products containing nicotine from any source, including synthetic nicotine, to the FDA PMTA requirement. For such ENDS products that are marketed within 30 days after the date of the legislation's enactment, PMTAs must be submitted within 60 days after the legislation's enactment, and may continue to be sold for an additional 60 days after the date of the submission deadline.	
	California bans retail of flavored tobacco products	In December 2022, a ban on retail of non-tobacco-flavored tobacco products (including menthol-flavored products) was in effect in California. The ban has had no direct impact on open system products, but restricts the retail of flavored disposable and cartridge-based ENDS products in California.	
China	• Administrative Measures for E-Cigarettes ("**Administrative Measures**") On 11 March 2022, the State Tobacco Monopoly Administration announced the Administrative Measures stipulating that e-cigarette products shall comply with mandatory national standards and shall be sold on the market after technical review; the production, wholesale and retail of e-cigarettes shall acquire relevant tobacco monopoly licenses; the sale of flavored e-cigarettes (other than tobacco flavor) and e-cigarettes which can be added with atomization materials are prohibited, and electronic cigarette products only for export shall comply with the laws, regulations and standards of the destination country or region, etc. The Administrative Measures has been implemented since 1 May 2022. From April to June 2022, the State Tobacco Monopoly Administration successively promulgated supporting policies and implementation rules for the Administrative Measures such as Guidance on the Issuance of Tobacco Monopoly Production Licenses to E-cigarette related Production Enterprises (《關於對電子煙相關生產企業核發煙草專賣生產企業許可證工作的指導意見》), Implementation Rules for Technical Review of E-cigarette Products (《電子煙產品技術審評實施細則》), Rules for Traceability Management of E-cigarette Products (《電子煙產品追溯管理細則》), Implementation Rules for Quality Supervision of E-cigarette Products (《電子煙產品品質監督抽查實施細則》), Implementation Rules for Identification and Detection of E-cigarette Products (《電子煙產品鑒別檢測實施細則》), Implementation Rules for Packaging of E-cigarette Products (《電子煙產品包裝實施細則》), Regulations on Warning Signs of E-cigarette (《電子煙警語標識規定》), Management Rules for Trading of E-cigarette (for Trial Implementation) (《電子煙交易管理細則(試行)》), Rules for Logistics Management of E-cigarette (《電子煙物流管理細則》), etc.	As of the disclosure date of the annual report, we have applied for and obtained relevant tobacco monopoly licenses according to the Administrative Measures and the National Standards and supported the brand clients of the Group to submit their electronic vaping products for technical review. Our e-cigarette products will be sold through the e-cigarette transaction management platform if meeting the National Standards for E-Cigarettes ("**National Standards**") after technical review.	26.3%[4]

Principal Sale Jurisdictions	Material Laws, Regulations, Executive Orders and Policies Updates	Relevant Products, Potential Impact and Compliance Status	Revenue Contribution[(2)] (%) for the year ended 31 December 2022
	• National Standards for E-Cigarettes ("**National Standards**") On 8 April 2022, the State Administration for Market Regulation and the State Standardization Administration officially released the National Standards (GB 41700–2022). It stipulates the definitions and normative requirements for e-cigarettes and e-liquids, smoking sets, components, cartridges, vaporizing agent, and additives to vaporized substances, such as clarifying that e-cigarettes are nicotine electronic delivery systems producing aerosol for human inhalation, e-liquids shall contain nicotine, and that nicotine shall be extracted from tobacco etc. The National Standards has been implemented from 1 October 2022. • Notice of Matters Concerning Strengthening the Supervision of Electronic Cigarettes ("**Supervision Notice**") On 29 September 2022, the State Tobacco Monopoly Administration announced the Supervision Notice, requiring that starting on 1 October 2022, e-cigarette market entities engaged in the production and distribution of e-cigarette shall obtain a tobacco monopoly license, and carry out the production and distribution activities in strict accordance with the Law on Tobacco Monopoly, the Administrative Measures, the National Standards and the supporting policies. Each e-cigarette market entity shall conduct transaction through the e-cigarette transaction management platform. The transportation of e-cigarette products, e-atomization materials and nicotine for e-cigarettes shall be supervised by the tobacco monopoly administration. From July to November 2022, the State Tobacco Monopoly Administration successively promulgated supporting policies and implementation rules such as Management Rules for Tobacco Monopoly License of E-cigarette Related Production Enterprises and Wholesale Enterprises (《電子煙相關生產企業、批發企業煙草專賣許可證管理細則》), Management Rules for Establishment, Division, Merger and Cancellation of E-cigarette Related Production Enterprises (《電子煙相關生產企業設立、分立、合併、撤銷管理細則》), Management Rules for E-cigarette Fixed Asset Investment (《電子煙固定資產投資管理細則》), Management Rules for the Examination and Approval of Establishment of Foreign-invested E-cigarette Related Production Enterprises (《設立外商投資電子煙相關生產企業審批管理細則》), Management Rules for E-cigarette Import and Export Trade and Foreign Economic and Technical Cooperation (《電子煙進出口貿易和對外經濟技術合作管理細則》), Notice on Limited Delivery of E-cigarette Products, E-atomization Materials and Nicotine for E-cigarette (《關於電子煙產品、霧化物、電子煙用煙鹼等限量寄遞的通告》) and Notice on Limited Carrying of E-cigarette Products, E-atomization Materials and Nicotine for E-cigarette (《關於電子煙產品、霧化物、電子煙用煙鹼等異地限量攜帶的通告》).		

Principal Sale Jurisdictions	Material Laws, Regulations, Executive Orders and Policies Updates	Relevant Products, Potential Impact and Compliance Status	Revenue Contribution[2] (%) for the year ended 31 December 2022
	• Announcement on Imposing Consumption Tax on E-cigarettes ("**Announcement No. 33**") On 25 October 2022, the Ministry of Finance, the General Administration of Customs, and the State Taxation Administration published the Announcement No.33, pursuant to which e-cigarettes have been included in the scope of imposing consumption tax since 1 November 2022. The entities and individuals engaged in production (import) and wholesale of e-cigarettes within the People's Republic of China ("**PRC**") shall be taxpayers of consumption tax and for those who produce e-cigarettes by means of OEM, the enterprise holding the trademark shall pay the consumption tax. The tax rate of 36% shall be imposed on production (import), and 11% on wholesale. Taxpayers who export e-cigarettes shall be suitable for tax refund (exemption) policies.	As of the disclosure date of the annual report, we have strictly complied with the relevant requirement of the Announcement No. 33. With respect to production and sales of e-cigarettes in Mainland China by the Group entrusted by a brand enterprise or export of e-cigarettes, the Group is not required to pay consumption tax. The Group will continue to follow up the updates to the relevant policies, regulations and implementation rules (if any) and timely assess their impact on the Group.	
Hong Kong	Smoking (Public Health) (Amendment) Ordinance 2021 (the "**Amendment Ordinance**")	The Amendment Ordinance was promulgated in October 2021 and has taken effect on 30 April 2022. The Amendment Ordinance amends the Smoking (Public Health) Ordinance (Chapter 371 of the Laws of Hong Kong) (the "**Ordinance**") to prohibit import, manufacture, sale and restrict the advertisement and promotion of alternative smoking products ("**ASPs**"), including e-cigarette products and their accessories. The revised Ordinance does not apply to e-cigarette products that are in transit or air transshipment (i.e. e-cigarette products that enter Hong Kong by sea or air for export to other places), as long as the product is not moved out from the ship or the designated cargo transfer area of Hong Kong International Airport. But e-cigarette products entering Hong Kong by land for export to other regions are subject to the revised Ordinance. From 30 April 2022, the Group has adjusted its transport arrangements to ensure that exports do not enter Hong Kong by land for transshipment.	27.6%
	Import and Export (Amendment) Bill 2023 (the "**I&E Amendment Bill**")	On 24 March 2023, the I&E Amendment Bill was gazetted and, as of 31 March 2023, was submitted for consideration by the Legislative Council. The I&E Amendment Bill, if passed, will create further exemption for ASPs that are "specified internmodal transhipment cargoes" imported by registered operators. In gist, the transhipment of ASPs via sea-to-air and land-to-air modes under a regulatory framework to be administered by the Hong Kong Customs and Excise Department, including advance registration with the Commissioner of Customs and Excise, will be allowed. The Group will closely monitor the development in legal and regulatory framework for transhipment of ASPs in Hong Kong and review the transport arrangements should there be further development.	

Principal Sale Jurisdictions	Material Laws, Regulations, Executive Orders and Policies Updates	Relevant Products, Potential Impact and Compliance Status	Revenue Contribution[(2)] (%) for the year ended 31 December 2022
Japan	As advised by external legal counsels, no new material laws, regulations, executive orders and rules were issued in Japan as of 31 December 2022.		2.3%
E.U.	As advised by external legal counsels, no new material laws, regulations, executive orders and rules were issued in E.U. as of 31 December 2022.		5.9%
United Kingdom ("**UK**")	As advised by external legal counsels, as of 31 December 2022, there has been no substantial change in the UK's regulatory position since the implementation of the Tobacco and Related Products Regulations 2016 (SI. 2016 No. 507, enacted on 31 December 2021) and the Tobacco Products and Nicotine Inhaling Products (Amendment) (EU Exit) Regulations 2020 (enacted on 1 January 2021).	UK will continue to apply separate pictorial and text warnings. Great Britain will use the MHRA (UK Medicines and Healthcare Products Regulatory Agency) portal for declarations, while Northern Ireland will continue to use EUCEG (European Union Common Entry Portal) and apply the pictorial and textual warning rules of the EU. From 23 August 2021, products that are successfully submitted and filed announcements through the MHRA (UK Medicines and Healthcare Products Agency) portal will be published directly on the MHRA portal homepage. On 23 March 2022, MHRA (UK Medicines and Healthcare Products Agency) enacted the Guidance on How to Submit a Relevant Filing Announcement and the Requirements for Filing Content.	23.1%

Notes:

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

(2) During the Review Period, the percentage of revenue contribution demonstrates the portion of our affected business calculated by countries where direct customers were registered, excluding indirect sales. The percentage of revenue contribution for the year ended 31 December 2022 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. Taking into account sales forwarded through Hong Kong, the revenue contribution from the U.S. market during the Review Period was approximately 33.9%.

(4) The affected portion in PRC was calculated by regions where direct customers were registered. Export sales from some of these direct customers were not deducted. Excluding export sales from traders, the affected portion in PRC was approximately 18.5% during the Review Period.

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 beauty and healthcare industry.

MANAGEMENT DISCUSSION AND ANALYSIS

Impact of the Covid-19 Outbreak (the "Covid-19" or "Outbreak")

Impact on Our Production and Operation

The outbreak of the COVID-19 has lasted for three years and affected China and many other countries globally. The Chinese central government and local governments of other cities in China have introduced various temporary measures to restrain the Outbreak. In the whole year of 2022, the impact of the Outbreak gradually decreased, and public life almost resumed to normal. The management of the Group actively responded to the national policies, deployed prevention and control measures, promoted knowledge of the Outbreak, and publicized and strictly implemented prevention and control measures. As the Chinese government issued the optimized "new ten" measures for prevention and control of the COVID-19 in December 2022, the Group has also actively responded to the latest national policies, adjusted its prevention and control measures, and gradually eased such measures. As of 31 December 2022, the operation of the Group was not widely affected. All the production and operation ran normally.

Impact on Supply Chain

During the Review Period, the Group and its major suppliers were operating normally, and the supply of raw materials was sufficient and stable. Our major suppliers did not raise the price of materials due to the Outbreak. Our raw material transportation was not significantly affected either. The supply chain management department of the Group reserved some raw materials in advance in a timely and appropriate amount according to the usage and inventory of raw materials to ensure the orderly production. At the same time, the supply chain management department of the Group integrated the production plans and arrangements throughout the Group by conducting unified procurement of raw materials, etc., which reduced the cost of raw materials to a certain extent. All in all, the supply chain of the Group was not significantly affected by the Outbreak during the Review Period.

Impact on Consumer Demand and Sales Channels

Compared with 2021, the Group was less affected by the Outbreak for the Review Period. During the Review Period, our end consumers' demand for self-branded APV under retail client oriented sales increased compared to 2021, and the impact of the Outbreak was further mitigated. The sales channels of distributors for retail customers are mainly e-cigarette shops, tobacco shops, convenience stores and petrol stations. The overseas Outbreak was relatively stable this year, so the overseas sales channels of our major customers were not greatly affected. However, due to the impact of the Outbreak period, the decrease in flights and shipping lines resulted in the prolonged cargo processing time and increased unit price of transportation, and therefore some clients turned to air transportation which increased the transportation costs.

During the Review Period, the overall overseas sales were stable. Considering the demand of end consumers and the impact of transshipment of products, our revenue from overseas corporate client oriented sales and overseas retail client oriented sales increased by approximately 6.5% and 26.2% respectively as compared to last year.

Control Measures Addressing the Outbreak

Since the Outbreak in early 2020, during the Review Period, we have taken various measures to mitigate the impact of the Outbreak, for example, establishing a group-level contingency plan, which includes recruitment management measures and timely communication with our customers and suppliers, etc.

The Group's COVID-19 control department and the COVID-19 control centre of each production base continued to perform the responsibility for controlling the Outbreak during the Review Period, so as to fully implement the COVID-19 prevention procedures. Meanwhile, as always, we stockpiled necessary anti-epidemic supplies, including a sufficient number of masks, disinfection supplies and temperature measurement equipment. We have also adopted strict prevention and control measures to facilitate the COVID-19 nucleic acid testing and vaccination for employees as a way to prevent the COVID-19 and implement control measures.

During the Review Period, the Group actively complied with, implemented and responded to the national policies on prevention and control of the COVID-19. Since December 2022, following the change of the policies of China against the COVID-19, the Group has deregulated its requirements for prevention and control of the Outbreak. To the latest practicable date, each production base has carried out the normal production and operation. With the easing of measures for prevention and control of the Outbreak, the domestic supply chain and shipping will be greatly improved.

Industry Overview

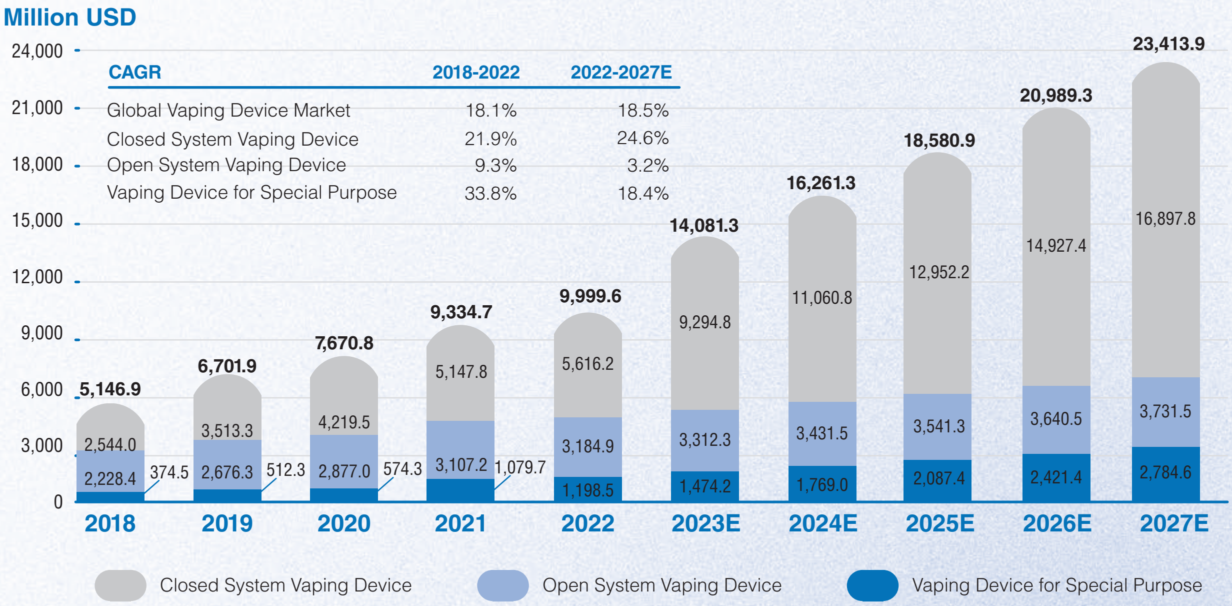
The Group is a global leader in offering atomization technology solutions. During the Review Period, the Group's products for corporate clients oriented business mainly included closed system vaping devices, vaping components, heat-not-burn devices and components, and vaping products for special purpose. The products for the retail client oriented business included self-branded open system vaping devices. According to the independent market research report issued by industry consultant Frost & Sullivan in March 2023 (the "**Sullivan Report**"), the global vaping device market size increased at a compound growth rate of approximately 18.1% at ex-factory prices from 2018 to 2022, and is expected to increase at an estimated compound growth rate of approximately 18.5% from 2022 to 2027.

The global market size of closed system vaping devices has maintained a compound growth rate of approximately 21.9% at ex-factory price from 2018 to 2022, and is expected to grow at a compound growth rate of approximately 24.6% from 2022 to 2027. The global market size of open system vaping devices has maintained a compound growth rate of approximately 9.3% at ex-factory price from 2018 to 2022, and is expected to grow at a compound growth rate of approximately 3.2% from 2022 to 2027.

According to the Sullivan Report, in 2022, the Group maintained its position as the world's largest manufacturer of vaping devices and its market share was approximately 18.1% (2021: approximately 22.8%).

Global Vaping Device Market Overview

Market Size of Global Vaping Device Market by Revenue (by Ex-factory Price), 2018–2027E



*E = estimated

Business Review

Sales and Marketing

In 2022, the global economy was lastingly affected by COVID-19. In face of a complex and changeable trading and regulatory environment, the Group has committed to providing clients with competitive quality products, and satisfied clients' delivery requirements on time, in sufficient quantity and with guaranteed quality against difficulties. The Group realized revenue of RMB12,144,980,000 for the year of 2022, representing a decrease of 11.7% over 2021. Among which, direct and indirect export (export through traders) revenue ("**export revenue**") was RMB9,898,661,000, accounting for 81.5% (2021: 66.0%) of the total revenue, which was 70.0% of the total revenue in the first half of the year (59.2% in the same period last year) and increased to 91.6% in the second half of the year (73.0% in the same period last year). Domestic sales revenue was RMB2,246,319,000, accounting for 18.5% (2021: 34.0%) of the total revenue, which was 30.0% in the first half of the year (40.8% in the same period last year) and decreased to 8.4% in the second half of the year (27.0% in the same period last year).

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

In the U.S. market, the principle business of the Group included the electronic nicotine delivery products and the sales of vaping products for special purpose. For the electronic nicotine delivery products, owing to the Group's continuous investment in product safety and compliance capabilities, the Group successfully assisted some major clients to get the PMTA approval from the FDA in respect of their products. To our knowledge, we are the manufacturer with the most PMTA-approved vaping ENDS products during the Review Period. With FDA's gradual progress of PMTA review and the intensified law enforcement efforts against non-compliance products, our competitiveness in the U.S. market will be further improved. Upholding the business philosophy of "Customer First", we have successfully supported one of our major clients to become the largest closed system vaping brand by market share in the United States by improving the level of production intelligence, optimizing cost structure, etc. During the Review Period, the Group experienced a short-term sales decline in the U.S. vaping market mainly attributed to the negative effect on the overall sales growth rate of compliance products arising from the short-term impact of non-compliance products in the U.S. vaping market, and the downward-adjusted prices of some products in order to support some clients to improve their market share. For vaping products for special purpose, adverse macro factors such as the inflation in the U.S. caused a short-term decline in the sales of our vaping components during the reporting period. Taking into account products transshipped through Hong Kong, the revenue of corporate client oriented sales contribution from the U.S. market decreased by 22.7% compared with last year, the proportion of total revenue decreased from 35.5% for last year to 31.1% during the Review Period. We believe that with FDA's intensified enforcement efforts, the Group's products are expected to keep growing their capabilities in product compliance, safety performance and user experience, and we are strongly confident in maintaining a stable growth of our vaping products in the U.S. market in the long run. For vaping products for special purpose, we have improved the product matrix and will strengthen the sales system by means of channel penetration, etc, and are confident in further strengthening the leading market position in such field.

In the PRC market, during the Review Period, the Group has applied for and obtained production licenses for six entities under the Administrative Measures for E-Cigarettes. The PRC market has entered an era of orderly management, which is undoubtedly beneficial to the long-term healthy development of the industry and lays the foundation for subsequent compliance operations. On this basis, the Group's sales in the PRC market during the Review Period decreased as compared to 2021, excluding export from traders, the revenue of corporate client oriented sales from the PRC market decreased by 51.9% compared with last year, including a decrease of 56.3% in the third quarter compared with the same period last year and a decrease of 82.5% in the fourth quarter compared with the same period last year (including a decrease of 90.1% in December compared with the same period last year), and the proportion of total revenue decreased from 34.0% in last year to 18.5% for the Review Period. The significant decline in the domestic revenue during a short time had significant negative impact on our revenue.

In the European and other markets, as the competitiveness of the Group's products in terms of technology, quality and user experience has been widely recognized by the users, as well as the intensified marketing efforts by its core clients, the Group achieved impressive results in the European market and supported one of its major clients to become the largest vaping brand by market share in many countries. The revenue of corporate client oriented sales from the European and other markets during the Review Period increased by 53.4% compared to last year, and the proportion of total revenue increased to 38.3% for the Review Period from 22.1% in the previous year.

In terms of new product marketing, the Group has successively launched disposable electronic vaping products to overseas markets as scheduled and achieved rapid growth in sales volume during the Review Period. In particular, a large tobacco company client quickly entered major European markets through the disposable electronic vaping products produced by the Group and achieved a significant increase in market share in a short period of time. During the Review Period, the Group's disposable products realized revenue of RMB1,931,028,000, representing an increase of 1,919.2% as compared to RMB95,634,000 for 2021, including revenue of RMB1,611,090,000 realized in the second half of the year, up by 1,761.8% compared with the same period last year.

For the retail client oriented business, riding on the Group's strong research and development strength and manufacturing capabilities, as well as its in-depth understanding of end users' demands, the Group accurately identified the needs of consumers and launched many new technology solutions and competitively differentiated products during the Review Period. The new products deliver more excellent performance than the same type of products in the market in terms of vaping efficiency, flavor consistency and taste reductivity. During the second half of 2022, the Group upgraded the open-system flagship vaping product LUXE X, which quickly won the favor of consumers and is conducive for the Group to further increase the market share in such field. In the meantime, the Group further increased its promotion and marketing efforts during the Review Period by establishing local marketing teams and building channel penetration capability, enabling new products to go to more retail end-users in a quick manner. During the Review Period, the revenue from retail client oriented products amounted to RMB1,465,608,000, representing an increase of 26.2% over the last year, including revenue of RMB905,192,000 realized in the second half of the year, up by 28.3% compared with the same period last year.

Research and Development

The Group always believes that science and technology are the core driving forces for corporate development. We are committed to building world-leading atomization technology platforms, and realizing the extensive application of atomization technology in various fields in order to meet the pursuits of human beings for a healthy and better life. In 2022, despite various challenges from the external environment, we believe in the bright future of atomization, further increased investment in the basic research of atomization technology, especially in the fields of material science, atomization mechanism, atomization in medical treatment, etc., and made gratifying technical breakthroughs in many fields. In terms of talent recruitment, the Group recruited more than 320 R&D personnel during the Review Period, the number of R&D personnel exceeded 1,500 by the end of December, accounting for over 40% of the total non-production personnel of the Group. Regarding the establishment of research centers, the Group has newly established 7 research centers during the Review Period, focusing on the researches in the fields of new materials, medical research, atomization health, atomization beauty, etc.

In addition, the Group has continued to establish extensive and in-depth partnerships with various universities and research institutions around the world. The establishment of China's first non-clinical full-scale testing laboratory for U.S. FDA PMTA strongly supports the preparation and submission of PMTA applications by our clients in the U.S. As at the end of the Review Period, among the vaping ENDS products approved by the FDA for PMTA application, to our knowledge, the number of product models produced by the Group was higher than that of any other manufacturers.

In respect of the vaping field, during the Review Period, the Group launched in overseas markets a new generation of a ceramic coil technology platform FEELM Max for closed system products, which boasted more excellent performance than competitors in the markets in terms of indicators such as atomization efficiency and puff number. In respect of open system products, the Group launched a brand-new anti-leakage technology, COREX cotton core technology platform with better performance, and smart electric core platform Axon Chip, providing consumers with more convenient use experiences with better taste and stronger suction, which were conducive to achieving sound growth in the sales of open system products of the Group. In respect of the heat-not-burn products, the Group has successfully reserved some new heating technology solutions other than the traditional heating method, which are expected to achieve a significant performance improvement.

In respect of vaping products for special purpose, the Group has further improved the product matrix during the Review Period and will enter more segment markets in the future to successively launch new products for a variety of agents, further increasing the market share in such field.

In respect of atomization in medical treatment, the medicine research center of the Group was established in the U.S. in 2021. Currently, the Group has set up a core team, the members of which have successful experiences of launching dozens of respiratory medicines in Europe and the U.S. During the Review Period, the Group has independently completed the research and development of a domestic ventilator in combination with an atomization drug delivery device and successfully obtained the production license. This product is suitable for regular prescription aerosolized drugs in combination with a ventilator. Compared with the same type of products in the market, this product features three characteristics including less dosage, high efficiency in drug delivery, and convenience and safety, and achieves international leading level in terms of various technical parameters. 8 patents have been granted for this device, 2 of which are for invention. At the same time, the Group has completed the development of two drug delivery devices targeting asthma and chronic obstructive pulmonary disease ("**COPD**") and started the development of relevant medicinal preparations. In the future, the Group will be committed to providing inhalation drug delivery products mainly against respiratory diseases, offering patients more safe, efficient and convenient therapies.

The Group's total research and development expenses were RMB1,372,258,000, representing an increase of 104.6% as compared to the last year, and the percentage of revenue increased from 4.9% last year to 11.3% for the Review Period. Among them, the research and development expenses used for electronic nicotine delivery system (include electronic vaping products and heat-not-burn products) accounted for approximately 74.0% of the total expenses; for the vaping products for special purpose and the solutions, approximately 13.9%; for atomization products in medical treatment and beauty fields, approximately 12.1%.

Research and Development Expenses in 2022

While maintaining its technological leadership, the Group continues to build up a global intellectual property protection system to continuously strengthen its intellectual property barriers against core technologies and to protect its own product brands and technology brands. Moreover, the legal and intellectual property teams of the Group have actively carried out intellectual property protection activities in domestic and overseas markets, which has had a positive impact on maintaining and enhancing the market share of the Group's products. During the Review Period, the Group filed 2,254 new patent applications worldwide, including 1,125 patents for invention. As of 31 December 2022, the Group had filed, accumulatively, a total of 5,662 patents worldwide, including 2,695 patents for invention.

Production, Operation and Management

During the Review Period, the Group has successfully introduced the SAP system by overcoming a series of difficulties, which covers many aspects such as procurement, production, sales, and financial management. The constant in-depth application of the system will be conducive to the Group to continuously enhance its internal operation and management efficiency. Moreover, for production, operation and management, the Group has also introduced advanced warehouse management system and manufacturing execution system. Through review and standardization of business processes and flexible adjustment of production arrangements and shipment plans, the Group has strongly guarantee the production efficiency and effectively satisfied clients' growing orders, achieving orderly production and stable development.

We believe that in the process of value creation for customers, in addition to adhering to technology leadership, good products may not exist without leading manufacturing capability. In pursuit of manufacturing leadership, the Group adheres to independent research and development to continuously improve the level of production operation management. Benefiting from the Group's long-term experience and deep understanding of technology, products and processes, the Group has successfully established a professional R&D team for intelligent production line during the Review Period.

During the Review Period, the Group introduced an advanced product development management process, which fully considers the requirements of product manufacturing and importing automation equipment at the stage of product design. With a standard process library in place, a design review mechanism for manufacturability has been established to improve the manufacturability and automation feasibility of products. During the Review Period, the Group has implemented the product development management process in a number of product development projects with remarkable results.

During the Review Period, in response to the market demand quickly, the Group has launched many disposable electronic vaping products in major overseas markets. The Group utilized existing automated production lines, which strongly guaranteed the timely delivery and quality consistency of disposable vaping products and laid a solid foundation for the marketization of the disposable electronic vaping products in a fast manner.

E-cigarette Production License

In order to regulate the healthy and long-term development of the e-cigarette industry in accordance with laws, in April 2022, the State Tobacco Monopoly Administration of China issued Guoyanban (2022) Circular No. 44 (國煙辦[2022]44號文), stipulating the guiding opinion on the work of issuing tobacco monopoly production enterprise license for e-cigarette related production enterprises. The Group has complied with the national policies and regulatory guidances and actively applied for relevant e-cigarette production licenses in accordance with application requirements. As of the end of 2022, six subsidiaries of the Group had successfully obtained e-cigarette production enterprise licenses, which strongly ensured the production and operation of the Group.

Future Prospects and Strategies

The Group is committed to creating global leading atomization technology platform, pursuant to which we have made active layout in many fields such as electronic nicotine delivery system, vaping products for special purpose and atomization in medical treatment, and provides clients and users with comprehensive vaping technology solutions.

In terms of the vaping field, according to the Sullivan Report, the global market size of vaping devices is expected to grow at a compound growth rate of approximately 18.5% at ex-factory price from 2022 to 2027 and the global market size will reach approximately USD23,413.9 million in 2027. Being the world's largest manufacturer of vaping devices, we maintain full confidence in the future market prospects. In recent years, major countries have successively promulgated laws and regulations to regulate the vaping industry. The implementation of these laws and regulations helps to better protect the health of consumers and the long-term sustainable development of the industry as a whole. The Group will maintain its leading edge in the vaping field by continuously increasing investment in research and development. Currently, we have built deep technical reserves in heating methods, basic materials, major devices and other aspects. With further implementation and enforcement of laws against non-compliance vaping products by major countries, our leading technology and deep cooperation with clients will help the Group maintain a long-term stable growth in the vaping field.

In terms of heat-not-burn products, according to the Sullivan Report, the global market size of heat-not-burn products is expected to grow at a compound growth rate of approximately 18.5% at ex-factory price from 2022 to 2027 and the global market size will reach approximately USD16,600 million in 2027. The Group has successfully reserved some new heating technical solutions for heat-not-burn products and is expected to provide clients and consumers with more competitive differentiated products.

In terms of vaping products for special purpose, according to the Sullivan Report, the global market size of vaping devices for special purpose is expected to grow at a compound growth rate of approximately 18.4% at ex-factory price from 2022 to 2027 and the global market size will reach approximately USD2,784.6 million in 2027. Relying on the leading technical reserves of the Group in such field, the accurate insight of end users' needs and the expansion of overseas sales channels, we are confident in further increase of the market share in such field and to contribute more revenue to the Group.

In terms of the atomization in medical treatment, we have been committed to providing patients with inhalation drug delivery products mainly against respiratory diseases. During the Review Period, the Group has independently completed the research and development of a domestic ventilator in combination with atomization drug delivery device and successfully obtained the production license. During the Review Period, the Group has completed the development of two drug delivery devices targeting asthma and COPD and started the development of relevant medicinal preparations. According to the World Health Organization, COPD is a common lung disease and the third leading cause of death worldwide, causing 3.23 million deaths in 2019. Inhalation therapy is a major method for the treatment of this disease, enabling drugs reach a patient's lung directly. It has advantages such as less dosage, quicker effect and less adverse reaction, enjoying a very wide market. According to the report issued by an international market research company Verified Market Research in 2021, the global retail market size of inhalers and preparations for asthma and COPD reached USD33.0 billion in 2020. The Group has set up a first-class R&D team of medicine and device in the industry, which is currently conducting the research and development of inhalation drug delivery products in an orderly manner according to the scheduled product development and launch plan, achieving satisfactory progress of the project.

In terms of basic research, the Group will expand the field of basic research to lay a solid foundation for the long-term sustainable development of the Group. In 2022, the Group conducted in-depth research on new materials, innovative vaping technology, medical products and other aspects, and achieved gratifying progress, laying a solid foundation for the subsequent product development and new business expansion.

In terms of product development, the Group will fully apply basic research results, as well as innovative technologies and means such as innovation in materials, production processes, product structure to continuously optimize product performance. Leveraging on close cooperation with major clients, the Group will keep abreast of changes in product requirements and demands of legislators, regulators and consumers, and design more competitive and innovative products in a targeted manner. The Group plans to introduce the product life circle management (PLM) system in the near future, which will cover the whole process of a product life circle from initiation, design, manufacture, sales, services to exit. This will be helpful for the Group to further increase product development efficiency, shorten the time of launching products and reduce project costs.

For production and operations, the Group will continuously enhance the production operation management level, optimize supply chains, integrate resources of all parties and enhance the adaptation of production and manufacturing system so as to improve the competitiveness of the Group's products in terms of cost and quality.

With regard to product marketing, the Group will continue to strengthen in-depth cooperation with large-scale ODM clients, fully understand and respond to their needs in a timely manner, produce products that gain popularity from end users and provide strong support for clients' business growth. Meanwhile, we will further strengthen our product portfolio to achieve beneficial supplement to our existing product lines, maintaining the leading share in the industry. In addition to production of high-quality products through leading technology and improvement of product differentiation, the Group will invest more resources to build terminal channel promotion capabilities by increasing the number of local transit warehouses in overseas regions to achieve rapid delivery, in order to further enhance the Group's share in self-branded market through multiple methods.

For brand building, the Group will continue to focus on the manufacturing brand "SMOORE", to build the technology brand of closed system vaping products represented by FEELM, the technology brand of heat-not-burn products represented by METEX and the brand of open system vaping products represented by VAPORESSO, aiming to realize technology and product branding and strengthen technological competitiveness.

In the future, the Group plans to launch differentiated new products successively in the fields of electronic nicotine delivery system, vaping products for special purpose and atomization medical devices, and continue to expand the application areas of atomization technology, in a bid to create greater value for clients and consumers with its leading-edge technology and innovative products, and bring sustainable returns to shareholders with healthily growing business performance.

Financial Review

During the Review Period, the total revenue of the Group was RMB12,144,980,000 (2021: RMB13,755,242,000), representing a decrease of 11.7% compared to last year. The gross profit for the Review Period was approximately RMB5,259,632,000 (2021: RMB7,377,039,000), representing a decrease of 28.7% compared to last year. The gross profit margin for the Review Period was 43.3% (2021: 53.6%). The total comprehensive income for the year of the Group decreased from RMB5,286,991,000 in 2021 to RMB2,494,934,000 this year. Adjusted net profit was RMB2,575,122,000 (2021: RMB5,442,613,000), representing a year-on-year decrease of 52.7%. The decrease in the Group's net profit for the Review Period was primarily due to the decrease in revenue from corporate clients, the decline of gross profit margin, and the increase in selling, administrative and research and development expenses.

MANAGEMENT DISCUSSION AND ANALYSIS

1. Revenue — Categorized by Business Types

	For the year ended 31 December				
	2022		2021		Changes
	RMB'000	**%**	RMB'000	%	%
Corporate client oriented sales	**10,679,372**	**87.9**	12,593,523	91.6	(15.2)
Retail client oriented sales	**1,465,608**	**12.1**	1,161,719	8.4	26.2
Total	**12,144,980**	**100.0**	13,755,242	100.0	(11.7)

(1) Corporate client oriented sales

During the Review Period, the revenue from corporate client oriented sales was RMB10,679,372,000 (2021: RMB12,593,523,000), representing a decrease of 15.2% compared with last year, which was mainly due to the followings: (i) in the U.S. market, we were impacted by non-compliance products in the short term, and we lowered the prices of some products in order to support some clients to improve their market share; and (ii) in the PRC market, an era of orderly management has begun in the market after a series of new regulatory policies came into effect, which has been beneficial to the long-term healthy development of the industry. But in the short term, there was a substantial decline in our revenue. During the Review Period, the revenue from corporate client oriented sales in the PRC market saw a decrease of approximately 51.9% compared to last year.

(2) Retail client oriented sales

The Group's products oriented to retail clients mainly include the self-branded open system vaping devices and related ancillary products. During the Review Period, the revenue from retail client oriented sales was RM1,465,608,000 (2021: RMB1,161,719,000), representing an increase of approximately 26.2% compared to last year, mainly attributable to the Group's strong R&D capabilities and manufacturing capacity, as well as its in-depth understanding of end-user needs, allowing the Group to launch more new technology solutions and competitive differentiated products tailored to the needs of consumers during the Review Period. Meanwhile, during the Review Period, the Group further stepped up its efforts in marketing and promotion, built up local marketing teams overseas and developed channel penetration capabilities, enabling new products to be quickly introduced to more retail end users.

Revenue — Categorized by Customers' Places of Incorporation

	For the year ended 31 December				
	2022		2021		Changes
	RMB'000	%	RMB'000	%	%
U.S.	**1,298,190**	**10.7**	1,677,274	12.2	(22.6)
Mainland China*	**3,199,847**	**26.3**	5,530,301	40.2	(42.1)
Hong Kong, China**	**3,348,893**	**27.6**	3,776,229	27.5	(11.3)
Europe and others	**4,298,050**	**35.4**	2,771,438	20.1	55.1
Total	**12,144,980**	**100.0**	13,755,242	100.0	(11.7)

* During the Review Period, the Group's sales to mainland China market was approximately RMB3,199,847,000 (2021: RMB5,530,301,000). To our knowledge, certain clients in mainland China are export trading companies. Those goods they purchase from the Group will be exported to overseas markets ultimately. Excluding effects of such clients, revenue generated by the Group from mainland China during the Review Period was approximately RMB2,246,319,000 (2021: approximately RMB4,672,926,000), accounting for 18.5% (2021: 34.0%) of total revenue and representing a decrease of approximately 51.9% compared to last year.

** Revenue generated from Hong Kong is on a re-export or transshipment basis and, to our knowledge, none of our products are distributed or sold in Hong Kong. Our clients incorporated in Hong Kong are mainly responsible for the transshipment for our overseas clients or trading companies. During the Review Period, revenue from products sold to the United States via Hong Kong amounted to approximately RMB2,817,080,000 (2021: approximately RMB3,421,565,000), representing 84.1% of revenue from Hong Kong, China (2021: 90.6%).

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

	For the year ended 31 December				
	2022		2021		Changes
	RMB'000	%	RMB'000	%	%
Corporate client oriented sales	**10,679,372**	**87.9**	12,593,523	91.6	(15.2)
— U.S.	**3,773,149**	**31.1**	4,882,823	35.5	(22.7)
— Mainland China	**2,246,319**	**18.5**	4,672,926	34.0	(51.9)
— Other countries and areas	**4,659,904**	**38.3**	3,037,774	22.1	53.4
Retail client oriented sales	**1,465,608**	**12.1**	1,161,719	8.4	26.2
Total sales revenue	**12,144,980**	**100.0**	13,755,242	100.0	(11.7)

2. Gross Profit and Cost of Sales

During the Review Period, the gross profit of the Group was RMB5,259,632,000 (2021: RMB7,377,039,000), representing a decrease of approximately 28.7% compared to 2021 while the gross profit margin fell to approximately 43.3% during the Review Period from approximately 53.6% last year. The decrease in gross profit margin was primarily due to the followings: (i) In order to support the long-term business development of its clients to increase market share, during the Review Period, the Group reduced the unit price of products sold to some clients; and (ii) During the Review Period, the revenue from the disposable electronic vaping products with lower gross profit margin showed decent growth, with higher proportion to the Group's overall business.

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

	For the year ended 31 December				
	2022		2021		Changes
	RMB'000	**%**	RMB'000	%	%
Raw material cost	**5,044,342**	**73.3**	4,467,152	70.0	12.9
Labor cost	**877,698**	**12.7**	1,011,034	15.9	(13.2)
Production overhead	**849,248**	**12.3**	773,797	12.1	9.8
Tax and surcharge	**114,060**	**1.7**	126,220	2.0	(9.6)
Total	**6,885,348**	**100.0**	6,378,203	100.0	8.0

During the Review Period, the proportion of raw material cost to the Group's total costs increased to 73.3% for the Review Period from 70.0% last year, mainly due to the higher proportion of the revenue from disposable electronic vaping products with lower gross profit to the total revenue and the higher proportion of raw material cost to the total costs resulted from the large proportion of material cost of disposable electronic vaping products to total costs. The proportion of labor cost to total costs dropped from 15.9% last year to 12.7% for the Review Period, mainly due to the Group's continuous improvement in the production operation management level resulting in a positive effect and a significant reduction in labor cost during the Review Period.

3. Distribution and Selling Expenses

The Group's distribution and selling expenses increased by 101.0% from RMB192,916,000 last year to RMB387,671,000 during the Review Period. The distribution and selling expenses as a percentage of revenue stood at 3.2% (2021: 1.4%). The increase in distribution and selling expenses compared to last year was mainly due to the Group's greater efforts to expand overseas markets, especially the expansion of disposable electronic vaping products and open system vaping products into overseas markets, in line with its established development strategy during the Review Period. In particular:

(1) Employee compensation and benefits increased by 129.1% from RMB81,434,000 last year to RMB186,549,000 during the Review Period. The proportion of employee salaries and benefits to total revenue increased from 0.6% last year to 1.5% during the Review Period. The increase in employee compensation and benefits was mainly due to the increase in marketing personnel from the build-up of overseas marketing teams to support the market development and promotion of disposable electronic vaping products and self-branded products and develop channel penetration capabilities during the Review Period.

(2) Marketing expenses increased by 48.2% from RMB61,229,000 last year to RMB90,711,000 during the Review Period. The proportion of marketing expenses to revenue increased from 0.4% last year to 0.7% for the Review Period. The increase in marketing expenses was mainly due to the Group's greater efforts in market development and product distribution, such as brand marketing, exhibitions, etc. during the Review Period.

(3) Business travel expenses increased by 668.9% from RMB3,669,000 last year to RMB28,210,000 during the Review Period. The proportion of business travel expenses to revenue increased from 0.03% last year to 0.2% for the Review Period. The increase in business travel expenses was mainly due to the fact that the Group further intensified its overseas marketing and promotion during the Review Period, thereby increasing the number of business trips made by its sales and marketing personnel.

(4) Professional service fees increased by 46.6% from RMB13,797,000 last year to RMB20,222,000 during the Review Period. The proportion of professional service fees to revenue increased from 0.1% last year to 0.2% for the Review Period. The increase in professional service fees was mainly due to the Group's increased efforts in the marketing of disposable electronic vaping products and open system vaping devices in overseas markets, as well as brand promotion, during the Review Period, which led to an increase in professional service fees for the related brand planning, brand public relations, exhibition planning and product testing and certification.

(5) Other expenses increased by 89.0% from RMB32,787,000 last year to RMB61,979,000 during the Review Period, with proportion to revenue increasing from 0.3% last year to 0.6% during the Review Period.

4. Administrative Expenses

The administrative expenses of the Group increased by 32.9% from RMB863,701,000 last year to RMB1,147,916,000 during the Review Period. Administrative expenses as a percentage of revenue increased from 6.3% last year to 9.5% for the Review Period. The increase in administrative expenses as a percentage of revenue was primarily due to the Group's increased investment in the establishment of information systems, and organization and processes improvement during the Review Period in order to further improve management capability to meet the needs of long-term development in the future. At the same time, the Group increased its investment in building a talent pipeline appropriately in order to support the development of new businesses in the future. In particular:

(1) Employee compensation and benefits increased by 19.0% from RMB576,261,000 last year to RMB685,873,000, and its percentage of revenue increased from 4.2% last year to 5.6% during the Review Period. The increase in employee compensation and benefits was mainly due to the addition of some new management personnel to accommodate future new business development, which led to an increase in management remuneration and other expenses during the Review Period.

(2) Professional service fees increased by 69.9% from RMB96,229,000 last year to RMB163,463,000 during the Review Period, and its percentage of revenue increased from 0.7% last year to 1.3% during the Review Period. The increase was mainly due to the engagement of external organizations to further enhance the corporate long-term competitiveness, which resulted in an increase in professional services fees incurred in relation to the information system building, management consultation, legal services, etc.

(3) Depreciation and amortization expenses increased by 180.2% from RMB35,160,000 last year to RMB98,505,000 during the Review Period, and its percentage of revenue increased from 0.3% last year to 0.8% during the Review Period. The increase was primarily due to the increase in amortization of land use rights of the new headquarters project, depreciation of equipment and amortization of office space renovation expenses as a result of the expansion of the Group's business scale.

5. Research and Development Expenses

The Group's research and development expenses increased by 104.6% from RMB670,629,000 in 2021 to RMB1,372,258,000 during the Review Period. The research and development expenses as a percentage of revenue increased from 4.9% in 2021 to 11.3% during the Review Period. The increase in research and development expenses as a percentage of revenue was primarily due to the Group's continuous increase in research and development investment, in order to enhance its long-term competitive edge and to develop growth opportunities in new areas in accordance with its established strategy during the Review Period. In particular:

(1) Employee compensation and benefits increased by 127.5% from RMB374,637,000 last year to RMB852,333,000 during the Review Period, and its percentage of revenue increased from 2.7% last year to 7.0% during the Review Period. The main reason of the increase in employee compensation and benefits was the fact that the Group introduced more R&D talents in the research and development field as planned.

(2) Development costs increased by 65.1% from RMB224,915,000 last year to RMB371,271,000 during the Review Period, and its percentage of revenue increased from 1.6% last year to 3.1% during the Review Period. The increase in development costs was mainly due to the increase in material sample costs, mould costs and testing and certification costs invested in the research areas including basic research, atomization, heat-not-burn technology in line with the corporate strategy during the Review Period.

6. Other Income

During the Review Period, the total other income of the Group amounted to RMB496,984,000 (2021: RMB499,068,000), decreasing by 0.4% compared to last year, details of which are set out below:

	For the year ended 31 December		
	2022	2021	Changes
	RMB'000	RMB'000	%
Interest income from bank deposits	**415,648**	422,783	(1.7)
Interest income from rental deposits	**1,769**	1,449	22.1
Government grants	**69,925**	54,161	29.1
Compensation income from customers	**1,818**	4,457	(59.2)
Others	**7,824**	16,218	(51.8)
Total	**496,984**	499,068	(0.4)

7. Other Gains and Losses

During the Review Period, the total other gains of the Group were RMB133,266,000 (2021: RMB93,186,000), representing an increase of 43.0% compared to last year, details of which are set out below:

	For the year ended 31 December		
	2022	2021	Changes
	RMB'000	RMB'000	%
Net foreign exchange gains (losses)	**126,711**	(38,087)	N/A
(Loss) gain arising on forward foreign exchange contracts	**(50,029)**	67,821	N/A
Gain arising on short-term bank deposits with variable interest rate	**72,805**	66,129	10.1
Loss on disposal/write off of property, plant and equipment	**(20,251)**	(126)	15,972.2
Gain on early termination of leases	**271**	6,004	(95.5)
Others	**3,759**	(8,555)	N/A
Total	**133,266**	93,186	43.0

8. Finance Costs

During the Review Period, the finance costs of the Group increased by 15.7% to approximately RMB28,980,000 (2021: RMB25,046,000). The Group's finance costs during the Review Period mainly derived from the interest expenses on lease liabilities and the interest expenses on discount of bills receivables. The increase in finance costs was primarily due to the increase in interest expenses on lease liabilities as a result of increased office space leases and more finance costs arising from the discount of bills receivables during the Review Period.

9. Income Tax Expense

During the Review Period, the Group's income tax expense was RMB444,010,000 (2021: RMB922,375,000), representing a decrease of 51.9% compared to last year. Income tax expenses accounted for 14.6% (2021: 14.5%) of adjusted profit before tax. The main reason for the decrease in income tax was the decrease in taxable profit.

10. Total Comprehensive Income for the Year

During the Review Period, the Group's total comprehensive income for the year was approximately RMB2,494,934,000 (2021: RMB5,286,991,000), representing a decrease of 52.8% compared to last year. Adjusted net profit was RMB2,575,122,000 (2021: RMB5,442,613,000), representing a decrease of 52.7% compared to last year. Such decrease was mainly due to the decrease in revenue and gross profit margin, as well as the increase in other expenses during the Review Period.

For the year ended 31 December 2022, the net cash generated from operating activities of the Group was RMB469,864,000. The main reason leading to less net cash generated from operating activities than total comprehensive income for the year was part of bills receivables obtained from operating activities have been discounted during the year and relevant cash flows have been included in cash flows from financing activities, details of which are set out below:

During the year ended 31 December 2022, the Group received bills receivables of RMB2,427,240,000 (2021: RMB4,196,795,000), and transferred bills receivables of RMB2,227,479,000 (2021: RMB2,411,128,000) to banks by discounting the bills receivables on a full recourse basis. Without discounting the bills receivables, the cash collection upon maturity of the bills receivables would be included in cash flows from operating activities in the consolidated statement of cash flows.

11. Liquidity and Financial Resources

As at 31 December 2022, the net current assets of the Group were RMB15,609,816,000 (31 December 2021: RMB14,591,532,000). As at 31 December 2022, the Group's bank balance and cash were RMB9,762,933,000 (31 December 2021: RMB11,426,758,000), of which RMB9,505,643,000 was denominated in RMB, RMB161,679,000 was denominated in USD and RMB93,849,000 was denominated in HKD (31 December 2021: RMB11,348,674,000 were denominated in RMB, approximately RMB35,770,000 were denominated in USD, and RMB41,796,000 were denominated in HKD). As at 31 December 2022, the current ratio of the Group was 534.9% (31 December 2021: 529.9%).

For the year ended 31 December 2022, the turnover days of trade and bills receivables were 70.8 days (2021: 61.4 days). The increase in turnover days was mainly due to the change of client sales mix with different credit terms. For the year ended 31 December 2022, the turnover days of inventory were approximately 37.1 days (2021: 28.6 days). The increase in turnover days was mainly due to the increase in materials prepared for the orders of disposable electronic vaping business with lower gross profit and the slowdown of shipment as a result of the impact of the pandemic on logistics during the Review Period as well. For the year ended 31 December 2022, the turnover days of trade and bills payables were 52.4 days (2021: 43.8 days). The increase was mainly due to the increased procurement in response to the growing disposable electronic vaping business with low gross profit margin.

As at 31 December 2022, the current ratio was approximately 534.9%, compared with approximately 529.9% as at 31 December 2021. Such increase was due to fact that current assets grew faster than current liabilities, and the increase in current assets was mainly due to the increase in inventories and other receivables.

Treasury Management Policy

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

Borrowings

As at 31 December 2022, the Group did not have any bank or other financial institutions borrowings (31 December 2021: nil). As of 31 December 2022, the banking facilities secured by the Group were RMB4,460.0 million, of which RMB10.4 million had been used for the issuance of letter of credit, RMB29.7 million had been used for the bills payables and RMB1.0 million had been used for the issuance of letter of guarantee.

Gearing Ratio

As at 31 December 2022, the gearing ratio of the Group, calculated as the total debt divided by the total equity, was approximately 19.5% (31 December 2021: 18.8%).

12. Pledge of Assets

As at 31 December 2022, the Group did not have any pledge of assets (31 December 2021: pledged bank deposits of approximately RMB4.0 million for the purchase of forward foreign exchange contracts).

13. Exposure to Foreign Exchange Risk

For the year ended 31 December 2022, the Group recorded foreign exchange gain of RMB126,711,000 (2021: foreign exchange loss of RMB38,087,000). Meanwhile, the Group recorded loss arising on forward foreign exchange contracts of RMB50,029,000 during the Review Period (2021: net forward foreign exchange gain of RMB67,821,000).

The functional currency of the Group is RMB. The sales of the Group are mainly settled in USD and RMB. During the Review Period, approximately 60% of the Group's revenue was settled in USD and approximately 40% was settled in RMB. Meanwhile, materials, labors and various expenditures paid by the Group were mostly settled in RMB. The foreign exchange risk of the Group mainly refers to the risks of foreign exchange gain or loss arising from the net amount of monetary funds denominated in USD, trade and bills receivables denominated in USD deducted by trade and bills payables denominated in USD ("**U.S. dollars exposure**") as a result of changes in the exchange rate between USD and RMB.

Sensitivity Analysis

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

Based on the amounts of assets and liabilities of the Group denominated in USD as of 31 December 2022, if the exchange rate of USD against RMB rises by 10%, the Group's total comprehensive income for the year will increase by approximately RMB198,847,000 (31 December 2021: increase by RMB95,410,000). Otherwise, if the exchange rate of USD against RMB drops by 10%, the Group's total comprehensive income for the year will decrease by approximately RMB198,847,000 (31 December 2021: decrease by RMB95,410,000).

14. Employment, Training and Development

As of 31 December 2022, the Group has 14,787, 9 and 1,577 employees in mainland China, Hong Kong and overseas respectively. The Group provides comprehensive and attractive remunerations, retirement plans, share option schemes, share award scheme and benefits for its employees and also awards discretionary bonuses to its employees based on their work performance. The Group is required to contribute to the China Social Security Schemes. Both the Group and its employees in Mainland China are required to make contributions to pension insurance, medical insurance and unemployment insurance according to the rate set out in relevant laws and regulations of China. The Group has adopted the provident fund scheme for employees in Hong Kong in accordance with Mandatory Provident Fund Scheme Ordinance. The Group also pays for corresponding pension insurance and medical insurance, etc. for its employees in overseas countries according to the laws and regulations of the host countries. In addition, the Company also offers other incentives to promote the personal growth and career development of employees.

During the Review Period, in order to support its development and improve long-term competitive edge, the Group recruited outstanding talents in research and development, management, marketing and other fields worldwide. As of 31 December 2022, the Group has more than 140 employees with doctoral degree or above.

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

During the Review Period, the total staff costs (including management and administration staff) accounted for approximately 25.0% of the revenue of the Group (2021: 17.6%). The increase in total staff costs as a percentage of revenue was mainly due to the increase of R&D, management and marketing personnel to support the Group's long-term development strategy during the Review Period.

15. Capital Expenditures

During the Review Period, the total investment in property, plant and equipment and intangible assets of the Group was approximately RMB2,478,206,000 (2021: RMB1,234,123,000), which was mainly used for the increased equipment and renovation expenses to support the development of the Group, as well as the right-of-use assets of land for office use recognized for the Review Period (approximately RMB977 million was paid in 2021 for the construction of the Group's headquarters building and was recognized as the right-of-use assets of land during the Review Period).

16. Capital Commitments

As at 31 December 2022, the Group had contracted capital commitment for property, plant and equipment of approximately RMB625,062,000 (31 December 2021: RMB390,128,000), which will be financed with proceeds from the Listing and net proceeds generated from operations.

17. Material Acquisitions and Disposal

During the Review Period, the Group did not carry out any material acquisitions or disposals of any subsidiaries, associates or joint ventures.

18. Significant Investments

As at 31 December 2022, the Group did not have any significant investments (2021: RMB977 million).

19. Contingent Liabilities

As at 31 December 2022, the Group did not have any material contingent liabilities (2021: nil).

20. Future Plans for Material Investments or Capital Expenditures

Save as the investment plan disclosed under the section "Future Plans for Material Investments or Capital Expenditures" in the 2021 annual report of the Group, and save as disclosed under the section "Future Plans and Use of Proceeds" in the prospectus of the Company dated 29 June 2020 (the "**Prospectus**") 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.

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

EVE Energy Co., Ltd. ("**EVE Energy**") is a controlling shareholder of the Company. Pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**"), EVE Energy and its subsidiaries are the connected persons of the Group.

During the year ended 31 December 2022, the Group conducted certain transactions with the above-mentioned connected persons in the ordinary course of business, which constitute connected transaction or continuing connected transactions of the Company based on the Listing Rules.

The details of the connected transaction and continuing connected transactions conducted by the Company during the Review Period that are subject to reporting requirements set out in this section. Unless otherwise defined herein, capitalised terms used in this section shall have the same meaning as those defined in the Prospectus.

(1) Joint Research and Development Agreement

On 17 May 2022, EVE Energy and Smoore Shenzhen Technology Co., Ltd. (深圳麥克韋爾科技有限公司) ("**Smoore Shenzhen**", being a subsidiary of the Company) entered into the Joint Research and Development Agreement in respect of the research and development of a new battery for e-cigarette products. In consideration of RMB26,000,000 to be provided by Smoore Shenzhen in stages, EVE Energy agreed to develop a new battery for e-cigarette products. EVE Energy and Smoore Shenzhen agreed to jointly own any and all patent and intellectual properties resulting from the Joint Research and Development Agreement, and EVE Energy agreed to produce the battery developed under this agreement for Smoore Shenzhen at a price to be agreed.

(2) Procurement Transactions

The Company entered into a procurement framework agreement ("**Procurement Framework Agreement**") with EVE Energy on 19 June 2020, pursuant to which EVE Energy shall manufacture battery products for the Group. The Procurement Framework Agreement would expire on 31 December 2022 unless renewed otherwise.

In light of the expiry of the Procurement Framework Agreement, the Company renewed the continuing connected transactions by entering into a procurement framework agreement ("**New Procurement Framework Agreement**") with EVE Energy on 4 November 2022, pursuant to which EVE Energy shall manufacture battery products for the Group. The New Procurement Framework Agreement will expire on 31 December 2025 unless renewed otherwise.

Pricing Policy

The procurement prices under the New Procurement Framework Agreement are determined with reference to the prevailing market prices. To ascertain the prevailing market prices and the prices of batteries provided by EVE Energy, we obtain comparable batteries quotations from independent third party suppliers shortlisted by us, in order to determine whether viable alternatives of comparable quality are available. In terms of similar products, we compare quotations from EVE Energy with other independent third party suppliers to ensure the reasonableness of the procurement prices.

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

Caps of Transactions

Under the Procurement Framework Agreement, the annual caps for the years ended 31 December 2020, 2021 and 2022 are RMB240,000,000, RMB300,000,000 and RMB360,000,000, respectively.

The Group has received more orders than expected for some of its products, and resulting an increase in orders for battery products supplied by EVE Energy and/or its subsidiaries. It is estimated that the original annual cap of RMB360,000,000 for 2022 set out in the Prospectus will no longer be sufficient. On 21 September 2022, the Company has revised the annual cap for the year ended 31 December 2022 under the Procurement Framework Agreement to RMB685,000,000.

On 15 December 2022, the Company held an extraordinary general meeting to revise the annual cap for the year ended 31 December 2022 under the Procurement Framework Agreement to RMB800,000,000, and to approve the terms of the New Procurement Framework Agreement and the annual caps for the years ending 31 December 2023 to 31 December 2025 under the New Procurement Framework Agreement to RMB4,500,000,000, RMB6,000,000,000 and RMB7,500,000,000.

Further details of the continuing connected transactions are set out in the announcements of the Company dated 21 September 2022 and 4 November 2022 and circular of the Company dated 23 November 2022.

Transaction Amounts during the Review Period

During the Review Period, the transaction amount of procurement of battery products which constitutes a connected transaction was approximately RMB536,118,000, representing 10.3% of the total procurement amount of the Group.

During the Review Period, save as disclosed above, the Company did not have any other connected transactions which are required to be disclosed pursuant to the requirements of Chapter 14A of the Listing Rules.

On the basis of the above, the Company confirms that it has complied with the requirements under Chapter 14A of the Listing Rules in relation to all connected transactions and continuing connected transactions to which the Company was a party during the Review Period.

Confirmation from and Review Opinions of the Independent Non-executive Directors

Following specific enquiries with the Company and the recommendation from the Company's Audit Committee, the independent non-executive directors of the Company have reviewed those continuing connected transactions, the findings and conclusions and confirmed that the transactions have been entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal or better commercial terms to the Company;

(3) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Confirmation from the Company's Auditor

The Company's auditor was engaged to report to the Company on the Continuing Connected Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). The Company's auditor has issued its unqualified letter containing its findings and conclusions in respect of the Continuing Connected Transactions in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

The Company's auditor has confirmed in its letter that nothing has come to its attention that causes it to believe that the Continuing Connected Transactions: (i) have not been approved by the Board; (ii) were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and (iii) have exceeded the annual cap for the year ended 31 December 2022 as set by the Company.

A. Corporate Governance Practices

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

For the year ended 31 December 2022, the Company had applied the principles and complied with all code provisions (except for the deviation from code provision C.2.1 of the Corporate Governance Code) and, where applicable, the recommended best practices of the Corporate Governance Code ("**CG Code**") as set out in Appendix 14 to the Listing Rules.

B. Board

The Company is headed by an effective Board which is responsible for its leadership and control and responsibility for promoting the Company's success by directing and supervising the Company's affairs. Directors take decisions objectively in the best interests of the Company.

The Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business and regularly reviews the contribution required from Directors to perform their responsibilities to the Company and whether Directors are spending sufficient time performing duties that are commensurate with their role and the Board responsibilities. The Board has a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

(1) Composition of the Board

As of 31 December 2022, the Board comprises the following Directors:

Executive Directors
Mr. Chen Zhiping *(Chairman and Chief Executive Officer)*
Mr. Xiong Shaoming
Mr. Wang Guisheng
Ms. Wang Xin (appointed on 24 November 2022)

Non-executive Directors
Dr. Liu Jincheng (resigned on 28 December 2022)
Ms. Jiang Min (appointed on 28 December 2022)

Independent Non-executive Directors
Mr. Zhong Shan
Mr. Yim Siu Wing, Simon
Dr. Liu Jie

The biographical information of the Directors is set out in the section headed "Biographical Details of Directors and Senior Management" in the Directors' Report of this annual report. In addition, an up-to-date list of our Directors and their roles and functions is maintained on the Company's website and the Stock Exchange's website.

(2) Independent Non-executive Directors

For the year ended 31 December 2022, the Board has met the requirements of the Listing Rules regarding the appointment of at least three independent non-executive Directors (representing at least one-third of the Board), with at least one of whom possessing appropriate professional qualifications, or accounting, or related financial management expertise. To provide transparency to the investment community and in compliance with the Listing Rules and the CG Code, the independent non-executive Directors of the Company are clearly identified in all corporate communications containing the names of the Directors. The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

(3) Responsibilities and Delegation

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

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

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

(4) Chairman of the Board and Chief Executive Officer

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

(1) The decision of the Board requires the approval of a majority of Directors. The Board of the Company consists of eight 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. Therefore, the Board believes that there are sufficient checks and balances within the Board;

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

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

(4) The Group's development strategy and other major operating decisions are jointly made by the management team, the Board, and special committees under the Board after regular discussions.

The Group will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether the separation of roles of chairman of the Board and chief executive officer is necessary.

(5) Appointment and Re-election of Directors

According to the Articles of Association of the Company, at every annual general meeting of the Company, one-third of the Directors for the time being (or if their number is not three or a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation, every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A Director appointed by the Board of the Company, either to fill a casual vacancy or as an addition to the Board, shall hold office only until the next following general meeting of the Company. All retiring Directors shall be eligible for re-election. Each Director (including the non-executive Directors and independent non-executive Directors) is engaged for a term of three years. They are subject to retirement and re-election in accordance with the provisions of the Articles as mentioned above.

(6) Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that the contribution to the Board remains relevant. Every newly appointed Director will receive relevant induction training on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Directors should participate in appropriate continuous professional trainings to develop and refresh their knowledge and skills pursuant to provision C.1.4 of the CG Code, in order to ensure that the contribution to the Board remains relevant. Internally training for Directors will be arranged and reading material on relevant topics will be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses, and the expenses of which will be paid by the Company. During the Review Period, Directors' participation in continuous professional training is as follows:

Name of Directors	**Types of Continuous Professional Development Training**
Mr. Chen Zhiping	A and B
Mr. Xiong Shaoming	A and B
Mr. Wang Guisheng	A and B
Ms. Wang Xin (appointed on 24 November 2022)	A and B
Dr. Liu Jincheng (resigned on 28 December 2022)	A and B
Ms. Jiang Min (appointed on 28 December 2022)	A and B
Mr. Zhong Shan	A and B
Mr. Yim Siu Wing, Simon	A and B
Dr. Liu Jie	A and B

Notes:

A: Attending seminars, meetings, forums and/or training courses.

B: Reading material provided by the external or the Company, including but not limited to latest information or Director's responsibilities and obligations in relation to the business of the Company, CG code and other applicable and latest regulatory regulations.

(7) Attendance Record of Directors

For the year ended 31 December 2022, the Company has held seven Board meetings, three Audit Committee meetings, three Remuneration Committee meetings, three Nomination Committee meetings, one meeting between Chairman and independent non-executive Directors and two General Meetings. The Company established the Environmental, Social and Governance Committee on 28 December 2022. During the Review Period, no Environmental, Social and Governance Committee meeting was held. The attendance of the respective Directors at the meetings above is set out below (whether in person or by means of electronic communication):

Name of Directors	Board Meeting Attendance/ Meeting	Audit Committee Meeting Attendance/ Meeting	Remuneration Committee Meeting Attendance/ Meeting	Nomination Committee Meeting Attendance/ Meeting	Environmental, Social and Governance Committee Meeting Attendance/ Meeting	The Meeting between the Chairman of the Board and Independent Non-executive Directors Attendance/ Meeting	General Meeting Attendance/ Meeting
Mr. Chen Zhiping	7/7	–	3/3	3/3	0/0	1/1	2/2
Mr. Xiong Shaoming	7/7	–	–	–	–	–	2/2
Mr. Wang Guisheng	7/7	–	–	–	0/0	–	2/2
Ms. Wang Xin (appointed on 24 November 2022)	2/2	–	–	–	–	–	1/1
Dr. Liu Jincheng (resigned on 28 December 2022)	7/7	–	–	–	–	–	2/2
Ms. Jiang Min (appointed on 28 December 2022)	1/1	–	–	–	–	–	–
Mr. Zhong Shan	7/7	3/3	–	3/3	0/0	1/1	2/2
Mr. Yim Siu Wing, Simon	7/7	3/3	3/3	–	–	1/1	2/2
Dr. Liu Jie	7/7	3/3	3/3	3/3	–	1/1	2/2

The Company should hold at least four regular Board Meetings each year at approximately quarterly intervals. Relevant agenda and accompanying meeting papers will be sent to each Director at least 3 days in advance of every regular Board meeting. Schedules for regular Board meetings are normally agreed with the Directors in advance to ensure their attendance. At least 14 days' notice for all regular Board meetings will be given to all Directors and all Directors are given the opportunity to include items or businesses for discussion in the agenda. For all other Board meetings, reasonable notice will also be given by the Company.

(8) Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") set forth in Appendix 10 to the Listing Rules as a code of conduct of the Company for Directors and relevant employees' securities transactions. Having made specific enquiry of all the Directors and relevant employees, they all confirmed that they have complied strictly with the provisions of the Model Code for the year ended 31 December 2022.

(9) Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board. The Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

The Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile.

In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered. The Company will regularly review the gender diversity of the senior workforce and identify suitable candidates in accordance with the business development of the Group.

During the year ended 31 December 2022, the Company has appointed a female executive director and a female non-executive director. At present, the Nomination Committee considered that the Board is sufficiently diverse. The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

The Nomination Committee will review the Board Diversity Policy annually to ensure its effectiveness.

Gender Diversity

The Company values gender diversity across all levels of the Group. The following table sets out the gender ratio in the workforce of the Group, including the Board and senior management as at 31 December 2022:

	Female	**Male**
Board	25% (2)	75% (6)
Senior Management	0% (0)	100% (3)
Other employees	51.98% (8,507)	48.02% (7,859)
Overall workforce (including 1 non-executive Director and 3 independent non-executive Directors)	51.96% (8,509)	48.04% (7,868)

Details on the gender ratio of the Group together with relevant data can be found in the Environmental, Social and Governance Report.

The Company welcomes all genders to join. The recruitment strategy is to employ a right staff for a right position regardless of the gender. The Company commits to provide equal opportunities to its staff in respect of recruitment, training and development, job advancement, and remuneration and benefits.

(10) Director Nomination Policy

The Board has delegated its responsibilities to the Nomination Committee for identification and selection of candidates to stand for election as Directors. The Company has adopted a Director Nomination Policy which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience, knowledge and diversity of perspectives appropriate to the Company and satisfies the business requirements of the Company.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Diversity in aspects including but not limited to gender, age, experience, cultural and educational background, expertise, skills and know-how;
- Sufficient time to effectively carry out their duties; their services on other listed and non-listed companies should be limited to a reasonable number;
- Qualifications, including skills, accomplishments and experience in the relevant industries that the Company's business is involved in;
- Independence;
- Reputation and integrity;
- Potential contributions that the individual(s) can bring to the Board; and
- Commitment to enhance and maximize shareholders' value.

The procedures for the selection and appointment of new Directors and re-election of Directors at general meetings were also set out in the Director Nomination Policy. The Nomination Committee will recommend to the Board for the appointment of a Director in accordance with the following procedures and process:

(a) The Nomination Committee will, giving the consideration to the current composition and size of the Board, develop a list of desirable skills, perspectives and experience at the outset to focus the search effort on suitable candidates;

(b) The Nomination Committee may consult any source it deems appropriate in identifying or selecting suitable candidates, such as referrals from existing Directors, advertisements, recommendations from an independent agency firm and proposals from shareholders of the Company with due consideration given to the criteria;

(c) The Nomination Committee may adopt any process it deems appropriate in evaluating the suitability of the candidates, such as conducting interviews, background checks, presentations and third-party reference checks;

(d) Upon considering a candidate suitable for the directorship, the Nomination Committee will hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment;

(e) The Nomination Committee will thereafter make the recommendation to the Board in relation to the proposed appointment and the proposed remuneration package; and

(f) The Board will have the final authority on determining the selection of nominees and all appointment of Directors will be confirmed by the filing of the consent to act as Director of the relevant Director (or any other similar filings requiring the relevant Director to acknowledge or accept the appointment as Director, as the case may be).

Where appropriate, the Nomination Committee and/or the Board should make recommendations to Shareholders in respect of the proposed election of Director at the general meeting.

The Nomination Committee will review the Director Nomination Policy regularly to ensure its effectiveness.

(11) Director Remuneration Policy

The Company has adopted a Director Remuneration Policy, and appointed the Remuneration Committee to make 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 remuneration packages of executive Directors consist of fixed and variable parts (such as cash, share option, share award, etc.) to promote and reward performance, with reference to the individual and company result performance and comparable companies with same business scope, to recruit and retain key leaders.

The fixed basic fee/remuneration received by non-executive Directors should be at an appropriate level, and should be determined by reference to their roles, responsibilities, time devoted and contributions made to the Company, as well as the market level of peer companies.

The Remuneration Committee will regularly review the adequacy and effectiveness of this policy with reference to companies with similar businesses or scales, and ensure that this policy meets commercial requirements, so as to maintain competitiveness in attracting and retaining talents.

(12) Board Independence Evaluation Mechanism

The Company has a Board Independence Evaluation Mechanism in place to ensure that the Board can obtain independent views and opinions. The Board Independence Evaluation Mechanism includes setting the criteria and procedures for appointing directors; regularly evaluating the independence of independent non-executive Directors; seeking independent professional opinions while performing Director's duties as and when appropriate, the expenses shall be borne by the Company. The Board will review the implementation and effectiveness of the Board Independence Evaluation Mechanism every year. The results of the Board independent evaluation will be reported to the Board, and the Board will jointly discuss the results and make improvements as and when appropriate.

(13) Whistleblowing Policy

The Company has in place the Whistleblowing Policy for employees of the Company and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence and anonymity, with the Audit Committee or other designated committee (which comprises a majority of independent non-executive Directors as required under code provision D.2.6 of the CG Code) about possible improprieties in any matters related to the issuer.

(14) Anti-Corruption Policy

The Company has also in place the Anti-Corruption Policy to safeguard against corruption and bribery within the Company. The Company has an internal reporting channel that is open and available for employees of the Company to report any suspected corruption and bribery. Employees can also make anonymous reports to the Internal Audit Department, which is responsible for investigating the reported incidents and taking appropriate measures. Any convicted cases will be reported to the Board and the Audit Committee. The Company continues to carry out anti-corruption and anti-bribery activities to cultivate a culture of integrity, and actively organizes anti-corruption training and inspections to ensure the effectiveness of anti-corruption and anti-bribery.

(15) Board Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the required standard of dealings of securities transactions, as well as the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

C. Board Committees

The Board has established four Board committees, namely, the Audit Committee, the Nomination Committee, the Remuneration Committee and the Environmental, Social and Governance Committee, for overseeing particular aspects of the Company's affairs. All Board committees have established with specific written terms of reference which deals clearly with their authority and duties, and are posted on the Company's website and the Stock Exchange's website.

(1) 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 primary duties of the Audit Committee are to conduct critical and objective reviews of the Group's financial reporting procedures, risk management and internal control systems, including considering the nature and scope of statutory audits, reviewing the interim and annual accounts of the Group, approving connected transactions and providing advice to the Board.

The Audit Committee has reviewed the results of the year and the accounting principles and practices adopted by the Group in conjunction with the management of the Company and the external auditors, and discussed matters such as auditing, risk management, internal control and financial statements (including reviewing the financial statements for the year ended 31 December 2022). For the year ended 31 December 2022, the Audit Committee held three meetings with the external auditors. All members attended to discuss the Company's performance, audit procedures and accounting matters.

(2) Nomination Committee

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 review the Board composition, make recommendations to the Board regarding the rotation and appointment of Directors and Board succession, review Board Diversity Policy and Director Nomination Policy, and assess the independence of independent non-executive Directors of the Company. In order to achieve a diversity of perspectives of the Board, the Company considers a number of factors when deciding on appointments to the Board and the continuation of those appointments. Such factors include gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

During the Review Period, the Nomination Committee also made recommendations to the Board on the appointments of Ms. Wang Xin as executive Director and Ms. Jiang Min as non-executive Director.

The Company has adopted the procedures for shareholders to propose a person for election as Director which was published on the Company's website.

(3) Remuneration Committee

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 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, and to review and approve matters related to share schemes. 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. On 28 December, 2022, the Company has revised the terms of reference of the Remuneration Committee in accordance with the matters relating to the review of the share schemes by the Remuneration Committee under Chapter 17 of the Listing Rules. For the year ended 31 December 2022, the Remuneration Committee of the Company did not review and approve major issues relating to the share schemes. During the Review Period, the Remuneration Committee also made remuneration recommendations to the Board on the appointments of Ms. Wang Xin as executive Director and Ms. Jiang Min as non-executive Director.

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

Pursuant to provision E.1.5 of the CG Code, the annual remuneration range (including share-based compensation) of senior management, for the year ended 31 December 2022 is set out below. Details of the Directors' remuneration for the year ended 31 December 2022 are set out in Note 10 to the consolidated financial statements in this annual report.

Annual Remuneration	**Number of Individuals**
HK$0 to HK$10,000,000	3

Note:

(1) Senior management as of 31 December 2022.

(4) Environmental, Social and Governance Committee

The Environmental, Social and Governance ("**ESG**") Committee was established by the Board in December 2022 for improving the ESG management level of the Company. The ESG Committee consists of 3 members, namely executive Director Mr. Chen Zhiping, executive Director Mr. Wang Guisheng and independent non-executive Director Mr. Zhong Shan. Mr. Chen Zhiping is the chairman of the ESG Committee.

The ESG Committee will meet on a regular basis to review the Company's ESG management system and enhance the ESG management capacity.

D. Risk Management and Internal Controls

The Group's risk management and internal control system is designed to manage and enhance operating effectiveness and efficiency, to safeguard assets against misappropriation and unauthorized disposition, to maintain appropriate accounting records and financial reports that are true and fair, and to ensure compliance with relevant laws and regulations. The Board acknowledges its responsibility for the risk management and internal control systems and reviews their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and they can only provide reasonable, but not absolute, assurance against material misstatements or losses. The Board has the overall responsibility for evaluating and determining the nature and extent of the risk of failure to achieve the Company's strategic objectives, as well as establishing and maintaining effective risk management and internal control systems. The Audit Committee assists the Board in leading the management team to oversee the design, implementation and monitoring of the risk management and internal control systems. The management considers it is important to establish and to continue to improve its risk management and internal control systems, and has strengthened internal control, internal audit, compliance and forensic functions of the Company during the Review Period.

The overall risk management process of the Company is integrated in the day-to-day operations of the Group and the management is entrusted with duties to analyze, identify, monitor, evaluate and respond to risks associated with the business activities and operations of the Group. The management will evaluate risk levels acceptable for the Company, set up contingency plans and formulate contingency plans to minimize impact of unpredictable events and report its findings to the Audit Committee and the Board. The Audit Committee and the Board ultimately determine the nature and extent of significant risk that the Company is willing to take in achieving its business objectives and direct the Group's risk management strategies.

The Internal Audit Department is tasked with performing internal control functions of the Company and plays an important role in monitoring the internal governance of the Company. The Internal Audit Department reports directly to the Chairman and has direct access to the Audit Committee. On a regular basis, the Internal Audit Department conducts audits on major activities and processes of the Group's business and support units. It also conducts special reviews or investigations of areas of concern identified by the management or the Audit Committee. All audit reports are communicated to the Audit Committee, Directors and key senior management. Audit issues are tracked and followed up for proper implementation, and the progress of implementation is reported regularly.

The Board is responsible for managing and, through the Audit Committee, reviewing the effectiveness of the risk management and internal control system of the Group for the year ended 31 December 2022, which covered controls over financial reporting, operations and compliance, as well as risk management. The Board considered that the system of internal controls in operation in the Group have been in place and functioning effectively.

Assisted by the Audit Committee, the Board assessed the effectiveness of the risk management and internal control systems of the Group by reviewing the investigation results of management report and internal audits, and considered that the risk management and internal control systems of the Company for the year ended 31 December 2022 were effective and adequate in all material respects.

E. Directors' Responsibilities in Respect of the Financial Statements

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2022. The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other disclosures required under the Listing Rules and other regulatory requirements. The senior management has provided to the Board necessary explanation and information to enable the Board to make an informed assessment of the financial information and position of the Company, which are put forward to the Board for approval. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. The statement of the Auditor about their reporting responsibilities on the Company's consolidated financial statements for the year ended 31 December 2022 is set out in the section headed "Independent Auditor's Report" in this annual report.

F. Auditor's Remuneration

The Group's independent external auditor is Deloitte Touche Tohmatsu. The Audit Committee is responsible for the appointment of the external auditors and reviewing the non-audit functions performed by the external auditors for the Group. In particular, the Audit Committee will, prior to the execution of contract with the external auditors and the commencement of their duties, consider whether the non-audit functions will result in any potential material conflict of interest. The related remuneration for the audit services and non-audit services provided by Deloitte Touche Tohmatsu to the Group for the year ended 31 December 2022 amounted to RMB3,609,000 and RMB780,394, respectively. The non-audit services provided by the Auditor mainly include professional services on tax advisory and interim review of financial statement.

According to the recommendation of the Audit Committee, the Board will submit a resolution at the forthcoming annual general meeting to reappoint Deloitte Touche Tohmatsu as the Company's auditor.

G. Joint Company Secretaries

Mr. Wang Guisheng, the joint company secretary of the Company, is responsible for advising the Board on corporate governance matters and ensuring that the Board policies and procedures as well as the applicable laws, regulations and rules are being followed. Ms. Cheng Choi Ha of Tricor Services Limited, an external service provider, has been engaged by the Company as the other joint company secretary to assist to perform the duties of the joint company secretary of the Company. The primary contact person of the Company is Mr. Wang Guisheng, an executive Director. Mr. Wang Guisheng and Ms. Cheng Choi Ha have taken the required number of hours of relevant professional trainings.

H. Communications with Shareholders and Investors

The Board believes that effective communication with shareholders is of great importance in enhancing investor relation. The annual report and interim report offer comprehensive operation and financial performance information to shareholders while the annual general meeting provides a forum for shareholders to express their opinions directly to the Board. The Board welcomes comments from shareholders and encourages them to attend general meetings to raise concerns with the Board or management directly. The Board members and appropriate senior management personnel of the Company will respond issues raised by shareholders at the meeting. To safeguard shareholders' interests and rights, a separate resolution will be proposed for each issue at general meetings. For the year ended 31 December 2022, the Company has held one annual general meeting on 27 May 2022 and one extraordinary general meeting on 15 December 2022.

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

Shareholders and investors can send written inquiries or requests to the attention of the Board and put forward a resolution at the general meeting in the following ways:

Address: Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
Email: IR@smooreholdings.com

The Company has formulated communication policy for shareholders aimed at promoting continuously effective communication between the Company and shareholders so as to make them informed when exercise their rights. The Company will review the shareholder communication policy on a regular basis to ensure its effectiveness. During the Review Period, the Board has reviewed the implementation and effectiveness of the communication policy for shareholders and was satisfied with the results.

I. Constitutional Documents

The Company adopted amended and restated memorandum and articles of association on 15 June 2020 with effect from the Listing Date (i.e. 10 July 2020). There was no significant change in the constitutional documents of the Company for the year ended 31 December 2022.

J. Shareholder's Rights

Procedures on Convening an Extraordinary General Meeting and Putting Forward Proposals at General Meetings

According to Article 58 of the Articles of Association, any one or more Members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If the Board fails to take any action to convene such meeting within twenty-one days of such deposit, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the Directors' failure to convene such meeting shall be reimbursed to the requisitionist(s) by the Company.

The Board of the Company is pleased to present the Directors' report for the year ended 31 December 2022 to the Shareholders.

Principal Business

The Group is a global leader in offering atomization technology solutions. During the Review Period, through our innovative and pioneering atomization technology solutions, we mainly operated three business segments: (1) research, design and manufacturing of closed system vaping devices, vaping components, heat-not-burn devices and components and vaping products for special purpose for a number of global leading tobacco companies, independent vaping and other corporate clients, and (2) research, design, manufacturing and sale of open system vaping devices, or APV, for retail clients; and (3) new businesses such as atomization in medical treatment to provide patients with inhalation drug delivery products in relation to respiratory diseases based on atomization technology. Particulars of the principal activities of the Company's subsidiaries are set out in Note 35 to the consolidated financial statements of the Group.

Business Review

A business review of the Group for the year ended 31 December 2022 and its future development are set out in the Chairman's Statement and Management Discussion and Analysis of this annual report.

Major Customers and Suppliers

For the year ended 31 December 2022, the Group's sales to its top five customers accounted for approximately 69.2 % of its total sales (2021: approximately 75.5%), with the largest customer accounted for approximately 42.4% (2021: approximately 34.3%). The Group's procurement amount from its top five suppliers accounted for approximately 25.5% of its total procurement amount (2021: approximately 28.3%), with the largest supplier accounted for approximately 10.3% (2021: approximately 10.9%). The Group aims to maintain long-term cooperative relationship with reputable customers and suppliers.

Dr. Liu Jincheng, the Company's former non-executive Director, is the chairman of the board, the legal representative and the controlling shareholder of EVE Energy Co., Ltd, while Ms. Jiang Min, the Company's non-executive Director, is a director, secretary of the board, vice president and CFO of EVE Energy Co., Ltd, which is one of our top five suppliers for the year ended 31 December 2022 and is also a substantial shareholder of the Company. Except for Dr. Liu Jincheng and Ms. Jiang Min, none of the Directors, or any of their close associates (as defined under the Listing Rules), or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital), had any interest in any of the five largest customers or suppliers of the Group for the year ended 31 December 2022.

Financial Highlights

A summary of the Group's key financial information for the five years is set out on page 4 of this annual report.

Bank Loans and Borrowings

For the year ended 31 December 2022, the Group has no bank or other financial institutions borrowings except for the banking facilities secured by the Group of RMB4,460.0 million, of which approximately RMB10.4 million had been used for the issuance of letter of credit, approximately RMB29.7 million had been used for the issuance of bank acceptance bill and approximately RMB1.0 million had been used for trade financing.

Reserves

As of 31 December 2022, the Company's distributable reserves amounted to RMB7,910.6 million. Changes in the Company's reserves for the year ended 31 December 2022 are set out in Note 34 to the consolidated financial statements.

Donations

For the year ended 31 December 2022, the Group made charitable donations of approximately RMB8.6 million (2021: RMB11.3 million).

Property, Plant and Equipment

For the year ended 31 December 2022, details of the changes in the Group's property, plant and equipment are set out in Note 13 to the consolidated financial statements.

Share Capital and Shares in Issue

For the year ended 31 December 2022, details of the changes in the Company's share capital and details of the shares in issue are set out in Note 26 to the consolidated financial statements.

Equity-linked Arrangements

Save for the share schemes of the Company disclosed in the section headed "Share Scheme" below, no equity-linked agreement was entered into by the Company during the year ended 31 December 2022 or subsisted as at 31 December 2022.

Final Dividend

The Board recommends the payment of a final dividend of HK8 cents per ordinary share for the year ended 31 December 2022 to shareholders which shall be subject to approval by shareholders at the forthcoming annual general meeting (the "**AGM**"). It is expected that the dividend will be paid on or around 16 June 2023.

The Company has adopted a dividend policy regarding to the payment of dividends, which is subject to the financial conditions of the Company and the Group and the conditions and factors as set out in the dividend policy. Dividends may be proposed to declare by the Board during a review period and any final dividend for a review period will be subject to the Shareholders' approval.

Annual General Meeting

The AGM of the Company will be held on 25 May 2023, notice of which will be published and despatched to the shareholders as soon as practicable in accordance with the requirements of the Company's Articles of Association and Listing Rules.

Closure of Register of Members

The Register of Members of the Company will be closed from 22 May 2023 to 25 May 2023, both dates inclusive, during which period no transfer of shares will be registered. In order to determine the Shareholders who are entitled to attend and vote at the AGM, all transfers of shares accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on 19 May 2023.

The Register of Members of the Company will be closed from 1 June 2023 to 5 June 2023, both dates inclusive, during such period no transfer of shares will be registered. In order to determine the Shareholders who are entitled to the said final dividend which will be resolved and voted at the AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on 31 May 2023.

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

During the year ended 31 December 2022, the Company repurchased a total of 18,820,000 shares of the Company on the Stock Exchange at an aggregate consideration of HK$298,771,320 (before brokerage and expenses). All the repurchased shares were cancelled. For details of the Share Repurchase Plan, please refer to the Company's announcement dated 14 March 2022.

The Board considers that the trading price of the Shares does not fully reflect their intrinsic value and business prospects of the Group. The Board believes that the financial resources of the Company enable it to implement the Share Repurchase Plan, and that the Share Repurchase Plan will enhance earnings per Share and overall Shareholders return. The Share Repurchase Plan also reflects the confidence of the Board and the management team in the long-term strategy and growth of the Group. The Board considers that the Share Repurchase Plan is in the best interest of the Company and the Shareholders as a whole. The specific details of the repurchase are as follows:

Repurchase date	Number of shares	Average (HKD)	Highest (HKD)	Lowest (HKD)
7/4/2022	2,913,000	17.12	17.48	16.72
8/4/2022	2,902,000	17.19	17.36	17.04
11/4/2022	3,022,000	16.50	16.62	16.22
12/4/2022	3,051,000	16.35	16.88	15.70
Total in April 2022	11,888,000			
26/8/2022	3,332,000	14.96	15.00	14.84
29/8/2022	3,600,000	13.73	13.86	13.66
Total in August 2022	6,932,000			
Total	**18,820,000**			

Purchase of the Company's Shares by the Directors

On 5 September 2022 and 6 September 2022, Mr. Chen Zhiping purchased 4,090,000 shares and 3,840,000 shares of the Company, respectively, an aggregate of 7,930,000 shares, through SMR & Alon Limited at a total consideration of HK$99,791,400 (before brokerage and expenses).

On 5 September 2022 and 6 September 2022, Mr. Xiong Shaoming purchased 5,499,000 shares and 2,500,000 shares of the Company, respectively, an aggregate of 7,999,000 shares, through Andy Xiong Holding Limited at a total consideration of HK$101,618,620 (before brokerage and expenses).

The Board considers that the abovementioned share purchase reflects the confidence of Mr. Chen and Mr. Xiong in the future prospect and long-term value of the Group.

Share Schemes

The number of shares may be issued regarding the share options and award shares granted during 2022 under all share schemes of the Company as a percentage of the weighted average number of issued shares for relevant classes for this year is approximately 1.18%.

A. Share Option Schemes

(1) Pre-IPO Share Option Scheme

The Company approved and adopted the pre-IPO share option scheme pursuant to a written resolution passed by the shareholders on 30 September 2019 (the "**Pre-IPO Share Option Scheme**"). The terms of Pre-IPO Share Option Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as our Pre-IPO Share Option Scheme will not involve the grant of options to subscribe for Shares after listing. No further option could be granted under Pre-IPO Share Option Scheme.

Summary of major terms of the Pre-IPO Share Option Scheme are as follows:

(i) Purposes of Pre-IPO Share Option Scheme

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.

(ii) Participants of Pre-IPO Share Option Scheme

Eligible participant of the Pre-IPO Share Option Scheme included employees (whether full time or part-time) or directors of members of the Group as the Board may at its absolute discretion select.

(iii) Maximum Number of Shares

The Company had granted options for a total of 319,032,000 shares to eligible participants under the Pre-IPO Share Option Scheme on 30 September 2019 and 1 May 2020. No further option will be granted under the pre-IPO Share Option Scheme. The total number of shares that may be issued under the Pre-IPO Share Option Scheme is 319,032,000 shares, representing approximately 5.25% of the total number of shares in issue as at the date of this annual report, being 6,078,661,720 shares.

(iv) Limit for Each Participant

Under the Pre-IPO Share Option Scheme, there is no specific limit on the maximum number of share options which may be granted to a single eligible participant.

(v) Option Period

The option period shall be determined by the Board and shall not exceed ten years from the offer date of the option. Any option which remains unexercised shall lapse upon the expiry of the option period. Vesting period is generally the waiting period commences from the date of grant and ends on vesting date. Eligible participants may exercise the options within the option period commencing from the vesting date.

An option shall be subject to such terms and conditions (if any) as may be determined by the Board and specified in the offer of the option, including any vesting schedule and/or conditions, any minimum period for which any option must be held before it can be exercised and/or any performance target which need to be achieved by an option-holder before the option can be exercised.

(vi) Payment on Acceptance of Offer and Exercise Price

Each grantee is required to pay HK$1 as consideration for the acceptance of the grant of the options under the Pre-IPO Share Option Scheme upon acceptance of offer. Such consideration is not refundable, nor shall it be deemed as a part of the exercise price of the options. The exercise price in respect of each option granted under the Pre-IPO Share Option Scheme is RMB0.38.

(vii) Remaining Life of the Pre-IPO Share Option Scheme

The Pre-IPO Share Option Scheme shall be valid and effective for a period from the date of adoption (i.e. 30 September 2019) to the Listing Date (i.e. 10 July 2020), after which period no further options will be granted but the provisions of the Pre-IPO Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto.

(viii) Table of the Movements

For more information on the Pre-IPO Share Option Scheme, please refer to "Other 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 for the year ended 31 December 2022 are as follows:

Grantee	Date of grant	Number of options	Vesting period	Exercisable period	Closing price immediately before the date of grant (HKD)	Exercise price (RMB)	Fair value as at the date of grant (RMB)	Weighted average closing price immediately before the exercise date (HKD)	Number of options at 2022/01/01	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	Number of options at 2022/12/31
Chen Zhiping	2020/05/01	16,000,000	2020/05/01–2020/10/09	2020/10/10–2030/04/30	NA	0.38	2.04	16.34	16,000,000	–	16,000,000	–	–
(Director)		16,000,000	2020/05/01–2021/07/09	2021/07/10–2030/04/30	NA	0.38	2.10	16.34	16,000,000	–	16,000,000	–	–
		16,000,000	2020/05/01–2022/07/09	2022/07/10–2030/04/30	NA	0.38	2.11	16.34	16,000,000	–	16,000,000	–	–
		16,000,000	2020/05/01–2023/07/09	2023/07/10–2030/04/30	NA	0.38	2.08		16,000,000	–	–	–	16,000,000
		12,073,000	2020/05/01–2024/07/09	2024/07/10–2030/04/30	NA	0.38	2.08		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	NA	0.38	2.42		–	–	–	–	–
(Director)		1,800,000	2019/09/30–2021/07/09	2021/07/10–2029/09/29	NA	0.38	2.40		–	–	–	–	–
		1,800,000	2019/09/30–2022/07/09	2022/07/10–2029/09/29	NA	0.38	2.37	16.34	1,800,000	–	18,000,000	–	–
		2,400,000	2019/09/30–2023/07/09	2023/07/10–2029/09/29	NA	0.38	2.34		2,400,000	–	–	–	2,400,000
Wang Xin	2019/09/30	1,428,000	2019/09/30–2020/10/09	2020/10/10–2029/09/29	NA	0.38	2.42		–	–	–	–	–
(Director)		428,000	2019/09/30–2021/07/09	2021/07/10–2029/09/29	NA	0.38	2.40		–	–	–	–	–
		428,000	2019/09/30–2022/07/09	2022/07/10–2029/09/29	NA	0.38	2.37	13.74	428,000	–	428,000	–	–
		572,000	2019/09/30–2023/07/09	2023/07/10–2029/09/29	NA	0.38	2.34		572,000	–	–	–	572,000
Bu Zhiqiang	2019/09/30	544,000	2019/09/30–2020/10/09	2020/10/10–2029/09/29	NA	0.38	2.42		–	–	–	–	–
(Associate of		163,000	2019/09/30–2021/07/09	2021/07/10–2029/09/29	NA	0.38	2.40		–	–	–	–	–
director)		163,000	2019/09/30–2022/07/09	2022/07/10–2029/09/29	NA	0.38	2.37	11.94	163,000	–	163,000	–	–
		218,000	2019/09/30–2023/07/09	2023/07/10–2029/09/29	NA	0.38	2.34		218,000	–	–	–	218,000
Bu Weiqiang	2019/09/30	290,000	2019/09/30–2020/10/09	2020/10/10–2029/09/29	NA	0.38	2.42		–	–	–	–	–
(Associate of		48,000	2019/09/30–2021/07/09	2021/07/10–2029/09/29	NA	0.38	2.40		48,000	–	–	–	48,000
director)		48,000	2019/09/30–2022/07/09	2022/07/10–2029/09/29	NA	0.38	2.37	16.98	48,000	–	48,000	–	–
		48,000	2019/09/30–2023/07/09	2023/07/10–2029/09/29	NA	0.38	2.34		48,000	–	–	–	48,000
		47,000	2019/09/30–2024/07/09	2024/07/10–2029/09/29	NA	0.38	2.31		47,000	–	–	–	47,000
Li Xiaoping	2019/09/30	1,192,000	2019/09/30–2020/10/09	2020/10/10–2029/09/29	NA	0.38	2.42		–	–	–	–	–
(Associate of		358,000	2019/09/30–2021/07/09	2021/07/10–2029/09/29	NA	0.38	2.40		–	–	–	–	–
director)		358,000	2019/09/30–2022/07/09	2022/07/10–2029/09/29	NA	0.38	2.37		358,000	–	–	–	358,000
		476,000	2019/09/30–2023/07/09	2023/07/10–2029/09/29	NA	0.38	2.34		476,000	–	–	–	476,000
	2020/05/01	10,000	2020/05/01–2021/07/09	2021/07/10–2030/04/30	NA	0.38	2.10		–	–	–	–	–
		40,000	2020/05/01–2022/07/09	2022/07/10–2030/04/30	NA	0.38	2.11		40,000	–	–	–	40,000
		25,000	2020/05/01–2023/07/09	2023/07/10–2030/04/30	NA	0.38	2.08		25,000	–	–	–	25,000
		25,000	2020/05/01–2024/07/09	2024/07/10–2030/04/30	NA	0.38	2.08		25,000	–	–	–	25,000
Yuan Xiang	2019/09/30	52,000	2019/09/30–2020/10/09	2020/10/10–2029/09/29	NA	0.38	2.42		–	–	–	–	–
(Associate of		31,000	2019/09/30–2021/07/09	2021/07/10–2029/09/29	NA	0.38	2.40		–	–	–	–	–
director)		31,000	2019/09/30–2022/07/09	2022/07/10–2029/09/29	NA	0.38	2.37	16.98	31,000	–	31,000	–	–
		31,000	2019/09/30–2023/07/09	2023/07/10–2029/09/29	NA	0.38	2.34		31,000	–	–	–	31,000
		32,000	2019/09/30–2024/07/09	2024/07/10–2029/09/29	NA	0.38	2.31		32,000	–	–	–	32,000

Grantee	Date of grant	Number of options	Vesting period	Exercisable period	Closing price immediately before the date of grant (HKD)	Exercise price (RMB)	Fair value as at the date of grant (RMB)	Weighted average closing price immediately before the exercise date (HKD)	Number of options at 2022/01/01	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	Number of options at 2022/12/31
Xiong Fei	2019/09/30	81,000	2019/09/30–2020/10/09	2020/10/10–2029/09/29	NA	0.38	2.42		–	–	–	–	–
(Associate of		24,000	2019/09/30–2021/07/09	2021/07/10–2029/09/29	NA	0.38	2.40		–	–	–	–	–
director)		24,000	2019/09/30–2022/07/09	2022/07/10–2029/09/29	NA	0.38	2.37	16.98	24,000	–	24,000	–	–
		33,000	2019/09/30–2023/07/09	2023/07/10–2029/09/29	NA	0.38	2.34		33,000	–	–	–	33,000
Other	2019/09/30	73,219,000	2019/09/30–2020/10/09	2020/10/10–2029/09/29	NA	0.38	2.42		239,000	–	95,000	–	144,000
employees		32,987,000	2019/09/30–2021/07/09	2021/07/10–2029/09/29	NA	0.38	2.40	33.04	3,842,500	–	304,500	18,000	3,520,000
(not Director)		35,725,000	2019/09/30–2022/07/09	2022/07/10–2029/09/29	NA	0.38	2.37	16.24	35,045,000	–	24,829,000	364,000	9,852,000
		31,152,000	2019/09/30–2023/07/09	2023/07/10–2029/09/29	NA	0.38	2.34		30,589,000	–	–	472,000	30,117,000
		10,688,000	2019/09/30–2024/07/09	2024/07/10–2029/09/29	NA	0.38	2.31		10,138,000	–	–	447,000	9,691,000
	2020/05/01	37,000	2020/05/01–2020/10/09	2020/10/10–2030/04/30	NA	0.38	2.04		–	–	–	–	–
		7,407,500	2020/05/01–2021/07/09	2021/07/10–2030/04/30	NA	0.38	2.10	16.98	201,000	–	142,000	–	59,000
		13,672,500	2020/05/01–2022/07/09	2022/07/10–2030/04/30	NA	0.38	2.11	16.92	11,858,000	–	10,898,000	366,500	593,500
		9,565,500	2020/05/01–2023/07/09	2023/07/10–2030/04/30	NA	0.38	2.08		8,398,000	–	–	459,000	7,939,000
		9,257,500	2020/05/01–2024/07/09	2024/07/10–2030/04/30	NA	0.38	2.08		8,097,000	–	–	422,000	7,675,000
Total									191,327,500	–	86,762,500	2,548,500	102,016,500

(2) Post-IPO Share Option Scheme

The post-IPO share option scheme was conditionally approved and adopted by our Shareholders on 15 June 2020 (the "**Post-IPO Share Option Scheme**"). The terms of Post-IPO Share Option Scheme are subject to the provisions of Chapter 17 of the Listing Rules. The number of options that may be granted under the Post-IPO Share Option Scheme as at the beginning of 2022 is 217,241,272 options, while the number of options that may be granted under the Post-IPO Share Option Scheme as at the end of 2022 is 160,063,272 options.

Summary of major terms of the Post-IPO Share Option Scheme are as follows:

(i) Purpose of the Post-IPO Share Option Scheme

The purpose of the Post-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.

(ii) Participants of Post-IPO Share Option Scheme

Participants of the Post-IPO Share Option Scheme included employees or directors of members of the Group or associated companies of the Company.

(iii) Maximum Number of Shares

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other share option schemes must not in aggregate exceed 10% of the total number of Shares in issue of the Company as of the Listing Date, being 574,351,272 Shares, or such higher limit as the Stock Exchange may allow pursuant to a waiver granted at the Stock Exchange's discretion (the "**Scheme Mandate Limit**"). Options lapsed in accordance with the terms of the Post-IPO Share Option Scheme and any other share option schemes of the Company will not be counted for the purpose of calculating the Scheme Mandate Limit. The Scheme Mandate Limit may be refreshed with the approval of the Shareholders in general meeting. At any time, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and not yet exercised under the Post-IPO Share Option Scheme and any other share option schemes of the Company to the eligible persons must not exceed 30% of the total number of Shares in issue from time to time. The total number of shares that may be issued under the Post-IPO Share Option Scheme is 255,319,272 shares, representing approximately 4.20% of the total number of shares in issue as at the date of this annual report, which was 6,078,661,720 shares.

(iv) Limit for Each Participant

The total number of Shares issued and to be issued upon exercise of all options granted under the Post-IPO Share Option Scheme and any other share option schemes of the Company to each participant (including options exercised, cancelled and outstanding) in any 12-month period shall not exceed 1% of the total number of shares in issue. Where shares issued and to be issued upon exercise of all options already granted and to be granted under the Post-IPO Share Option Scheme and any other share option schemes of the Company (including options exercised, cancelled and outstanding) to a participant who is a substantial Shareholder or an independent non-executive Director, or any of his or her associate in the 12-month period up to and including the date of grant, (1) represent in aggregate more than 0.1% of the total number of shares in issue; and (2) have an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK$5,000,000, the proposed grant of option must be approved by the Shareholders by poll at general meeting.

(v) Option Period

The option period shall be determined by the Board and shall not exceed ten years from the offer date of the option. Any option which remains unexercised shall lapse upon the expiry of the option period. Vesting period is generally the waiting period commences from the date of grant and ends on vesting date. Eligible participants may exercise the options within the option period commencing from the vesting date.

An option shall be subject to such terms and conditions (if any) as may be determined by the Board and specified in the offer of the option, including any vesting schedule and/or conditions, any minimum period for which any option must be held before it can be exercised and/or any performance target which need to be achieved by an option-holder before the option can be exercised.

(vi) Payment on Acceptance of Offer and Exercise Price

Under the Post-IPO Share Option Scheme, each grantee is required to pay HK$1 as consideration for the acceptance of the grant of the options under the Post-IPO Share Option Scheme within such period (not exceeding 30 days inclusive of, and from, the date of offer) as the Board may determine and notify to the grantee concerned.

The basis for determining the exercise price of an option to subscribe for shares granted pursuant to the Post-IPO Share Option Scheme is that such exercise price shall not be less than the highest of:

- the closing price of the shares on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on the date of offer of the option;
- the average closing price of the shares on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of offer of the option; and
- the nominal value of the shares.

(vii) Remaining Life of the Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme shall be valid and effective for a period of ten years commencing on the Listing Date (i.e. 10 July 2020), after which period no further options will be granted but the provisions of the Post-IPO Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto which are at that time or become thereafter capable of exercise under the Post-IPO Share Option Scheme, or otherwise to the extent as may be required in accordance with the provisions of the Post-IPO Share Option Scheme.

(viii) Details of the Movements

For the year ended 31 December 2022, the Company has granted 3,830,000, 11,975,000, 2,518,000, 2,060,000 and 1,930,000 share options to eligible participants under the Post-IPO Share Option Scheme on 4 January 2022, 19 May 2022, 21 July 2022, 10 November 2022 and 28 December 2022 respectively, for a total of 22,313,000 share options.

For the share options granted by the Company under the Post-IPO Share Option Scheme on 1 April 2021, 9 July 2021, 30 September 2021 and 4 January 2022, there were 39,001,000 outstanding share options as of 9 November 2022 (the "**Outstanding Share Options**"). The board of directors of the Company is of the view that the Outstanding Share Options will not be able to achieve the purpose of providing the existing grantees with incentives and rewards for their contribution to the Group in the short run. As such, the board of directors has resolved to cancel such Outstanding Share Options pursuant to the Post-IPO Share Option Scheme and to grant the existing grantees with the same number of new share options. On 9 November 2022, the Company granted a total of 39,001,000 share options to eligible participants under the Post-IPO Share Option Scheme.

(ix) Table of the Movements

For more information of the Post-IPO Share Option Scheme, please refer to "Other Information — Share Option Schemes — Post-IPO Share Option Scheme" in the Prospectus.

Details of the movement of the Post-IPO Share Option Scheme as of 31 December 2022 are as follows:

Grantee	Date of grant	Number of options	Vesting period	Exercisable period	Closing price immediately before the date of grant (HKD)	Exercise price (HKD)	Fair value as at the date of grant (HKD)	Weighted average closing price immediately before the exercise date (HKD)	Number of options at 2022/01/01	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Number of options at 2022/12/31
Wang Guisheng	2021/04/01	44,333	2021/04/01–2022/03/31	2022/04/01–2031/03/31	47.30	51.05	10.15	NA	44,333	–	–	44,333	–	–
(Director)		44,333	2021/04/01–2023/03/31	2023/04/01–2031/03/31	47.30	51.05	11.36	NA	44,333	–	–	44,333	–	–
		44,334	2021/04/01–2024/03/31	2024/04/01–2031/03/31	47.30	51.05	12.40	NA	44,334	–	–	44,334	–	–
	2022/11/09	66,500	2022/11/09–2023/05/08	2023/05/09–2032/11/08	11.78	11.11	2.77	NA	–	66,500	–	–	–	66,500
		66,500	2022/11/09–2024/03/31	2024/04/01–2032/11/08	11.78	11.11	3.19	NA	–	66,500	–	–	–	66,500
Xiong Shaoming	2021/04/01	78,000	2021/04/01–2022/03/31	2022/04/01–2031/03/31	47.30	51.05	10.15	NA	78,000	–	–	78,000	–	–
(Director)		78,000	2021/04/01–2023/03/31	2023/04/01–2031/03/31	47.30	51.05	11.36	NA	78,000	–	–	78,000	–	–
		78,000	2021/04/01–2024/03/31	2024/04/01–2031/03/31	47.30	51.05	12.40	NA	78,000	–	–	78,000	–	–
	2022/11/09	117,000	2022/11/09–2023/05/08	2023/05/09–2032/11/08	11.78	11.11	2.77	NA	–	117,000	–	–	–	117,000
		117,000	2022/11/09–2024/03/31	2024/04/01–2032/11/08	11.78	11.11	3.19	NA	–	117,000	–	–	–	117,000
Wang Xin	2021/04/01	5,000	2021/04/01–2022/03/31	2022/04/01–2031/03/31	47.30	51.05	10.15	NA	5,000	–	–	5,000	–	–
(Director)		5,000	2021/04/01–2023/03/31	2023/04/01–2031/03/31	47.30	51.05	11.36	NA	5,000	–	–	5,000	–	–
		5,000	2021/04/01–2024/03/31	2024/04/01–2031/03/31	47.30	51.05	12.40	NA	5,000	–	–	5,000	–	–
	2022/11/09	7,500	2022/11/09–2023/05/08	2023/05/09–2032/11/08	11.78	11.11	2.77	NA	–	7,500	–	–	–	7,500
		7,500	2022/11/09–2024/03/31	2024/04/01–2032/11/08	11.78	11.11	3.19	NA	–	7,500	–	–	–	7,500
Li Xiaoping	2021/04/01	21,667	2021/04/01–2022/03/31	2022/04/01–2031/03/31	47.30	51.05	10.15	NA	21,667	–	–	21,667	–	–
(Associate of		21,667	2021/04/01–2023/03/31	2023/04/01–2031/03/31	47.30	51.05	11.36	NA	21,667	–	–	21,667	–	–
director)		21,666	2021/04/01–2024/03/31	2024/04/01–2031/03/31	47.30	51.05	12.40	NA	21,666	–	–	21,666	–	–
	2022/11/09	32,500	2022/11/09–2023/05/08	2023/05/09–2032/11/08	11.78	11.11	2.77	NA	–	32,500	–	–	–	32,500
		32,500	2022/11/09–2024/03/31	2024/04/01–2032/11/08	11.78	11.11	3.19	NA	–	32,500	–	–	–	32,500
Bu Zhiqiang	2021/04/01	10,333	2021/04/01–2022/03/31	2022/04/01–2031/03/31	47.30	51.05	10.15	NA	10,333	–	–	10,333	–	–
(Associate of		10,333	2021/04/01–2023/03/31	2023/04/01–2031/03/31	47.30	51.05	11.36	NA	10,333	–	–	10,333	–	–
director)		10,334	2021/04/01–2024/03/31	2024/04/01–2031/03/31	47.30	51.05	12.40	NA	10,334	–	–	10,334	–	–
	2022/11/09	15,500	2022/11/09–2023/05/08	2023/05/09–2032/11/08	11.78	11.11	2.77	NA	–	15,500	–	–	–	15,500
		15,500	2022/11/09–2024/03/31	2024/04/01–2032/11/08	11.78	11.11	3.19	NA	–	15,500	–	–	–	15,500
Other employees	2021/04/01	6,913,335	2021/04/01–2022/03/31	2022/04/01–2031/03/31	47.30	51.05	10.15	NA	6,615,668	–	–	6,358,834	256,834	–
(not Directors)		6,913,335	2021/04/01–2023/03/31	2023/04/01–2031/03/31	47.30	51.05	11.36	NA	6,615,668	–	–	6,358,834	256,834	–
		6,913,330	2021/04/01–2024/03/31	2024/04/01–2031/03/31	47.30	51.05	12.40	NA	6,615,664	–	–	6,358,832	256,832	–
		5,170,000	2021/04/01–2025/03/31	2025/04/01–2031/03/31	47.30	51.05	13.27	NA	4,875,000	–	–	4,667,500	207,500	–
	2021/07/09	921,000	2021/07/09–2022/07/08	2022/07/09–2031/07/08	42.95	42.08	12.05	NA	821,000	–	–	686,000	135,000	–
		921,000	2021/07/09–2023/07/08	2023/07/09–2031/07/08	42.95	42.08	14.22	NA	821,000	–	–	686,000	135,000	–
		921,000	2021/07/09–2024/07/08	2024/07/09–2031/07/08	42.95	42.08	16.04	NA	821,000	–	–	686,000	135,000	–
		907,000	2021/07/09–2025/07/08	2025/07/09–2031/07/08	42.95	42.08	17.47	NA	807,000	–	–	672,000	135,000	–
	2021/09/30	2,495,750	2021/09/30–2022/09/29	2022/09/30–2031/09/29	35.50	36.30	10.66	NA	2,464,500	–	–	2,247,250	217,250	–
		2,495,750	2021/09/30–2023/09/29	2023/09/30–2031/09/29	35.50	36.30	12.56	NA	2,464,500	–	–	2,247,250	217,250	–
		2,495,750	2021/09/30–2024/09/29	2024/09/30–2031/09/29	35.50	36.30	14.17	NA	2,464,500	–	–	2,247,250	217,250	–
		2,245,750	2021/09/30–2025/09/29	2025/09/30–2031/09/29	35.50	36.30	15.43	NA	2,214,500	–	–	1,997,250	217,250	–
	2022/01/04	957,500	2022/01/04–2023/01/03	2023/01/04–2032/01/03	37.10	38.43	8.90	NA	–	957,500	–	827,500	130,000	–
		957,500	2022/01/04–2024/01/03	2024/01/04–2032/01/03	37.10	38.43	10.25	NA	–	957,500	–	827,500	130,000	–
		957,500	2022/01/04–2025/01/03	2025/01/04–2032/01/03	37.10	38.43	11.48	NA	–	957,500	–	827,500	130,000	–
		957,500	2022/01/04–2026/01/03	2026/01/04–2032/01/03	37.10	38.43	12.49	NA	–	957,500	–	827,500	130,000	–

Grantee	Date of grant	Number of options	Vesting period	Exercisable period	Closing price immediately before the date of grant (HKD)	Exercise price (HKD)	Fair value as at the date of grant (HKD)	Weighted average closing price immediately before the exercise date (HKD)	Number of options at 2022/01/01	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Number of options at 2022/12/31
	2022/05/19	2,447,000	2022/05/19–2023/05/18	2023/05/19–2032/05/18	17.46	16.88	4.56	NA	–	2,447,000	–	–	146,000	2,301,000
		2,993,750	2022/05/19–2024/05/18	2024/05/19–2032/05/18	17.46	16.88	5.19	NA	–	2,993,750	–	–	146,000	2,847,750
		2,993,750	2022/05/19–2025/05/18	2025/05/19–2032/05/18	17.46	16.88	5.67	NA	–	2,993,750	–	–	146,000	2,847,750
		2,993,750	2022/05/19–2026/05/18	2026/05/19–2032/05/18	17.46	16.88	6.04	NA	–	2,993,750	–	–	146,000	2,847,750
		546,750	2022/05/19–2027/05/18	2027/05/19–2032/05/18	17.46	16.88	6.33	NA	–	546,750	–	–	–	546,750
	2022/07/21	629,500	2022/07/21–2023/07/20	2023/07/21–2032/07/20	20.60	20.80	5.51	NA	–	629,500	–	–	65,000	564,500
		629,500	2022/07/21–2024/07/20	2024/07/21–2032/07/20	20.60	20.80	6.32	NA	–	629,500	–	–	65,000	564,500
		629,500	2022/07/21–2025/07/20	2025/07/21–2032/07/20	20.60	20.80	6.94	NA	–	629,500	–	–	65,000	564,500
		629,500	2022/07/21–2026/07/20	2026/07/21–2032/07/20	20.60	20.80	7.44	NA	–	629,500	–	–	65,000	564,500
	2022/11/09	8,760,200	2022/11/09–2023/05/08	2023/05/09–2032/11/08	11.78	11.11	2.77	NA	–	8,760,200	–	–	42,800	8,717,400
		8,760,200	2022/11/09–2024/03/31	2024/04/01–2032/11/08	11.78	11.11	3.19	NA	–	8,760,200	–	–	42,800	8,717,400
		6,223,600	2022/11/09–2025/03/31	2025/04/01–2032/11/08	11.78	11.11	3.56	NA	–	6,223,600	–	–	33,400	6,190,200
		910,000	2022/11/09–2023/07/08	2023/07/09–2032/11/08	11.78	11.11	2.87	NA	–	910,000	–	–	–	910,000
		910,000	2022/11/09–2024/07/08	2024/07/09–2032/11/08	11.78	11.11	3.31	NA	–	910,000	–	–	–	910,000
		910,000	2022/11/09–2025/07/08	2025/07/09–2032/11/08	11.78	11.11	3.65	NA	–	910,000	–	–	–	910,000
		2,915,800	2022/11/09–2023/09/29	2023/09/30–2032/11/08	11.78	11.11	2.97	NA	–	2,915,800	–	–	2,000	2,913,800
		2,915,800	2022/11/09–2024/09/29	2024/09/30–2032/11/08	11.78	11.11	3.39	NA	–	2,915,800	–	–	2,000	2,913,800
		2,907,400	2022/11/09–2025/09/29	2025/09/30–2032/11/08	11.78	11.11	3.71	NA	–	2,907,400	–	–	2,000	2,905,400
		1,103,500	2022/11/09–2024/01/03	2024/01/04–2032/11/08	11.78	11.11	3.10	NA	–	1,103,500	–	–	26,700	1,076,800
		1,103,500	2022/11/09–2025/01/03	2025/01/04–2032/11/08	11.78	11.11	3.49	NA	–	1,103,500	–	–	26,700	1,076,800
		1,103,000	2022/11/09–2026/01/03	2026/01/04–2032/11/08	11.78	11.11	3.79	NA	–	1,103,000	–	–	26,600	1,076,400
	2022/11/10	515,000	2022/11/10–2023/11/09	2023/11/10–2032/11/09	11.02	11.20	2.81	NA	–	515,000	–	–	45,000	470,000
		515,000	2022/11/10–2024/11/09	2024/11/10–2032/11/09	11.02	11.20	3.22	NA	–	515,000	–	–	45,000	470,000
		515,000	2022/11/10–2025/11/09	2025/11/10–2032/11/09	11.02	11.20	3.52	NA	–	515,000	–	–	45,000	470,000
		515,000	2022/11/10–2026/11/09	2026/11/10–2032/11/09	11.02	11.20	3.75	NA	–	515,000	–	–	45,000	470,000
	2022/12/28	482,500	2022/12/28–2023/12/27	2023/12/28–2032/12/27	12.78	12.96	3.57	NA	–	482,500	–	–	–	482,500
		482,500	2022/12/28–2024/12/27	2024/12/28–2032/12/27	12.78	12.96	4.09	NA	–	482,500	–	–	–	482,500
		482,500	2022/12/28–2025/12/27	2025/12/28–2032/12/27	12.78	12.96	4.47	NA	–	482,500	–	–	–	482,500
		482,500	2022/12/28–2026/12/27	2026/12/28–2032/12/27	12.78	12.96	4.77	NA	–	482,500	–	–	–	482,500
Total									38,078,000	61,314,000	–	39,001,000	4,136,000	56,255,000

B. Share Award Scheme

The Company adopted a share award scheme (the "**Share Award Scheme**") on 2 September 2021. With effect from 1 January 2023, the Share Award Scheme is subject to the provisions of Chapter 17 of the Listing Rules. The number of Awarded Shares that may be granted under the Share Award Scheme as at the beginning of 2022 is 299,135,786 shares, while the number of Awarded Shares that may be granted under the Share Award Scheme as at the end of 2022 is 289,869,786 shares.

Summary of major terms of the Share Award Scheme are as follows:

(i) Purpose

The purpose and objective of the Share Award Scheme is to recognize and reward the contribution of certain Eligible Participants through the Awarded Shares to the growth and development of the Group and to provide incentives in order to retain them for continual operation and development of the Group; and to attract suitable personnel for further development of the Group.

(ii) Management

The Share Award Scheme shall be subject to the administration of the Board or Share Award Committee (person(s) from time to time delegated by the Board with the power and authority to administer the Share Award Scheme) ("**Committee**") whose decisions on all matters arising in relation to the Share Award Scheme or its interpretation or effect shall be final, conclusive and binding on all persons who may be affected thereby.

(iii) Eligible Participants

In accordance with the terms of the Share Award Scheme, the Eligible Participants include: (a) any employee (whether full time or part time, including any executive director but excluding any non-executive director) of the Company, any subsidiary or any invested entity (an "**Employee**"); (b) any non-executive director (including independent non-executive Directors) of the Company, any subsidiary or any invested entity; (c) any adviser (professional or otherwise), consultant to or expert in any area of business or business development of any member of the Group or any invested entity; and (d) any other groups or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group. And, for the purposes of the Share Award Scheme, the Award may be made to any company wholly owned by one or more of the above participants and to any trust of the settlor for one of the above participants.

With effect from 1 January 2023, the Eligible Participants only include those participants who are covered by Rule 17.03A of Chapter 17 of the Listing Rules.

(iv) Duration of the Scheme

The Share Award Scheme has a lifespan of ten years with effect from the date of adoption, which may be terminated earlier as determined by the Board, provided that such termination shall not affect any subsisting rights of any selected participant under the Share Award Scheme (the "**Selected Participant**").

(v) Awarded Shares

Subject to and in accordance with those rules of the Share Award Scheme, the Board or Committee shall have the right (but not the obligation) to award shares to any Eligible Participants (excluding any Excluded Participants) from the shares pool at any time during the duration of the Share Award Scheme (the "**Awarded Shares**").

(vi) Payment on Acceptance of Offer

No consideration is required to be paid by the grantees for the acceptance of offer.

(vii) Shares Pool

Upon the receipt of an Award Notice, the Trustee (as defined under the Share Award Scheme) shall set aside from the Shares Pool the Awarded Shares provisionally awarded to the Selected Participant to whom such Award Notice relates. The Trustee shall hold the Awarded Shares so set aside during the Vesting Period in accordance with the terms of the Trust Deed. The Shares Pool shall comprise (a) such Shares as may be purchased by the Trustee on the Stock Exchange or off-market by utilising funds allocated by the Board or Committee from the Company's resources, (b) such Shares as may be subscribed by the Trustee by utilising the funds allocated by the Board or Committee from the Company's resources, subject to the Company having obtained the requisite Shareholders' approval, the grant of listing of and permission to deal in such Shares by the Stock Exchange, and compliance with the applicable requirements under the Listing Rules, (c) such Shares as may be allotted or issued to the Trustee as a holder of Shares, whether by way of scrip dividend or otherwise, and (d) such Shares which remain unvested and revert to the Trustee due to the lapse of an Award.

(viii) Vesting

The waiting period generally commences from the date of grant and ends on the vesting date. The Trustee shall transfer to and vest in any Selected Participant the legal and beneficial ownership of the Awarded Shares to which such Selected Participant is entitled under the relevant Award as soon as practicable after the latest of: (a) the Earliest Vesting Date as specified in the Award Notice to which such Award relates; (b) the receipt by the Trustee of the requisite information and documents stipulated by the Trustee; and (c) (if applicable) the date on which the condition(s) and/or performance target(s) (if any) to be attained or paid by such Selected Participant as specified in the related Award Notice have been attained or paid and notified to the Trustee by the Board or Committee in writing.

(ix) Lapse

In the event that the Selected Participant who is an employee ceases to be an employee by virtue of a corporate reorganisation of the Group or the invested entity, then any Award made to such Selected Participant, shall forthwith lapse and be cancelled.

(x) Scheme Limit

The maximum number of shares that the Trustee may hold (whether directly or indirectly through the controlled enterprise of the Trustee) at any time during the life of the Share Award Scheme shall not exceed 2% of the total issued share capital of the Company from time to time; and the maximum number of shares that may be granted under the Share Award Scheme and may be awarded under the Award shall not exceed 5% of the total issued share capital of the Company from time to time (collectively referred to as the "**Maximum Share Limits**"). As of the date of this annual report, the Maximum Share Limits that may be issued was 296,674,386 shares, representing 4.76% of the total number of shares in issue of 6,078,661,720 shares.

(xi) Limit for Each Participant

The maximum number of shares which may be subject to an Award or Awards to the Selected Participants shall not in aggregate exceed 1% of the issued share capital of the Company from time to time.

(xii) Voting Rights of the Shares in the Shares Pool

The Trustee shall not exercise the voting rights and shall abstain from voting in respect of any shares held in the trust pursuant to the Trust Deed (including but not limited to any shares in the Share Pool, the Awarded Shares, the Additional Shares, the Returned Shares, any bonus Shares and scrip Shares).

(xiii) Termination

The Share Award Scheme shall terminated on the earlier of (i) the tenth anniversary of the adoption date; and (ii) such date of early termination as determined by the Board or Committee provided that such termination shall not affect any subsisting rights of any Selected Participant hereunder.

(xiv) Details of the Changes

For the year ended 31 December 2022, the Company has granted 1,429,000, 6,354,000, 976,000, 804,000 and 798,500 Awarded Shares to certain Selected Participants in accordance with the terms of the Share Award Scheme on 4 January 2022, 19 April 2022, 21 July 2022, 10 November 2022 and 28 December 2022 respectively, for a total of 10,361,500 Awarded Shares.

(xv) Table of the Movements

Movement of the Awarded Shares granted to the Eligible Participants pursuant to the Share Award Scheme during the year ended 31 December 2022 is as follows:

Grantee	Date of grant	Number of awards	Vesting period	Closing price immediately before the date of grant (HKD)	Purchase price (HKD)	Fair value as at the date of grant (HKD)	Weighted average closing price immediately before the vesting date (HKD)	Number of awards as at 1 January 2022	Granted during the period	Vested during the period	Cancelled/ lapsed during the period	Number of awards as at 31 December 2022
Other Employees	2021/12/24	145,000	2022/4/1–2031/12/23	39.40	–	39.35	11.78	145,000	–	135,000	10,000	–
(not Directors)		145,000	2023/4/1–2031/12/23	39.40	–	39.35		145,000	–	–	10,000	135,000
		145,000	2024/4/1–2031/12/23	39.40	–	39.35		145,000	–	–	10,000	135,000
		145,000	2025/4/1–2031/12/23	39.40	–	39.35		145,000	–	–	10,000	135,000
Other Employees	2021/12/24	90,000	2022/7/9–2031/12/23	39.40	–	39.35	11.78	90,000	–	90,000	–	–
(not Directors)		90,000	2023/7/9–2031/12/23	39.40	–	39.35		90,000	–	–	–	90,000
		90,000	2024/7/9–2031/12/23	39.40	–	39.35		90,000	–	–	–	90,000
		90,000	2025/7/9–2031/12/23	39.40	–	39.35		90,000	–	–	–	90,000
Other Employees	2021/12/24	445,575	2022/9/30–2031/12/23	39.40	–	39.35	9.41	445,575	–	426,200	19,375	–
(not Directors)		445,575	2023/9/30–2031/12/23	39.40	–	39.35		445,575	–	–	20,375	425,200
		445,575	2024/9/30–2031/12/23	39.40	–	39.35		445,575	–	–	20,375	425,200
		445,575	2025/9/30–2031/12/23	39.40	–	39.35		445,575	–	–	20,375	425,200
Other Employees	2022/1/4	85,000	2023/1/4–2032/1/3	37.10	–	35.00		–	85,000	–	20,000	65,000
(not Directors)		85,000	2024/1/4–2032/1/3	37.10	–	35.00		–	85,000	–	20,000	65,000
		85,000	2025/1/4–2032/1/3	37.10	–	35.00		–	85,000	–	20,000	65,000
		85,000	2026/1/4–2032/1/3	37.10	–	35.00		–	85,000	–	20,000	65,000
Other Employees	2022/4/19	974,250	2023/4/19–2032/4/18	18.46	–	17.18		–	974,250	–	50,500	923,750
(not Directors)		1,551,500	2024/4/19–2032/4/18	18.46	–	17.18		–	1,551,500	–	81,500	1,470,000
		1,551,500	2025/4/19–2032/4/18	18.46	–	17.18		–	1,551,500	–	81,500	1,470,000
		1,551,500	2026/4/19–2032/4/18	18.46	–	17.18		–	1,551,500	–	81,500	1,470,000
		577,250	2027/4/19–2032/4/18	18.46	–	17.18		–	577,250	–	31,000	546,250
Other Employees	2022/7/21	244,000	2023/7/21–2032/7/20	20.60	–	20.35		–	244,000	–	20,000	224,000
(not Directors)		244,000	2024/7/21–2032/7/20	20.60	–	20.35		–	244,000	–	20,000	224,000
		244,000	2025/7/21–2032/7/20	20.60	–	20.35		–	244,000	–	20,000	224,000
		244,000	2026/7/21–2032/7/20	20.60	–	20.35		–	244,000	–	20,000	224,000
Other Employees	2022/11/10	171,000	2023/11/10–2032/11/09	11.02	–	10.70		–	171,000	–	–	171,000
(not Directors)		171,000	2024/11/10–2032/11/09	11.02	–	10.70		–	171,000	–	–	171,000
		171,000	2025/11/10–2032/11/09	11.02	–	10.70		–	171,000	–	–	171,000
		171,000	2026/11/10–2032/11/09	11.02	–	10.70		–	171,000	–	–	171,000
Other Employees	2022/12/28	199,625	2023/12/28–2032/12/27	12.78	–	12.96		–	199,625	–	–	199,625
(not Directors)		199,625	2024/12/28–2032/12/27	12.78	–	12.96		–	199,625	–	–	199,625
		199,625	2025/12/28–2032/12/27	12.78	–	12.96		–	199,625	–	–	199,625
		199,625	2026/12/28–2032/12/27	12.78	–	12.96		–	199,625	–	–	199,625
External consultant	2022/11/10	120,000	2023/9/17–2032/11/09	11.02	–	10.70		–	120,000	–	–	120,000
Five highest paid	2021/12/24	125,000	2022/9/30–2031/12/23	39.40	–	39.35	9.41	125,000	–	125,000	–	–
employees (including		125,000	2023/9/30–2031/12/23	39.40	–	39.35		125,000	–	–	–	125,000
1 Director who has not		125,000	2024/9/30–2031/12/23	39.40	–	39.35		125,000	–	–	–	125,000
been granted any award	2021/12/24	425,000	2022/4/1–2031/12/23	39.40	–	39.35	11.78	425,000	–	425,000	–	–
shares)		425,000	2023/4/1–2031/12/23	39.40	–	39.35		425,000	–	–	–	425,000
		425,000	2024/4/1–2031/12/23	39.40	–	39.35		425,000	–	–	–	425,000
		425,000	2025/4/1–2031/12/23	39.40	–	39.35		425,000	–	–	–	425,000
	2022/4/19	37,000	2024/4/19–2032/4/18	18.46	–	17.18		–	37,000	–	–	37,000
		37,000	2025/4/19–2032/4/18	18.46	–	17.18		–	37,000	–	–	37,000
		37,000	2026/4/19–2032/4/18	18.46	–	17.18		–	37,000	–	–	37,000
		37,000	2027/4/19–2032/4/18	18.46	–	17.18		–	37,000	–	–	37,000
	2022/1/4	150,000	2023/1/4–2032/1/3	37.10	–	35.00		–	150,000	–	–	150,000
		150,000	2024/1/4–2032/1/3	37.10	–	35.00		–	150,000	–	–	150,000
		150,000	2025/1/4–2032/1/3	37.10	–	35.00		–	150,000	–	–	150,000
		150,000	2026/1/4–2032/1/3	37.10	–	35.00		–	150,000	–	–	150,000
Directors in total								–	–	–	–	–
Five highest paid employees in total								2,075,000	748,000	550,000	–	2,273,000
Other grantees in total								2,722,300	9,124,500	651,200	606,500	10,589,100
Total								4,797,300	9,872,500	1,201,200	606,500	12,862,100

Directors and Senior Management

The directors of the Company as at the date of this annual report are as follows:

Executive Directors:

Mr. Chen Zhiping
Mr. Xiong Shaoming
Mr. Wang Guisheng
Ms. Wang Xin (appointed on 24 November 2022)

Non-executive Directors:

Dr. Liu Jincheng (resigned on 28 December 2022)
Ms. Jiang Min (appointed on 28 December 2022)

Independent Non-executive Directors:

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

The Company has obtained an annual confirmation of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules and the Board considers them to be independent.

Biographical Details of Directors and Senior Management

Directors

(1) **Mr. Chen Zhiping (陳志平)**, aged 47, is an executive Director, the chairman of the Board and the chief executive officer of the Group. Mr. Chen is principally responsible for the overall management and business operation of the Group, including coordinating Board affairs, formulating strategies and operational plans and making major business decisions. Mr. Chen has over 10 years of experience in the electronic vaping industry and is experienced in business management. Mr. Chen has been the key driver of our business strategies and achievements to date and continues to oversee the management of our operations and business.

Mr. Chen founded Smoore Shenzhen in 2009, and served as the chairman of the board and the general manager of Smoore Shenzhen before May 2021.

Mr. Chen received a bachelor's degree in economics majoring in marketing from Tongji University (同濟大學), Shanghai, in July 1999 and an executive master's degree in business administration from China Europe International Business School (中歐國際工商學院), in October 2014.

(2) **Mr. Xiong Shaoming (熊少明)**, aged 52, is an executive Director and the vice president of the Group and is primarily responsible for leading strategic planning, undertaking business objectives set by the Board and managing daily operations of the Group.

Mr. Xiong joined Smoore Shenzhen in 2009 and has been serving as its vice general manager since then. Mr. Xiong has also been serving as a supervisor and the chairman of the supervisory committee of Smoore Shenzhen since July 2015.

Mr. Xiong graduated from Wuhan University of Technology (武漢理工大學), Wuhan, majoring in materials management in June 1994 and received an executive master's degree in business administration from Cheung Kong Graduate School of Business (長江商學院) in October 2021.

(3) **Mr. Wang Guisheng (王貴升)**, aged 53, is an executive Director, the chief financial officer and joint company secretary of the Group. Mr. Wang Guisheng joined the Group in April 2018. Mr. Wang Guisheng is primarily responsible for financial planning and management and company secretarial matters of the Group. Mr. Wang Guisheng has over 20 years of experience in financial management, accounting, taxation and business management, and in particular, Mr. Wang Guisheng has over 15 years of experience working as director and senior management for publicly listed companies on the Stock Exchange and other stock exchanges in the PRC.

In November 2010, Mr. Wang Guisheng joined Man Wah Holdings Limited (敏華控股有限公司), a company listed on the Stock Exchange (stock code: 01999), where he was appointed as chief financial officer in January 2011 and also appointed as an executive director in May 2011 until he resigned in March 2018. Currently, Mr. Wang Guisheng is an independent non-executive Director of Xinyi Electric Storage Holdings Limited (信義儲電控股有限公司), formerly known as Xinyi Automobile Glass Hong Kong Enterprises Limited, a company listed on the GEM of the Stock Exchange (stock code: 08328). In addition, Mr. Wang Guisheng was an independent Director of Sunshine Global Circuits Co., Ltd. (深圳明陽電路科技股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300739), until 8 February 2022.

Mr. Wang Guisheng obtained a bachelor's degree in economics majoring in insurance from China Institute of Finance (中國金融學院) which was merged with and is currently known as University of International Business and Economics (對外經濟貿易大學), Beijing, in July 1993 and an executive master's degree in business administration from China Europe International Business School (中歐國際工商學院), in August 2014. Mr. Wang Guisheng qualified as Certified Public Accountant with the Chinese Institute of Certified Public Accountants ("**CICPA**") in December 2009 and the HKICPA in July 2013 and has been a member of the Association of Chartered Certified Accountants ("**ACCA**") since April 2003.

(4) **Ms. Wang Xin (王鑫)**, aged 39, joined the Group in February 2016 and served as the vice general manager of the business division of the self-branded open system vaping devices or APV of Smoore Shenzhen, a wholly-owned subsidiary of the Company, where she was responsible for the marketing of its self-branded APV business. Currently, Ms. Wang is the vice president of the Group, responsible for coordinating strategy implementation and coordinating management of international affairs, including but not limited to access to key global markets, international cooperation, etc.

Ms. Wang has approximately 17 years of experience in the consumer goods industry, including approximately 7 years of experience in the electronic vaping industry. Ms. Wang is currently the executive vice chairman (常務副理事長) of the Electronic Cigarette Professional Committee of China Electronics Chamber of Commerce (中國電子商會電子煙專業委員會), a member of the Board of Directors of Coalition of Manufacturers of Smoking Alternatives (CMSA), a member of the Board of Directors of Vapor Technology Association (VTA) and a member of Advisory Board of The Global Tobacco & Nicotine Forum (GTNF).

Ms. Wang obtained a bachelor's degree in Business English from Zhengzhou University (鄭州大學) in June 2004, a master's degree in Business Administration from South China University of Technology (華南理工大學) in June 2015 and an executive master's degree in Business Administration from China Europe International Business School (中歐國際工商學院) in September 2021.

(5) **Dr. Liu Jincheng (劉金成)**, aged 58, is a former non-executive Director who is primarily responsible for providing strategic advice and guidance on the business development of the Group. Dr. Liu Jincheng was designated as a non-executive Director in October 2019. Dr. Liu has resigned as a non-executive Director on 28 December 2022 in order to devote more time to other work commitments. Dr. Liu Jincheng has around 19 years of experience in battery industry in China.

Dr. Liu Jincheng joined EVE Energy in December 2001 and currently is the legal representative and the chairman of the board of EVE Energy.

Dr. Liu Jincheng received a master's degree in science from Wuhan University (武漢大學), Wuhan, in August 1993 and a Ph.D. in material physics and chemistry from South China University of Technology (華南理工大學), Guangzhou, in December 2004. In addition, he received an executive master's degree in business administration from China Europe International Business School (中歐國際工商學院), Shanghai, in September 2012.

(6) **Ms. Jiang Min (江敏)**, aged 41, was appointed as a non-executive director of the Company on 28 December 2022.

Ms. Jiang joined EVE Energy in March 2016 and is currently a director, secretary of the board, vice president and CFO of EVE Energy, who is responsible to oversee the office of the secretary of the board and the finance department. Ms. Jiang has been engaging in financial management for more than 10 years and has extensive experience in financial management and risk control.

Ms. Jiang obtained a bachelor's degree in accounting from Wuhan University (武漢大學) in June 2003 and has obtained the "Certificate of Qualification for Secretary of the Board" (《董事會秘書資格證書》) granted by the Shenzhen Stock Exchange.

(7) **Mr. Zhong Shan (鍾山)**, aged 51, joined the Group in June 2020 as an independent non-executive Director. He is primarily responsible for providing independent advice and judgment to the Board. Mr. Zhong has extensive experience in financial business management. He has been the chief financial officer at Innoscience (Suzhou) Technology Co. Ltd (英諾賽科(蘇州)科技有限公司) since September 2017. From April 2007 to September 2017, Mr. Zhong was the non-executive director and a member of the strategy committee of the board of Livzon Pharmaceutical Group Inc. (麗珠醫藥集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000513) and the Stock Exchange (stock code: 01513). From August 2006 to September 2017, Mr. Zhong served as the vice general manager at Joincare Pharmaceutical Group Industry Company Limited (健康元藥業集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600380). Mr. Zhong was designated as the member of ACCA Southern China Steering Team in May 2017.

Mr. Zhong graduated from the applied chemistry of the faculty of applied chemistry of Huaqiao University (華僑大學), Fujian, and obtained a diploma in July 1993. Mr. Zhong was admitted as a member of the ACCA in August 1999.

(8) **Mr. Yim Siu Wing, Simon (閻小穎)**, aged 48, joined the Group in June 2020 as an independent non-executive Director who is primarily responsible for providing independent advice and judgment to the Board. Mr. Yim has approximately 18 years of experience in the financial industry. He has been serving as the chairman of the board of Winsome Group Holdings Limited (匯盛集團控股有限公司) since he founded it in May 2016. He worked at Nomura International (Hong Kong) Limited from August 2005 to May 2016 where his last position held was executive Director. Before Mr. Yim Siu Wing, Simon started his career in financial industry in 2005, he worked in legal field at Baker & Mckenzie and Clifford Chance from September 1999 to January 2003 and February 2003 to July 2005, respectively. Mr. Yim has also been a member of the Chengdu Municipal Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議成都市委員會) since February 2009 and become a standing committee member since February 2013.

Mr. Yim received his bachelor's degree in law from City University of Hong Kong in November 1998 and Postgraduate Certificate in Laws (PCLL) from the University of Hong Kong in June 1999. In addition, Mr. Yim received a master's degree in law majoring in Chinese and Comparative Law from City University of Hong Kong in November 2001. Mr. Yim Siu Wing, Simon was admitted as a Solicitor of the High Court of Hong Kong and the Supreme Court of England and Wales in November 2001 and February 2002, respectively.

(9) **Dr. Liu Jie (劉杰)**, aged 45, joined the Group in June 2020 as an independent non-executive Director who is primarily responsible for providing independent advice and judgment to the Board. Dr. Liu Jie has over 20 years of study and work experience in the medical field. Dr. Liu Jie has been working at The First Affiliated Hospital of Guangdong Medical University (廣州醫科大學第一附屬醫院) (formerly known as The First Affiliated Hospital of Guangdong Medical College (廣州醫學院第一附屬醫院)) since July 2000 where he was appointed as the deputy chief physician in July 2012. Dr. Liu Jie obtained a certificate of practicing physician and a qualification in respiratory medicine from the National Health Commission (formerly known as Ministry of Health) of the PRC in December 2001 and May 2007, respectively. He was qualified as an associate chief physician in respiratory medicine by the Labor and Social Security Department of Guangdong Province (廣東省人力資源和社會保障廳) in March 2011.

Dr. Liu Jie received his bachelor's degree in medicine majoring in clinical medicine of Guangzhou Medical University (廣州醫科大學), previously known as Guangzhou Medical College (廣州醫學院), Guangzhou, in June 2000, and received his master's degree as well as doctor's degree in medicine majoring in internal medicine from Guangzhou Medical University (廣州醫科大學), Guangzhou, in July 2007 and June 2018, respectively. Dr. Liu Jie was appointed as a committee member of Rare Diseases Society of Guangdong Medical Association (廣東省醫學會罕見病學分會) (the "**Society**") in June 2013 and was appointed as the deputy chief of the Society's pneumology group in May 2017. He has been a managing director of Rare Diseases Society of Chinese Research Hospital Association (中國研究型醫院學會罕見病分會) since December 2016; a member of Interstitial Lung Disease Committee of the Respiratory Doctor Society of the Chinese Medical Doctor Association (中國醫師協會呼吸醫師分會) since June 2017; and the group leader of the subspecialty group of respiratory diseases under the 1st Rare Diseases Expert Committee of GuangDong Pharmaceutical Association (廣東省藥學會) since 27 February 2022, with his term of office ending on 26 February 2024 .

Senior Management

(10) **Mr. Qiu Lingyun (邱淩雲)**, aged 47, is the board secretary of the Group. Mr. Qiu is primarily responsible for the coordination of board meetings and related matters and investors' relationship management of the Group. Mr. Qiu has approximately 6 years of financial management experience. Besides undertaking the responsibility of board secretary, Mr. Qiu served as chief financial officer of Smoore Shenzhen from January 2011 to July 2016. Mr. Qiu received a bachelor's degree in engineering majoring in industrial international commerce from Shanghai University (上海大學), Shanghai, in July 1999 and an executive master's degree in business administration from China Europe International Business School (中歐國際工商學院), in October 2015.

(11) **Mr. Luo Chunhua (羅春華)**, aged 52, is the general manager of operation department of the Group. Mr. Luo joined the Group in November 2010 as the head of our R&D Department. Mr. Luo is primarily responsible for overseeing the business development of the Group. Mr. Luo has over 10 years of experience in management and research and development of electric appliance. Prior to joining the Group, Mr. Luo worked at various positions specializing in technology development. From July 1998 to February 2008, Mr. Luo was the vice manager at Dongguan VTech Electronic Communication Equipment Factory (東莞偉易達電子通訊設備廠) of Dongguan VTech Group (東莞偉易達集團). Since January 2008, Mr. Luo served as a manager responsible for management and professional technology for approximately three years at Guangzhou Mingmei Technology Co., Ltd. (廣州名美科技有限公司), previously known as Guangzhou Mingmei Electronics Co., Ltd. (廣州明美電子有限公司). Mr. Luo graduated from an undergraduate program at the school of radio engineering of Beijing Institute of Technology (北京理工大學), Beijing, in July 1992 and received a master's degree in engineering majoring in electronics and communication engineering from South China University of Technology (華南理工大學), Guangzhou, in January 2007 and received a master's degree in business administration from China Europe International Business School (中歐國際工商學院), in November 2017.

(12) **Mr. Pan Weidong (潘衛東)**, aged 47, is the general manager of technology center of the Group since he joined us in April 2014. Mr. Pan Weidong is primarily responsible for overseeing the research and development of our products. Mr. Pan Weidong has over 10 years of experience in business operation and research and development. Prior to joining the Group, Mr. Pan Weidong served as a director of operation at Shenzhen Youhesheng Communication Technology Co. Ltd. (深圳優合勝通信技術有限公司) from March 2010 to March 2014. Mr. Pan Weidong graduated from an undergraduate program in thermal processing technology and equipment from Hubei University of Automotive Technology (湖北汽車工業學院), Shiyan, in June 1997 and received a master's degree in business administration from China Europe International Business School (中歐國際工商學院), in August 2017.

Joint Company Secretaries

Mr. Wang Guisheng, is the joint company secretary of the Company. For the biographical details of Mr. Wang, please refer to the paragraph headed "Directors and Senior Management — Directors" above.

Ms. Cheng Choi Ha (鄭彩霞), was appointed as the joint company secretary of the Company with effect from the Listing Date. Ms. Cheng is currently a senior manager of the Corporate Services Division of Tricor Services Limited, which is an Asia's leading business expansion specialist specializing in integrated business, corporate and investor services. She is a Chartered Secretary, a Chartered Governance Professional and an Associate of both The Hong Kong Chartered Governance Institute (formerly known as Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom. Ms. Cheng holds a bachelor's degree in Business Administration. Ms. Cheng has over 15 years of experience in the corporate service field. She has been providing professional corporate services to Hong Kong listed companies, as well as multinational, private and offshore companies. Ms. Cheng is a core team member for providing company secretarial services to various companies listed on The Stock Exchange of Hong Kong Limited.

Service Contracts and Appointment Agreements of the Directors

a. Service Contracts of the Executive Directors

Each of the executive Directors entered into a service contract with the Company for a term of three years subject to compliance with the Articles of Association of the Company and the Listing Rules until it is terminated pursuant to the terms of the respective service contract. According to the respective service contract, it may be terminated at any time by either party giving the other party not less than two months' prior written notice.

The total remuneration of each executive Director is determined by the remuneration package formulated by the Board or remuneration committee of the listed company. If any part of the remuneration is subject to the approval of the general meeting in accordance with applicable laws and regulations and the Listing Rules, such part of the remuneration shall only be effective upon the approval of the General Meeting.

Pursuant to the terms of their respective service contracts, each executive Director is entitled to an annual discretionary management bonus, in addition to the Directors' remuneration, to be approved by the Board or the Remuneration Committee. In assessing the total amount of discretionary bonuses for the executive Directors, the Board or the Remuneration Committee shall take into account the overall performance of the Listing Group in each Review Period, as well as the individual performance of each executive director in each Review Period and the period of service completed.

b. Appointment Agreements of the Non-executive Directors and Independent Non-executive Directors

Each of the non-executive Director and independent non-executive Directors has entered into an appointment agreement with the Company for a term of three years, subject to the Articles of Association of the Company and the Listing Rules, until the agreement is terminated in accordance with the terms of the respective appointment agreement. Pursuant to their respective appointment agreements, the appointment agreements are automatically terminated upon the occurrence of certain events as specified therein. Each of the independent non-executive Directors is entitled to a fixed annual director's remuneration in accordance with the terms of the respective appointment agreement.

None of the directors who intend to be re-elected at the forthcoming annual general meeting has a service contract with the Company which was not determinable by the Company within one year without the payment of compensation (other than statutory compensation).

Change of Director Information

Mr. Wang Guisheng, an executive Director of the Group, was an independent director of Sunshine Global Circuits Co., Ltd. (深圳明陽電路科技股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300739), until 8 February 2022. Apart from that, for the year ended 31 December 2022, 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.

Directors' Interests in Transactions, Arrangements or Contracts of Significance

Save as disclosed in this annual report, no transactions, arrangements or contracts of significance to which a Director or an entity connected with a Director was a party and in which the Company or any of its subsidiaries had a material interest, whether directly or indirectly, subsisted during the year ended 31 December 2022 and on 31 December 2022.

Directors' Interests in Competing Business

For the year ended 31 December 2022, none of the Directors had any interest in any business which competes with the Company or any of its subsidiaries.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed in this annual report, during the year ended 31 December 2022, neither the Company nor its holding company, subsidiaries or fellow subsidiaries was a party to any arrangement that would enable the Directors or any of their spouses or children under the age of 18 to obtain benefits through the acquisition of shares or debentures of the Company or any other corporation.

Permitted Indemnity Provision

Pursuant to the Articles of Association of the Company and subject to the applicable laws and regulations, every Director shall be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director in defending any proceedings, whether civil or criminal, in which judgement is given in his favour, or in which he is acquitted. The Company has taken out liability insurance for all Directors during the year ended 31 December 2022.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Any of Its Associated Corporations

As at 31 December 2022, the interests and short positions of 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 (Chapter 571 of the Laws of Hong Kong) (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 executive	Notes	Nature of interest	Long/short position	Ordinary shares held	Approximate percentage of the total number of issued shares(Note 1)
Chen Zhiping	(2)	Interest in controlled corporation	Long position	2,045,635,600	33.66%
	(3)	Interest of concert party	Long position	280,201,400	4.61%
	(4)	Beneficial owner	Long position	28,073,000	0.46%
	(5)	Others	Long position	234,000	0.0038%
Xiong Shaoming	(6)	Interest in controlled corporation	Long position	280,201,400	4.61%
	(7)	Interest of concert party	Long position	1,997,635,600	32.87%
	(8)	Beneficial owner	Long position	234,000	0.0038%
	(9)	Others	Long position	76,073,000	1.25%
Wang Guisheng	(10)	Interest in controlled corporation	Long position	9,600,000	0.16%
	(11)	Beneficial owner	Long position	2,533,000	0.04%
Wang Xin	(12)	Interest in controlled corporation	Long position	671,000	0.01%
	(13)	Beneficial owner	Long position	648,000	0.01%

Notes:

(1) The percentage is calculated based on the total number of shares of the Company in issue as at 31 December 2022, which was 6,078,168,720 shares.

(2) Mr. Chen Zhiping holds all the issued shares of SMR & Alon Limited, which in turn directly holds 1,997,635,600 shares of the Company. In addition, Mr. Chen holds all the issued shares of CZPGJ Holding Limited, which in turn directly holds 48,000,000 shares of the Company. Accordingly, Mr. Chen is deemed to be interested in the 2,045,635,600 shares of the Company held by SMR & Alon Limited and CZPGJ Holding Limited.

(3) By virtue of Section 317 of the SFO and the concert party agreement entered into between Mr. Chen Zhiping and Mr. Xiong Shaoming on 11 December 2019 (the "**Concert Party Agreement**"), Mr. Chen Zhiping is deemed to be interested in the 280,201,400 shares in which Mr. Xiong Shaoming has an interest.

(4) These 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 irrevocably and unconditionally undertakes to the Company that he will only exercise the pre-IPO share options of the Company granted to and vested with him when the market capitalization of the Company reaches or exceeds HK$110 billion.

(5) By virtue of Section 318 of the SFO, except for the Concert Party Agreement, Mr. Chen Zhiping is deemed to be interested in the 234,000 shares in which Mr. Xiong Shaoming has an interest.

(6) Mr. Xiong Shaoming holds all the issued shares of Andy Xiong Holding Limited, which in turn directly holds 280,201,400 shares of the Company. Accordingly, Mr. Xiong is deemed to be interested in the 280,201,400 shares of the Company held by Andy Xiong Holding Limited.

(7) By virtue of Section 317 of the SFO and the Concert Party Agreement, Mr. Xiong Shaoming is deemed to be interested in the 1,997,635,600 shares in which Mr. Chen Zhiping has an interest.

(8) 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 options of the Company granted to Mr. Xiong Shaoming.

(9) By virtue of Section 318 of the SFO, apart from the Concert Party Agreement, Mr. Xiong Shaoming is deemed to be interested in the 76,073,000 shares in which Mr. Chen Zhiping has an interest.

(10) Mr. Wang Guisheng holds all the issued shares of Sunrise & Rainbow Holding Limited, which in turn directly holds 9,600,000 shares of the Company. Accordingly, Mr. Wang is deemed to be interested in the 9,600,000 shares of the Company held by Sunrise & Rainbow Holding Limited.

(11) Mr. Wang Guisheng beneficially holds a total interests of 2,533,000 shares. Such Shares represent the shares of the Company to be issued upon the exercise of the pre-IPO share options and post-IPO share options of the Company granted to Mr. Wang Guisheng.

(12) Ms. Wang Xin holds all the issued shares of WXGJ Holding Limited, which in turn directly holds 671,000 shares of the Company. Accordingly, Ms. Wang is deemed to be interested in the 671,000 shares of the Company held by WXGJ Holding Limited.

(13) Ms. Wang Xin personally and directly holds 61,000 shares of the Company. In addition, the Company will grant to Ms. Wang Xin 587,000 shares to be issued upon the exercise of the pre-IPO share options and post-IPO share options. Accordingly, Ms. Wang beneficially holds a total interests of 648,000 shares.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2022, so far as the Directors are aware, the following parties (other than Directors or chief executive 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 Section 366 of the SFO:

Name of substantial shareholders	Notes	Nature of interest	Long/short position	Ordinary shares held	Approximate percentage of the total number of issued shares(Note 1)
SMR & Alon Limited	(2)	Beneficial owner	Long position	1,997,635,600	32.87%
Zhao Zihan	(3)	Interest of spouse	Long position	2,354,144,000	38.73%
Han Xiao	(4)	Interest of spouse	Long position	2,354,144,000	38.73%
EVE BATTERY INVESTMENT LTD.	(5)	Beneficial owner	Long position	1,901,520,000	31.28%
	(6)	Beneficial owner	Short position	59,578,907	0.98%
EVE Asia Co., Limited	(5)	Interest in controlled corporation	Long position	1,901,520,000	31.28%
	(6)	Interest in controlled corporation	Short position	59,578,907	0.98%
EVE Energy Co., Ltd.	(5)	Interest in controlled corporation	Long position	1,901,520,000	31.28%
	(6)	Interest in controlled corporation	Short position	59,578,907	0.98%
Liu Jincheng	(7)	Interest in controlled corporation	Long position	1,950,240,000	32.09%
	(6)	Interest in controlled corporation	Short position	59,578,907	0.98%
Luo Jinhong	(8)	Interest of spouse	Long position	1,950,240,000	32.09%
	(8)	Interest of spouse	Short position	59,578,907	0.98%

Notes:

(1) The percentage is calculated based on the total number of shares of the Company in issue as at 31 December 2022, which was 6,078,168,720 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) 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.

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

(6) Reference is made to the announcements of the Company dated 12 November 2021, 30 June 2022 and 4 November 2022. On 30 June 2022, the Company was informed by EVE Battery that dividend of HK$10,537,825.32 of the Company was received for the Exchange Property on 22 June 2022, and this is one of the certain events enumerated in the Terms and Conditions of the Bonds. Further adjustment is required on the Exchange Property according to market practice. Therefore, EVE Battery has pledged an additional 497,231 shares it holds to the specific trust account which constitutes part of the Exchange Property. On 4 November 2022, the Company was informed by EVE Battery that dividend of HK$5,904,070.50 of the Company was received for the Exchange Property on 26 September 2022. Therefore, EVE Battery has pledged an additional 538,202 shares it holds to the specific trust account. After completion of the additional pledges for the year, the Exchange Property includes 59,578,907 shares.

(7) 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.

(8) 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.

Contracts with Controlling Shareholders

On 17 May 2022, EVE Energy and Smoore Shenzhen (being a subsidiary of the Company) entered into the Joint Research and Development Agreement in respect of the research and development of a new battery for e-cigarette products. In consideration of RMB26,000,000 to be provided by Smoore Shenzhen in stages, EVE Energy agreed to develop a new battery for e-cigarette products. EVE Energy and Smoore Shenzhen agreed to jointly own any and all patent and intellectual properties resulting from the Joint Research and Development Agreement, and EVE Energy agreed to produce the battery developed under this agreement for Smoore Shenzhen at a price to be agreed.

Save as disclosed in the aforesaid Joint Research and Development Agreement of connected transaction and the section headed "Connected Transaction and Continuing Connected Transactions", there were no other material contracts entered into by the Company or any of its subsidiaries with controlling shareholders for the year ended 31 December 2022.

Management Contract

No contracts concerning the managing and handling of the overall business or any material part of the business of the Group were entered into or existed by the Group for the year ended 31 December 2022.

Pre-emptive Rights

There is no provision for pre-emptive right requiring the Company to grant its existing shareholders these rights in proportion to their shareholdings when issuing new shares under the Articles of Association of the Company and the laws of Cayman Islands.

Pledge of Shares by Controlling Shareholder

Reference is made to the announcements of the Company dated 7 July 2021 and 11 April 2022. On 11 April 2022, EVE Battery, the controlling shareholder of the Company, pledged an addition of 0.185 billion shares out of the 1,901,520,000 shares of the Company held by it in favour of CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED ("**Lender 1**") which is an authorized institution. After the completion of the above additional pledge, EVE Battery has pledged an aggregate of 0.3 billion shares in favour of Lender 1.

On the same day, EVE Battery pledged an addition of 0.155 billion shares out of the 1,901,520,000 shares of the Company held by it in favour of CMB WING LUNG BANK LIMITED ("**Lender 2**"). After the completion of the above additional pledge, EVE Battery has pledged an aggregate of 0.27 billion shares in favour of Lender 2.

Exchangeable Bonds Issued by Controlling Shareholder

Reference is made to the announcements of the Company dated 12 November 2021, 30 June 2022 and 4 November 2022. On 30 June 2022, the Company was informed by EVE Battery that dividend of HK$10,537,825.32 of the Company was received for the Exchange Property on 22 June 2022, and this is one of the certain events enumerated in the Terms and Conditions of the Bonds. Further adjustment is required on the Exchange Property according to market practice. Therefore, EVE Battery has pledged an additional 497,231 shares it holds to the specific trust account which constitutes part of the Exchange Property. On 4 November 2022, the Company was informed by EVE Battery that dividend of HK$5,904,070.50 of the Company was received for the Exchange Property on 26 September 2022. Therefore, EVE Battery has pledged an additional 538,202 shares it holds to the specific trust account. After completion of the additional pledges for the year, the Exchange Property includes 59,578,907 shares.

Connected Transaction and Continuing Connected Transactions

Please refer to the section headed "Connected Transaction and Continuing Connected Transactions" of this annual report.

Corporate Governance

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

For the year ended 31 December 2022, the Company had applied the principles and complied with all code provisions (except code provision C.2.1 of the CG Code) and, where applicable, the recommended best practices of the Corporate Governance Code ("**CG Code**") as set out in Appendix 14 to the Listing Rules. In respect of code provision C.2.1 of the CG Code, the positions of the chairman of the Board and the chief executive officer are held by the same individual, namely, Mr. Chen Zhiping. The Board is of the view that this is the most appropriate arrangement in the interest of the shareholders as a whole at present, and will not impair the balance of power between the Board and the Company's management, which is mainly in view of the following considerations:

(1) The decision of the Board requires the approval of a majority of Directors. The Board of the Company consists of eight 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 therefore the Board believes that there are sufficient checks and balances within the Board;

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

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

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

The Group will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of chairman of the Board and chief executive officer is necessary.

For details of the Company's corporate governance, please refer to the "Corporate Governance Report" of the Company.

Environmental Policies and Performance

The Group recognizes the importance of protecting the environment and strives to minimize the impact to the environment by reducing use of energies and other resources. Please refer to the "Environmental, Social and Governance Report" of the Company for further information of the environmental policies and performance.

Use of Proceeds from the Global Offering

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

The net proceeds from the Listing have been and will be utilised in the same manner and proportion as set out in the prospectus of the Company dated 29 June 2020 under the section headed "Future Plans and Use of Proceeds". The table below sets out the planned applications of the net proceeds and actual usage up to 31 December 2022:

Use of proceeds	Approximate percentage of total amount	Amount of net proceeds allocated upon Listing (HK$ million)	Actual usage up to 31 December 2022 (HK$ million)	Unutilised amount as at 31 December 2022 (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	903.0	3,051.9	By the end of 2026
(ii) Implement automated production and assembly lines at our new production bases, upgrade our group-level ERP system and upgrade our existing factories	25%	1,977.5	1,977.5	—	—
(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	896.4	685.6	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	4,172.4	3,737.5	

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

** According to the Administrative Measures for E-Cigarettes published on 11 March 2022, e-cigarette manufacturers should obtain tobacco monopoly production enterprise license. The Group has obtained the relevant licenses, and any future expansion of production capacity must comply with the relevant regulations.

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 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 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 Subscription up to 31 December 2022 are set out as follows:

Use of proceeds	Approximate percentage of total amount	Amount of net proceeds allocated (HK$ million)	Actual usage up to 31 December 2022 (HK$ million)	Unutilised amount as at 31 December 2022 (HK$ million)	Expected timeline
(i) Expansion of production capacity*	55%	2,445.0	252.9	2,192.1	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 atomization devices for healthcare and pharmaceutical industry	35%	1,556.0	941.1	614.9	By the end of 2025
	100%	4,445.5	1,194.0	3,251.5	

* According to the Administrative Measures for E-Cigarettes published on 11 March 2022, e-cigarette manufacturers should obtain tobacco monopoly production enterprise license. The Group has obtained the relevant licenses, and any future expansion of production capacity must comply with the relevant regulations.

Adequacy of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this annual report.

Compliance with Relevant Laws and Regulations

During the year ended 31 December 2022, to the knowledge of the Directors, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that has a significant impact on the business and operation of the Group.

Material Litigation

The Company was not involved in any material litigation or arbitration during the year ended 31 December 2022. Nor were the Directors aware of any material litigation or claims that were pending or threatened against the Company.

Audit Committee

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

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

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

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2022. It has also discussed with the Company's senior management and auditors regarding the accounting policies, risk management and internal control adopted by the Company.

Auditor

The consolidated financial statements of the Group as of 31 December 2022 have been audited by Deloitte Touche Tohmatsu, who is eligible for election at the forthcoming annual general meeting.

Events after the Review Period

There are no major events after 31 December 2022 that are required to be disclosed by the Company.

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)

Opinion

We have audited the consolidated financial statements of Smoore International Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 90 to 172, which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Revenue Recognition	
We identified revenue recognition as a key audit matter due to its financial significance to the consolidated financial statements. The Group recognises revenue at a point in time when the control of the goods is transferred to the customers, pursuant to the terms of the contracts entered into between the Group and its customers. For the year ended 31 December 2022, the Group recognised revenue of RMB12,144,980,000. Details of the accounting policies for revenue recognition and an analysis of revenue are disclosed in Notes 3 and 5, respectively, to the consolidated financial statements.	Our procedures in relation to revenue recognition included: • Obtaining an understanding of the Group's revenue recognition process and evaluating the effectiveness of the key controls over revenue recognition; • Inspecting the sale contracts, on a sample basis, to understand the terms of the sales transactions and evaluating the appropriateness of the Group's revenue recognition policies with reference to the requirements of the prevailing accounting standards; • Performing analytical procedures to major customers to identify unusual fluctuations and reviewing supporting documents to support the analysis; • Performing analytical procedures to compare revenue and gross margin with those reported in prior periods for identifying unusual fluctuations, and obtaining explanations from management about such fluctuations; and • Verifying sales transactions of the Group by tracing the transactions to the corresponding supporting documents, such as sales invoices and delivery notes, on a sample basis.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Chow Tsz Ki.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
20 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	2022 RMB'000	2021 RMB'000
Revenue	5	**12,144,980**	13,755,242
Cost of sales		**(6,885,348)**	(6,378,203)
Gross profit		**5,259,632**	7,377,039
Other income	6(a)	**496,984**	499,068
Other gains and losses	6(b)	**133,266**	93,186
Distribution and selling expenses		**(387,671)**	(192,916)
Administrative expenses		**(1,147,916)**	(863,701)
Research and development expenses		**(1,372,258)**	(670,629)
Finance costs	7	**(28,980)**	(25,046)
Impairment loss recognised on trade receivables, net		**1,269**	(7,659)
Profit before tax		**2,954,326**	6,209,342
Income tax expense	8	**(444,010)**	(922,375)
Profit for the year	9	**2,510,316**	5,286,967
Other comprehensive (loss) income:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(15,382)**	24
Other comprehensive (loss) income for the year		**(15,382)**	24
Total comprehensive income for the year		**2,494,934**	5,286,991
Earnings per share	12		
Basic (RMB cents)		**41.66**	88.54
Diluted (RMB cents)		**40.62**	85.40

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	2022 RMB'000	2021 RMB'000
Non-current assets			
Property, plant and equipment	13	**4,274,994**	2,107,839
Intangible assets	14	**79,011**	66,399
Deposits paid for acquisition of property, plant and equipment		**222,998**	1,154,085
Deferred tax assets	16	**16,417**	15,778
Long-term bank deposits	15(a)	**544,690**	1,516,030
Rental deposits	19	**22,434**	25,403
		5,160,544	4,885,534
Current assets			
Inventories	17	**840,602**	560,070
Trade and bills receivables	18	**2,301,628**	2,409,254
Other receivables, deposits and prepayments	19	**860,856**	335,245
Financial assets at fair value through profit or loss ("**FVTPL**")		**—**	6,385
Restricted bank deposits		**1,138**	12,412
Short-term bank deposits over three months	15(b)	**5,431,616**	3,235,648
Bank balances and cash	15(c)	**9,762,933**	11,426,758
		19,198,773	17,985,772
Current liabilities			
Trade and bills payables	20	**1,150,234**	826,800
Other payables and accrued expenses	21	**1,821,680**	1,434,129
Tax payables		**64,759**	294,972
Contract liabilities	22	**288,966**	250,183
Lease liabilities	23	**156,872**	145,513
Deferred income	24	**4,702**	5,138
Advances drawn on bills receivables discounted with recourse	25	**101,744**	437,505
		3,588,957	3,394,240
Net current assets		**15,609,816**	14,591,532
Total assets less current liabilities		**20,770,360**	19,477,066

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	2022 RMB'000	2021 RMB'000
Non-current liabilities			
Lease liabilities	23	**299,938**	174,562
Deferred income	24	**5,275**	5,084
Deferred tax liability	16	**87,939**	51,061
		393,152	230,707
Net assets		**20,377,208**	19,246,359
Capital and reserves			
Share capital	26	**424,043**	419,451
Reserves		**19,953,165**	18,826,908
Total equity		**20,377,208**	19,246,359

The consolidated financial statements on pages 90 to 172 were approved and authorised for issue by the Board of Directors on 20 March 2023 and are signed on its behalf by:

Chen Zhiping
Executive Director

Wang Guisheng
Executive Director and Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Translation reserve RMB'000	Share option reserve RMB'000	Share award reserve RMB'000	Shares held under share award scheme RMB'000 (Note iii)	Statutory reserve RMB'000 (Note i)	Other reserve RMB'000 (Note ii)	Retained profits RMB'000	Total RMB'000
At 1 January 2021	410,068	8,577,982	—	—	338,349	—	—	35,819	(1,194,032)	4,231,535	12,399,721
Profit for the year	—	—	—	—	—	—	—	—	—	5,286,967	5,286,967
Other comprehensive income for the year	—	—	—	24	—	—	—	—	—	—	24
Recognition of share-based payment expenses	—	—	—	—	270,996	2,809	—	—	—	—	273,805
Issuance of shares (Note 26)	3,877	3,716,867	—	—	—	—	—	—	—	—	3,720,744
Expense on issue cost	—	(15,170)	—	—	—	—	—	—	—	—	(15,170)
Exercise of share options	5,506	229,702	—	—	(202,879)	—	—	—	—	—	32,329
Purchase of shares under share award scheme	—	—	—	—	—	—	(82,156)	—	—	—	(82,156)
Transfer to statutory reserve	—	—	—	—	—	—	—	6,778	—	(6,778)	—
Dividends recognised as distribution (Note 11)	—	(2,369,905)	—	—	—	—	—	—	—	—	(2,369,905)
At 31 December 2021	419,451	10,139,476	—	24	406,466	2,809	(82,156)	42,597	(1,194,032)	9,511,724	19,246,359
Profit for the year	—	—	—	—	—	—	—	—	—	2,510,316	2,510,316
Other comprehensive losses for the year	—	—	—	(15,382)	—	—	—	—	—	—	(15,382)
Recognition of share-based payment expenses	—	—	—	—	250,273	129,059	—	—	—	—	379,332
Exercise of share options	5,905	215,935	—	—	(188,870)	—	—	—	—	—	32,970
Vesting of shares under share award scheme	—	11,548	—	—	—	(38,587)	27,039	—	—	—	—
Purchase of shares under share award scheme	—	—	—	—	—	—	(81,207)	—	—	—	(81,207)
Repurchase and cancellation of shares (Note iv)	(1,313)	(247,077)	1,313	—	—	—	—	—	—	—	(247,077)
Transfer to statutory reserve	—	—	—	—	—	—	—	7,519	—	(7,519)	—
Dividends recognised as distribution (Note 11)	—	(1,449,914)	—	—	—	—	1,811	—	—	—	(1,448,103)
At 31 December 2022	424,043	8,669,968	1,313	(15,358)	467,869	93,281	(134,513)	50,116	(1,194,032)	12,014,521	20,377,208

* Less than RMB1,000

Notes:

(i) Pursuant to the relevant laws in 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 Smoore Shenzhen, a subsidiary of the Company, and cash considerations for the acquisition of 95% and 5% interest in Smoore Shenzhen by Smoore (Hong Kong) Limited ("**Smoore HK**") and Smile Baby Investment Limited ("**SBI Limited**"), the wholly-owned subsidiaries of the Company, respectively; and ii) the difference between the par value and fair value of convertible preferred shares of the Company at the date of issuance as part of the group reorganisation in prior year.

Notes: (Continued)

(iii) The Company's subsidiary, Giant Bliss International Limited ("**Giant Bliss**"), repurchased the Company's shares through the Stock Exchange as follows:

For the year ended 31 December 2021

Month of repurchase	**No. of ordinary shares of USD0.01 each**	**Price per share**		**Aggregate consideration paid**	
		Lowest	**Highest**		
		HK$	HK$	HK$000	RMB'000
September 2021	1,412,700	34.60	35.50	49,584	41,189
November 2021	1,449,000	34.30	34.55	49,863	40,967

For the year ended 31 December 2022

Month of repurchase	**No. of ordinary shares of USD0.01 each**	**Price per share**		**Aggregate consideration paid**	
		Lowest	**Highest**		
		HK$	HK$	HK$000	RMB'000
January 2022	1,429,000	34.60	35.00	49,866	40,771
April 2022	2,968,000	15.44	17.00	49,860	40,436

The above ordinary shares were repurchased for the purpose of the Restricted Share Award Scheme disclosed in Note 27 (iii).

(iv) During the year, the Company repurchased its own ordinary shares through the Stock Exchange as follows:

Month of repurchase	**No. of ordinary shares of USD0.01 each**	**Price per share**		**Aggregate consideration paid**	
		Lowest	**Highest**		
		HK$	HK$	HK$000	RMB'000
April 2022	11,888,000	15.70	17.48	199,490	161,787
August 2022	6,932,000	13.66	15.00	99,281	85,290

The above ordinary shares were cancelled upon repurchase.

English name is for identification purpose only

CONSOLIDATED STATEMENT OF CASH FLOWS

	2022 RMB'000	2021 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**2,954,326**	6,209,342
Adjustments for:		
Finance costs	**28,980**	25,046
Interest income	**(417,417)**	(424,232)
Depreciation of property, plant and equipment	**213,300**	83,502
Amortisation of intangible assets	**8,744**	4,237
Allowance for inventories, net	**8,791**	719
Impairment loss recognised in respect of intangible assets	**4,648**	17,847
Impairment loss recognised on trade receivables, net	**(1,269)**	7,659
Share-based payment expenses	**379,332**	273,805
Loss on disposal/write-off of property, plant and equipment other than right-of-use assets for buildings	**20,251**	126
Gain on termination of leases	**(271)**	(6,004)
Gain on fair value changes of financial assets at FVTPL	**(22,776)**	(133,950)
Unrealised exchange (gain) loss, net	**(105,897)**	45,593
Release of deferred income	**(5,245)**	(6,803)
Operating cash flows before movements in working capital	**3,065,497**	6,096,887
Decrease in inventories	**55,166**	122,308
Increase in trade and bills receivables	**(2,281,964)**	(2,204,787)
Increase in other receivables, deposits and prepayment	**(437,902)**	(81,000)
Increase in trade and bills payables	**237,847**	128,214
Increase in other payables	**466,982**	383,385
Increase (decrease) in contract liabilities	**45,866**	(1,791)
Net settlement of forward foreign exchange contracts	**(43,644)**	61,436
Net cash generated from operations	**1,107,848**	4,504,652
Income tax paid	**(637,984)**	(916,320)
NET CASH FROM OPERATING ACTIVITIES	**469,864**	3,588,332
INVESTING ACTIVITIES		
Interest received	**385,220**	290,677
Proceeds from disposal of property, plant and equipment	**4,943**	57,843
Withdrawal of short-term bank deposits with variable interest rate	**6,072,805**	8,352,129
Withdrawal of short-term bank deposits over three months	**3,190,000**	—
Withdrawal of restricted bank deposits	**11,274**	—
Withdrawal of long-term bank deposits	**—**	540,000
Refund of rental deposits upon termination of leases	**21,538**	6,574
Government grants received	**5,000**	14,296
Payment for acquisition of property, plant and equipment	**(1,654,623)**	(1,958,677)
Payments for rental deposits	**(19,957)**	(20,649)
Purchase of intangible assets	**(40,184)**	(13,715)
Development costs paid	**—**	(5,690)
Placement of short-term bank deposits with variable interest rate	**(6,000,000)**	(8,286,000)
Placement of short-term bank deposits over three months	**(4,400,000)**	(3,190,000)
Placement of long-term bank deposits	**—**	(1,000,000)
Placement of restricted bank deposits	**—**	(12,412)
NET CASH USED IN INVESTING ACTIVITIES	**(2,423,984)**	(5,225,624)

CONSOLIDATED STATEMENT OF CASH FLOWS

	2022 RMB'000	2021 RMB'000
FINANCING ACTIVITIES		
Dividends paid	**(1,447,882)**	(2,369,904)
Interest paid	**(28,980)**	(25,046)
Repayment of lease liabilities	**(179,111)**	(141,435)
Issue of shares of the Company	**—**	3,720,744
Transaction costs attributable to issuance of share	**—**	(15,170)
Payment on repurchase and cancellation of shares	**(247,077)**	—
Purchase of shares under share award scheme	**(81,207)**	(82,156)
Proceeds from issue of shares upon exercise of share options	**32,970**	28,507
Payment of issue costs	**—**	(4,250)
Advances drawn on bills receivables discounted with recourse	**2,227,479**	2,411,128
NET CASH FROM FINANCING ACTIVITIES	**276,192**	3,522,418
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(1,677,928)**	1,885,126
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**11,426,758**	9,557,802
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**14,103**	(16,170)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	**9,762,933**	11,426,758

Note: During the year ended 31 December 2022, the Group received bills receivables of RMB2,427,240,000 (2021: RMB4,196,795,000) and transferred bills receivables of RMB2,227,479,000 (2021: RMB2,411,128,000) to banks by discounting the bills receivables on a full recourse basis. Without discounting the bills receivables, the cash collection upon maturity of the bills receivables would be included in cash flows from operating activities in the consolidated statement of cash flows. During the years ended 31 December 2022 and 2021, the Group has discounted the bills receivables and the relevant cash flows have been included in cash flows from financing activities and settlement by customers to banks directly would be accounted for as non-cash transactions.

1. General Information

Smoore International Holdings Limited 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 on 10 July 2020 ("**Listing Date**"). The addresses of the Company's registered office and principal place of business are Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands and Office B, 28/F, EGL Tower, No. 83 Hung To Road, Kowloon, Hong Kong, respectively.

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

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

2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants for the first time, which are mandatorily effective for the Group's annual periods beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS16	Covid-19-Related Rent Concession beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

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

2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17 (including the October 2020 and February 2022 amendments to HKFRS 17)	Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendment to HKFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1	Non-current Liabilities with Covenants[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or after 1 January 2024.

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

Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 *Making Materiality Judgements* (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group and the disclosures of the Group's significant accounting policies.

2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

Amendments to HKAS 8 Definition of Accounting Estimates

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty — that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 *Income taxes* ("**HKAS 12**") so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

As disclosed in Note 3 to the consolidated financial statements, for leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. As at 31 December 2022, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to RMB447,371,000 and RMB456,810,000 respectively. The Group is still in the process of assessing the full impact of the application of the amendments.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies

Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 *Leases* ("**HKFRS 16**"), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

The Group is principally engaged in the manufacture and sales of APV and vaping devices and components other than APV. The Group recognises the revenue at a point in time when the control of products is transferred to the customer, i.e. when the goods have been delivered to customers. A receivable is recognised by the Group when the goods are delivered to the customer's premises as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. The customers have neither rights of return nor rights to defer or avoid payment for the goods once they are accepted by the customers.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application of HKFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received; and
- any initial direct costs incurred by the Group.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets in “property, plant and equipment”, the same line item within which the corresponding underlying assets would be presented if they were owned.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 *Financial Instruments* ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable and payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease modifications (Continued)

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

When the modified contract contains one or more additional lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component. The associated non-lease components are included in the respective lease components.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's interests in associates/joint ventures.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

Significant accounting policies (Continued)

Borrowing costs

All borrowing costs not directly attributable to the acquisition, construction or production of qualifying assets are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Employee benefit

Retirement benefit costs

Payments to the state-owned retirement benefit schemes and the Mandatory Provident Fund Scheme ("MPF Scheme") are recognised as an expense when employee have rendered service entitling them to the contributions.

Termination benefits

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, bonus and commissions) after deducting any amount already paid.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

Significant accounting policies (Continued)

Share-based payments

Equity-settled share-based payment transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

Share options granted to employees

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

Share awarded to employees

For share award scheme, the fair value of services received, determined by reference to the fair value of awarded shares granted at the grant date, is expensed on a straight-line basis over the vesting period, with a corresponding increase in share award reserve. The cost of acquisition of the Company's shares held for the share award scheme is recorded as shares held under share award scheme. At the time when the awarded shares are vested, the difference between the amount previously recognised in share award reserve and the amount of the relevant treasury shares will be transferred to share premium.

At the end of each reporting period, the Group revisits its estimate of the number of awarded shares that are expected to ultimately vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share award reserve.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

Significant accounting policies (Continued)

Share-based payments (Continued)

Equity-settled share-based payment transactions (Continued)

Modification to the terms and conditions of the share-based payment arrangements

When the terms and conditions of an equity-settled share-based payment arrangement are modified, the Group recognises, as a minimum, the services received measured at the grant date fair value of the equity instruments granted, unless those equity instruments do not vest because of failure to satisfy a vesting condition (other than a market condition) that was specified at grant date. In addition, if the Group modifies the vesting conditions (other than a market condition) in a manner that is beneficial to the employees, for example, by reducing the vesting period, the Group takes the modified vesting conditions into consideration over the remaining vesting period.

The incremental fair value granted, if any, is the difference between the fair value of the modified equity instruments and that of the original equity instruments, both estimated as at the date of modification.

If the modification occurs during the vesting period, the incremental fair value granted is included in the measurement of the amount recognised for services received over the period from modification date until the date when the modified equity instruments are vested, in addition to the amount based on the grant date fair value of the original equity instruments, which is recognised over the remainder of the original vesting period.

If the modification reduces the total fair value of the share-based arrangement, or is not otherwise beneficial to the employee, the Group continues to account for the original equity instruments granted as if that modification had not occurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

Significant accounting policies (Continued)

Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Current and deferred tax are recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes other than construction in progress, are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

Significant accounting policies (Continued)

Property, plant and equipment (Continued)

Property, plant and equipment in the course of construction for production or supply are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets for land use rights" within "property, plant and equipment" in the consolidated statement of financial position .When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses (if any). Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

Significant accounting policies (Continued)

Intangible assets (Continued)

Internally-generated intangible assets — research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

Impairment on property, plant and equipment and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of property, plant and equipment and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

Significant accounting policies (Continued)

Impairment on property, plant and equipment and intangible assets (Continued)

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Bank balances and cash

Bank balances and cash presented on the consolidated statement of financial position include cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of bank balances and cash as defined above.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

Significant accounting policies (Continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on weighted average cost method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets and financial liabilities are initially measured at fair value except for trade and bills receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 *Revenue from Contracts with Customers* ("HKFRS 15"). Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("**FVTOCI**"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interest earned on the financial asset and is included in the "other gains and losses" line item.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit losses ("**ECL**") model on financial assets (including trade and bills receivables, other receivables and rental deposits, short-term bank deposits over three months, long-term bank deposits, restricted bank deposits and bank balances), which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk on financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 (Continued)

(i) Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 (Continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 (Continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at amortised cost

Financial liabilities including trade and bills payables, other payables and advances drawn on bills receivables discounted with recourse are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in Note 3, the management of the Group is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(i) Provision of ECL for trade receivables

The management of the Group estimates the amount of lifetime ECL of trade receivables individually, based on internal credit ratings of trade debtors, after considering aging, historical repayment records, past due status of respective trade receivables and forward-looking information. The assessment of the provision of ECL for trade receivables involves certain degree of estimation and uncertainty as the provision of ECL is sensitive to changes in estimates including internal credit ratings and corresponding default rate. At each reporting date, the credit ratings are reassessed and forward-looking information are considered.

The information about the ECL and the Group's trade receivables are disclosed in Note 29(b).

(ii) Deferred tax liabilities

The Group provides deferred tax liabilities in relation to the earnings expected to be distributed from the certain subsidiaries of the Company. Deferred tax liabilities have not been provided on certain distributable profits of these subsidiaries as the Group plans to retain the profits in the respective entities for their daily operations and future developments. In case where the actual distribution of profits from those subsidiaries are larger than expected or changes in the Group's future development plan which affects the expected timing and amounts of future distributions, material tax liabilities may arise, which will be recognised in profit or loss in the period in which such events occur.

5. Revenue and Segment Information

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

Revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specific location (the "**delivery**"). Following the delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility on selling the goods and bears the risks of obsolescence and loss in relation to the goods. The normal credit term is 0 to 90 days upon the delivery.

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

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

	2022 **RMB'000**	2021 RMB'000
Vaping devices and components, other than APV	**10,679,372**	12,593,523
APV	**1,465,608**	1,161,719
Total revenue that recognised at a point in time	**12,144,980**	13,755,242

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

	2022 **RMB'000**	2021 RMB'000
Segment revenue	**12,144,980**	13,755,242
Segment profit	**2,921,847**	6,190,729
Unallocated income	**40,357**	33,851
Unallocated expenses	**(7,878)**	(15,238)
Profit before tax	**2,954,326**	6,209,342

The accounting policies of the operating segment is the same as the Group's accounting policies described in Note 3. Segment profit represents profit earned from the segment without allocation of certain interest income from bank deposits and central administration costs. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

5. 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:

	2022 RMB'000	2021 RMB'000
The PRC (excluding Hong Kong)	**3,199,847**	5,530,301
Hong Kong, China (Note)	**3,348,893**	3,776,229
United Kingdom	**2,811,503**	1,527,295
United States of America	**1,298,190**	1,677,274
France	**328,999**	243,984
Japan	**284,461**	199,490
Croatia	**177,711**	46,904
New Zealand	**129,995**	158,776
Others	**565,381**	594,989
	12,144,980	13,755,242

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

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

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

Information about major customers

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

	2022 RMB'000	2021 RMB'000
Customer A	**5,149,555**	4,722,995
Customer B	**1,886,831**	3,739,263

6. Other Income and Other Gains and Losses

(a) Other income

	2022 RMB'000	2021 RMB'000
Interest income from bank deposits	**415,648**	422,783
Interest income from rental deposits	**1,769**	1,449
Government grants (Note)	**69,925**	54,161
Compensation income from customers	**1,818**	4,457
Others	**7,824**	16,218
	496,984	499,068

Note: Except for the government grants as described in Note 24, the remaining amount mainly represents subsidy income received from certain government authorities in the PRC as support funds for expenses incurred for the operations of Smoore Shenzhen as a High and New Technology Enterprise in the PRC. The subsidies are one-off and non-recurring in nature.

(b) Other gains and losses

	2022 RMB'000	2021 RMB'000
Net foreign exchange gains (losses)	**126,711**	(38,087)
(Loss) gain arising on forward foreign exchange contracts	**(50,029)**	67,821
Gain arising on short-term bank deposits with variable interest rate	**72,805**	66,129
Loss on disposal/write off of property, plant and equipment	**(20,251)**	(126)
Gain on early termination of leases	**271**	6,004
Others	**3,759**	(8,555)
	133,266	93,186

7. Finance Costs

	2022 RMB'000	2021 RMB'000
Interest expense on lease liabilities	**18,840**	15,467
Interest expense on bills receivables discounted with recourse	**10,140**	9,579
	28,980	25,046

8. Income Tax Expense

	2022 RMB'000	2021 RMB'000
Current tax:		
— PRC Enterprise Income Tax ("**EIT**")	**393,549**	915,851
— Hong Kong Profits Tax	**2,100**	9,933
	395,649	925,784
Underprovision in prior years		
— PRC EIT	**12,122**	753
	407,771	926,537
Deferred tax (Note 16)	**36,239**	(4,162)
	444,010	922,375

Hong Kong

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

8. Income Tax Expense (Continued)

PRC

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% except for Smoore Shenzhen, Jiangmen Moore Technology Co., Ltd# (江門摩爾科技有限公司) ("Moore Jiangmen") and Shenzhen Maishi Technology Co., Ltd# (深圳麥時科技有限公司) ("Maishi Technology"), three major operating subsidiaries in the PRC. Smoore Shenzhen was qualified as High Technology and New Enterprise in November 2015 which was subsequently renewed in November 2018 and December 2021, and therefore Smoore Shenzhen is entitled to a preferential income tax rate of 15% for the years ended 31 December 2021 and 2022. Moore Jiangmen and Maishi Technology were qualified as High Technology and New Enterprise in December 2021, and therefore Moore Jiangmen and Maishi Technology are entitled to a preferential income tax rate of 15% for the year ended 31 December 2021 and 2022. The qualification as a High and New Technology Enterprise is subject to review by the relevant tax authority in the PRC for every three years.

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

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

English name is for identification purpose only

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2022 RMB'000	2021 RMB'000
Profit before tax	**2,954,326**	6,209,342
Income tax expense calculated at 15% (Note i)	**443,149**	931,401
Tax effect of expense not deductible for tax purpose	**57,692**	68,803
Tax effect of income not taxable for tax purpose	**(344)**	(2,557)
Tax effect of tax losses not recognised	**36,103**	9,656
Utilisation of tax losses previously not recognised	**(1,455)**	(176)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**14,928**	4,524
Tax relief related to additional tax deduction on research and development costs incurred (Note ii)	**(159,856)**	(95,330)
Underprovision in prior years	**12,122**	753
Withholding tax on distributed profits of a subsidiary	**36,878**	—
Others	**4,793**	5,301
	444,010	922,375

Notes:

(i) The PRC EIT rate of Smoore Shenzhen, Moore Jiangmen and Maishi Technology that accounts for substantial operation of the Group is 15%.

(ii) Pursuant to Caishui 2018 circular No. 99, Smoore Shenzhen, Moore Jiangmen, Maishi Technology, 深圳摩爾霧化健康醫療科技有限公司, 海南摩爾兄弟科技有限公司 and 江門思摩爾新材料科技有限公司 are entitled to additional tax deduction on qualifying research and development costs expenditures.

9. Profit for the Year

	2022 RMB'000	2021 RMB'000
Profit before tax has been arrived at after charging (crediting):		
Directors' remuneration (Note 10)	**43,939**	61,471
Other staff costs:		
— Salaries, bonus and other benefits	**2,695,139**	2,356,706
— Retirement benefit scheme contributions	**247,257**	214,195
— Share-based payment expense	**346,016**	224,362
	3,332,351	2,856,734
Less: amounts capitalised as cost of inventories manufactured	**(1,426,905)**	(1,389,966)
amounts capitalised in intangible assets	**—**	(5,475)
	1,905,446	1,461,293
Depreciation of right-of-use assets for buildings and land use rights	**210,467**	140,197
Depreciation of property, plant and equipment other than right-of-use assets	**335,236**	168,492
Amortisation of intangible assets	**20,830**	23,317
	566,533	332,006
Less: amounts capitalised as cost of inventories manufactured	**(344,489)**	(244,267)
	222,044	87,739
Expenses related to short-term leases	**20,144**	20,971
Auditor's remuneration	**4,309**	4,030
Cost of inventories recognised as expense	**6,871,909**	6,359,637
Allowance for inventories included in cost of sales	**8,791**	719
Impairment loss recognised on intangible assets included in		
— cost of sales	**4,648**	17,847

10. Directors', Chief Executive's and Employees' Emoluments

(a) Directors' and chief executive's emoluments

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance, is as follows:

	Fees RMB'000	Salaries, bonus and other allowances RMB'000	Retirement benefit scheme contributions RMB'000	Share-based payment expense RMB'000	Total RMB'000
For the year ended 31 December 2022					
Executive directors:					
— Mr. Chen (Note i)	—	4,387	42	29,358	33,787
— Mr. Xiong Shaoming	—	1,916	46	906	2,868
— Mr. Wang Guisheng	—	3,160	45	3,020	6,225
— Ms. Wang Xin (Note ii)	—	125	2	32	159
Non-executive director:					
— Dr. Liu Jincheng (Note iii)	—	—	—	—	—
— Ms. Jiang Min (Note iv)	—	—	—	—	—
Independent non-executive directors:					
— Mr. Zhong Shan	300	—	—	—	300
— Mr. Yim Siu Wing	300	—	—	—	300
— Dr. Liu Jie	300	—	—	—	300
	900	9,588	135	33,316	43,939
For the year ended 31 December 2021					
Executive directors:					
— Mr. Chen (Note i)	—	5,290	47	43,638	48,975
— Mr. Xiong Shaoming	—	2,427	49	961	3,437
— Mr. Wang Guisheng	—	3,266	49	4,844	8,159
Non-executive director:					
— Dr. Liu Jincheng (Note iii)	—	—	—	—	—
Independent non-executive directors:					
— Mr. Zhong Shan	300	—	—	—	300
— Mr. Yim Siu Wing	300	—	—	—	300
— Dr. Liu Jie	300	—	—	—	300
	900	10,983	145	49,443	61,471

10. Directors', Chief Executive's and Employees' Emoluments (Continued)

(a) Directors' and chief executive's emoluments (Continued)

Notes:

(i) Mr. Chen is also the chief executive of the Company and his emoluments disclosed above included those for services rendered by him as the chief executive.

(ii) Ms. Wang Xin, female, was appointed as an executive director on 24 November 2022.

(iii) Mr. Liu Jincheng resigned as a non-executive director on 28 December 2022.

(iv) Ms. Jiang Min was appointed as a non-executive director on 28 December 2022.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

No director's emolument was paid or payable by the Company to the non-executive director for the years ended 31 December 2022 and 2021.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

During the years ended 31 December 2022 and 2021, certain directors of the Company were granted share options, in respect of their services to the Group under the share option scheme of the Company. Details of the share option scheme are set out in Note 27.

(b) Employees' emoluments

The five highest paid employees of the Group during the year included one director (2021: one director) director of the Company, with details of his emolument is set out above. Details of the remuneration of the remaining four (2021: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2022 RMB'000	2021 RMB'000
Salaries, bonus and other allowances	**20,099**	9,168
Retirement benefit scheme contributions	**195**	147
Share-based payment expense	**90,633**	58,643
	110,927	67,958

10. Directors', Chief Executive's and Employees' Emoluments (Continued)

(b) Employees' emoluments (Continued)

The number of highest paid employees who are not the directors of the Company whose remuneration fell within the following band are as follows:

	Number of employees	
	2022	2021
HK$9,000,001 to HK$9,500,000	**1**	—
HK$10,500,001 to HK$11,000,000	**—**	1
HK$15,500,001 to HK$16,000,000	**—**	1
HK$16,000,001 to HK$16,500,000	**1**	1
HK$24,500,001 to HK$25,000,000	**1**	—
HK$39,000,001 to HK$39,500,000	**—**	1
HK$73,500,001 to HK$74,000,000	**1**	—

No emoluments were paid by the Group to any of the directors, chief executive or the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors and the chief executive has waived or agreed to waive any emoluments.

11. Dividends

	2022 RMB'000	2021 RMB'000
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2022 Interim dividend — HK10 cents (2021 Interim dividend — HK21 cents) per share	**532,898**	1,048,371
2021 Final dividend — HK18 cents (2020 Final dividend — HK27 cents) per share	**915,205**	1,321,534
	1,448,103	2,369,905

During the year, a final dividend of HK18 cents per share in respect of the year ended 31 December 2021(2020: HK27 cents) was declared and paid to owners of the Company by deduction of the share premium of the Company. The aggregate amount of the final dividend paid in the year amounted to HK$1,078,409,000 (equivalent to approximately RMB915,201,000) (2021: HK$1,610,840,000 (equivalent to approximately RMB1,321,534,000)). An interim dividend of HK10 cents per share in respect of the six months period ended 30 June 2022 (six months period ended 30 June 2021: HK21 cents) was declared and paid to the owners of the Company. The aggregate amount of the interim dividend paid in the year amounted to HK$606,834,000 (equivalent to approximately RMB532,681,000) (six months period ended 30 June 2021: HK$1,262,033,000 (equivalent to approximately RMB1,048,371,000)).

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2022 of HK8 cents per share, in an aggregate amount of approximately HK$486,293,000, has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

12. Earnings Per Share

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

	2022 RMB'000	2021 RMB'000
Earnings:		
Earnings for the purpose of basic and diluted earnings per share	**2,510,316**	5,286,967

	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating earnings per share	**6,025,194**	5,971,560
Effect of dilutive potential ordinary shares:		
Share options/award shares	**155,153**	219,586
	6,180,347	6,191,146

The computation of diluted earnings per share does not assume the exercise of certain of the Company's share options/award shares as the averaged adjusted exercise prices of the share options/award shares exceeded the average market prices for the years ended 31 December 2022 and 2021.

13. Property, Plant and Equipment

	Right-of-use assets for buildings RMB'000 (Note)	Right-of-use assets for land use rights RMB'000	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Electronic equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST										
At 1 January 2021	516,114	54,487	22,156	341,418	312,030	51,646	111,418	7,580	95,445	1,512,294
Additions	224,207	–	34,343	213,268	166,604	58,328	53,042	349	694,474	1,444,615
Disposals/written-off/ termination of leases	(142,018)	–	–	(3,430)	(42,789)	(1,522)	(3,936)	(5)	(9,927)	(203,627)
Transfer	–	–	–	–	126,943	–	–	–	(126,943)	–
At 31 December 2021	598,303	54,487	56,499	551,256	562,788	108,452	160,524	7,924	653,049	2,753,282
Additions	324,820	1,043,390	52,546	272,989	142,925	39,074	104,173	4,403	778,522	2,762,842
Disposals/written-off/ termination of leases	(128,959)	–	–	(74,552)	(18,204)	(4,890)	(5,668)	–	(15,767)	(248,040)
Transfer	–	–	24,809	37,287	211,815	1,887	15,988	–	(291,786)	–
Exchange adjustments	2,330	–	–	–	–	–	–	–	–	2,330
At 31 December 2022	796,494	1,097,877	133,854	786,980	899,324	144,523	275,017	12,327	1,124,018	5,270,414
DEPRECIATION										
At 1 January 2021	210,430	1,271	–	90,046	50,265	16,823	24,620	2,627	–	396,082
Provided for the year	139,107	1,090	848	82,324	49,515	11,068	23,546	1,191	–	308,689
Eliminated on disposals/written-off/ termination of leases	(55,688)	–	–	–	(2,344)	(905)	(387)	(4)	–	(59,328)
At 31 December 2021	293,849	2,361	848	172,370	97,436	26,986	47,779	3,814	–	645,443
Provided for the year	178,295	32,172	1,271	153,696	110,559	28,196	39,828	1,686	–	545,703
Eliminated on disposals/written-off/ termination of leases	(123,424)	–	–	(61,058)	(7,817)	(2,942)	(1,378)	–	–	(196,619)
Exchange adjustments	403	–	–	–	478	5	6	1	–	893
At 31 December 2022	349,123	34,533	2,119	265,008	200,656	52,245	86,235	5,501	–	995,420
CARRYING VALUES										
At 31 December 2022	447,371	1,063,344	131,735	521,972	698,668	92,278	188,782	6,826	1,124,018	4,274,994
At 31 December 2021	304,454	52,126	55,651	378,886	465,352	81,466	112,745	4,110	653,049	2,107,839

Note: During the year ended 31 December 2021, lease contracts for factories and dormitories in the PRC were early terminated by certain subsidiaries of the Group and lease contracts with similar properties were re-entered by other subsidiaries of the Group with the lessors in order to align with the business strategic development of the Group. Disposal of right-of-use assets of RMB78,368,000 due to early terminations and additions of leases of RMB84,685,000 are arisen from these arrangements during the year ended 31 December 2021. There was no such arrangements during the year ended 31 December 2022.

13. Property, Plant and Equipment (Continued)

The above items of property, plant and equipment, other than construction in progress, are depreciated over the estimated useful lives, after taking into account the estimated residual values, on a straight-line basis as follows:

Right-of-use assets for buildings and land use rights	Over the lease term
Buildings	Shorter of land-use life or useful life of 50 years
Leasehold improvements	Shorter of lease term or useful life of 5 years
Plant and machinery	5–10 years
Furniture and fixtures	3–5 years
Electronic equipment	4–5 years
Motor vehicles	4–5 years

The Group as lessee

Right-of-use assets (included in the property, plant and equipment)

	2022 RMB'000	2021 RMB'000
Expense relating to short-term leases	**20,144**	20,971
Total cash outflow for leases	**218,095**	177,873
Additions to right-of-use assets	**1,368,210**	224,207

The Group leases various properties to operate its business. Lease contracts are entered into for fixed term of 1 year to 10 years (2021: 1 year to 10 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions and no extension and termination options. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable. Except for right-of-use assets for buildings and land, all the other class of property, plant and equipment are owned by the Group.

In addition, lease liabilities of RMB456,810,000 are recognised with related right-of-use assets of RMB447,371,000 as at 31 December 2022 (2021: lease liabilities of RMB320,075,000 and related right-of-use assets of RMB304,454,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

14. Intangible Assets

	Development costs RMB'000	Technology know-how RMB'000	Software RMB'000	Total RMB'000
COST				
At 1 January 2021	—	107,074	18,628	125,702
Additions	5,690	—	13,715	19,405
At 31 December 2021	5,690	107,074	32,343	145,107
Additions	—	686	39,498	40,184
Disposals/Write-off	—	(1,402)	(4,825)	(6,227)
Transfer	(5,690)	5,690	—	—
At 31 December 2022	—	112,048	67,016	179,064
AMORTISATION AND IMPAIRMENT				
At 1 January 2021	—	31,542	6,002	37,544
Provided for the year	—	18,767	4,550	23,317
Impairment loss recognised in profit and loss	—	17,847	—	17,847
At 31 December 2021	—	68,156	10,552	78,708
Provided for the year	—	12,121	8,709	20,830
Disposals/Write-off	—	(1,402)	(2,731)	(4,133)
Impairment loss recognised in profit and loss	—	4,648	—	4,648
At 31 December 2022	—	83,523	16,530	100,053
CARRYING VALUES				
At 31 December 2022	—	28,525	50,486	79,011
At 31 December 2021	5,690	38,918	21,791	66,399

Development costs and technology know-how are internally generated. All of the Group's software were acquired from third parties.

The above intangible assets have finite useful lives. Development costs will not be amortised until it is transferred to technology know-how and is available for use. Intangible assets other than development costs are amortised on a straight-line basis over five years.

An impairment loss of RMB4,648,000 (2021: RMB17,847,000) is recognised for certain technology know-how.

15. Long-term Bank Deposits, Short-term Bank Deposits Over Three Months and Bank Balances and Cash

(a) Long-term bank deposits

Long-term bank deposits are deposits with a bank with a maturity period of more than twelve months when acquired. Long-term bank deposits will mature after twelve months from the end of the reporting period and are therefore classified as non-current assets at the end of the reporting period. The deposits carry interest at 3.50% (2021: 3.50%) per annum upon maturity or carry at floating rate based on daily bank deposit rate if early redemption at any time before the maturity date.

(b) Short-term bank deposits over three months

As at 31 December 2022, the Group's short-term bank deposits over three months carry fixed interest rates from 1.7% to 3.5% (2021: 1.7% to 2.3%) per annum.

(c) Bank balances and cash

As at 31 December 2022, the Group's bank balances carry interests at prevailing market rates which range from 0% to 0.3% (2021: 0% to 0.3%) per annum and the bank deposits with maturity dates of three months or less carry fixed interest rates from 2.0% to 3.5% (2021: 2.0% to 3.3%) per annum.

At the end of each reporting period, included in bank balances and cash are the following amounts denominated in currencies other than the functional currency of the relevant group entities which they relate:

	31/12/2022 RMB'000	31/12/2021 RMB'000
US dollars ("**US$**")	**161,679**	35,770
HK$	**93,849**	41,796
Great British Pound ("**GBP**")	**472**	373
Indonesian Rupiah ("**IDR**")	**1,290**	145
	257,290	78,084

16. Deferred Tax Assets/Liability

The following is the analysis of the deferred tax balances for financial reporting purposes:

	31/12/2022 RMB'000	31/12/2021 RMB'000
Deferred tax assets	**16,417**	15,778
Deferred tax liability	**(87,939)**	(51,061)
	(71,522)	(35,283)

16. Deferred Tax Assets/Liability (Continued)

The followings are the major deferred tax assets (liability) recognised and movements thereon during the current and prior years.

	Right-of-use assets/lease liabilities RMB'000	Allowance for credit losses RMB'000	Allowance for inventories RMB'000	Impairment loss of intangible assets RMB'000	Undistributed earnings of a subsidiary RMB'000	Total RMB'000
At 1 January 2021	6,243	2,174	3,199	—	(51,061)	(39,445)
(Charge) credit to profit or loss	(2,338)	1,859	179	4,462	—	4,162
At 31 December 2021	3,905	4,033	3,378	4,462	(51,061)	(35,283)
(Charge) credit to profit or loss	(1,546)	(1,175)	2,198	1,162	(36,878)	(36,239)
At 31 December 2022	2,359	2,858	5,576	5,624	(87,939)	(71,522)

Under the EIT Law of the PRC, 10% withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards to their foreign shareholders. For the immediate holding company incorporated in Hong Kong, a preferential rate of 5% will be applied. As at 31 December 2022, deferred taxation has not been provided in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately RMB11,534,553,000 (2021: RMB9,432,523,000), as the Group is able to control the timing of reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

At 31 December 2022, the Group had unused tax losses of RMB325,489,000 (2021: RMB94,506,000) available to offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The unrecognised tax losses will expire in the following years:

	31/12/2022 RMB'000	31/12/2021 RMB'000
2024	**2,744**	2,774
2025	**26,728**	27,360
2026	**55,328**	64,372
2027	**240,689**	—
	325,489	94,506

There were no other significant unrecognised temporary differences at the end of each reporting period.

17. Inventories

	31/12/2022 RMB'000	31/12/2021 RMB'000
Raw materials	**335,757**	238,953
Work in progress	**274,136**	163,029
Finished goods	**230,709**	158,088
	840,602	560,070

18. Trade and Bills Receivables

	31/12/2022 RMB'000	31/12/2021 RMB'000
Trade receivables from contracts with customers	**2,212,365**	1,703,163
Less: allowance for credit losses	**(12,481)**	(16,562)
	2,199,884	1,686,601
Bills receivables	**101,744**	722,653
	2,301,628	2,409,254

The Group allows a credit period of 0 to 90 days (2021: 0 to 75 days) to its trade customers.

As at 1 January 2021, trade receivables from contracts with customers amounted to RMB2,217,590,000.

18. Trade And Bills Receivables (Continued)

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:

	31/12/2022 RMB'000	31/12/2021 RMB'000
Within 30 days	**940,087**	998,721
31 to 60 days	**675,017**	438,734
61 to 90 days	**415,547**	248,221
Over 90 days	**169,233**	925
	2,199,884	1,686,601

The maturity dates of bills receivables are within two months as at 31 December 2022 (2021: two months).

As at 31 December 2022, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB338,541,000 (2021: RMB35,125,000), which are past due at the end of the reporting period for which the Group has not provided for impairment loss as the Group considers such balances could be recovered based on historical experience. The Group does not hold any collateral over these balances.

As at 31 December 2022, RMB 8,536,000 (2021: RMB438,000) have been past due over 90 days or more and is not considered as in default because there had not been significant change in credit quality and the amounts are still considered recoverable.

Details of impairment assessment of trade receivables are set out in Note 29(b).

As of 16 March 2023, RMB1,617,098,000 of trade and bills receivables as of 31 December 2022 had been settled subsequent to the end of the reporting period.

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

	31/12/2022 RMB'000	31/12/2021 RMB'000
US$	**1,270,045**	1,221,678

19. Other Receivables, Deposits and Prepayments

	31/12/2022 RMB'000	31/12/2021 RMB'000
Value added tax recoverable	**454,573**	129,499
Prepayments	**247,052**	116,553
Rental deposits	**43,374**	38,076
Other receivables	**138,291**	76,520
	888,290	360,648
Less: rental deposits (non-current portion)	**(22,434)**	(25,403)
	860,856	335,245

Details of impairment assessment of other receivables are set out in Note 29(b).

20. Trade And Bills Payables

	31/12/2022 RMB'000	31/12/2021 RMB'000
Trade payables		
— third parties	**980,385**	764,060
— a related party	**140,105**	62,740
	1,120,490	826,800
Bills payables	**29,744**	—
	1,150,234	826,800

The Group is normally granted credit terms of 30 to 75 days (2021: 30 to 60 days).

20. Trade And Bills Payables (Continued)

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

	31/12/2022 RMB'000	31/12/2021 RMB'000
Within 30 days	**773,679**	763,272
31–60 days	**246,012**	61,708
61–90 days	**100,599**	1,737
Over 90 days	**200**	83
	1,120,490	826,800

21. Other Payables and Accrued Expenses

	31/12/2022 RMB'000	31/12/2021 RMB'000
Accrued staff costs and benefits	**927,773**	764,945
Other payables	**534,509**	476,070
Accrued expenses	**269,400**	133,254
Other tax payables	**89,998**	59,860
	1,821,680	1,434,129

22. Contract Liabilities

Contract liabilities are recognised when the Group receives amounts from customers before goods are transferred, this will give rise to contract liabilities at the beginning of a contract, until the revenue recognised on the relevant contract exceeds the amount received. The Group typically receives a deposit of 10% to 100% of total consideration from certain customers when they enter into contracts with the Group.

Revenue recognised during the years ended 31 December 2022 and 2021 included the whole amount of contract liabilities at the beginning of the respective reporting period. There was no revenue recognised during the year ended 31 December 2022 that related to performance obligations that were satisfied in prior years (2021: nil).

As at 1 January 2021, contract liabilities amounted to RMB253,788,000.

23. Lease Liabilities

	31/12/2022 RMB'000	31/12/2021 RMB'000
Lease liabilities payable:		
— Within one year	**156,872**	145,513
— More than one year but not exceeding two years	**94,598**	93,487
— More than two years but not exceeding five years	**183,162**	55,268
— More than five years	**22,178**	25,807
	456,810	320,075
Less: Amounts due for settlement within twelve months shown under current liabilities	**(156,872)**	(145,513)
Amounts due for settlement after twelve months shown under non-current liabilities	**299,938**	174,562

The Group leases various properties to operate its factories and these lease liabilities were measured at the present value of the lease payments that are not yet paid. All leases are entered at fixed prices. As at 31 December 2022, the incremental borrowing rate applied range from 4.75% to 4.90% (2021: from 4.75% to 4.90%) per annum. The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function. The lease liabilities of the Group were unguaranteed and secured by rental deposits.

24. Deferred Income

	31/12/2022 RMB'000	31/12/2021 RMB'000
Balance at beginning of the year	**10,222**	2,729
Government grants received	**5,000**	14,296
Released to profit or loss	**(5,245)**	(6,803)
Balance at end of the year	**9,977**	10,222
Less: Amount to be recognised as income within one year included in current liabilities	**(4,702)**	(5,138)
Amount to be recognised as income after one year included in non-current liabilities	**5,275**	5,084

Note: The Group received government grants for capital expenditure incurred for the acquisition of plant and machineries. The amounts are deferred and amortised over the estimated useful lives of the respective assets.

25. Transfers of Financial Assets

The following were the Group's financial assets as at the end of the reporting period that were transferred to banks by discounting bills receivables on a full recourse basis. As the Group had not transferred the significant risks and rewards relating to these receivables, it continued to recognise the full carrying amount of the receivables and had recognised the cash received on the transfer as a collateralised borrowing. These financial assets were carried at amortised cost in the consolidated statement of financial position.

	31/12/2022 RMB'000	31/12/2021 RMB'000
Carrying amount of bills receivables discounted to bank with full recourse	**101,744**	437,505
Carrying amount of associated liabilities	**(101,744)**	(437,505)
Net position	**–**	–

26. Share Capital

	Number of shares	Share Capital US$'000
Ordinary shares of US$0.01 each		
Authorised:		
At 1 January 2021, 31 December 2021 and 31 December 2022	10,000,000,000	100,000

	Number of shares	Amount US$'000	Equivalent amount of ordinary shares RMB'000
Issued and fully paid:			
At 1 January 2021	5,865,150,720.000	58,652	410,068
Issuance of ordinary share (Note i)	60,000,000.000	600	3,877
Exercise of share options (Note 27)	85,075,500.000	851	5,506
At 31 December 2021	6,010,226,220.000	60,103	419,451
Exercise of share options (Note 27)	86,762,500.000	867	5,905
Repurchase and cancellation of ordinary shares	(18,820,000.000)	(188)	(1,313)
At 31 December 2022	6,078,168,720.000	60,782	424,043

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

26. Share Capital (Continued)

Note:

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

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.

The new shares rank pari passu with the existing shares in all respects.

27. 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.

On 1 May 2020, the Company granted 116,113,000 share options to eligible directors, management and employees under the Pre-IPO share option scheme, on the assumption that the Capitalisation Issue# had been effective as of the date of acceptance.

At 31 December 2022, the number of shares in respect of which options had been granted and remained outstanding under the Pre-IPO share option scheme was 102,016,500 (2021: 191,327,500), representing 1.7% of the shares of the Company in issue at that day (2021: 3.2% (assuming the over-allotment option is not exercised and without taking into account any shares which may be issued upon the exercise of the options granted under the Pre-IPO share option scheme or any options which may be granted under the post-IPO share option scheme)). The total number of shares in respect of which options may be granted under the Pre-IPO share option scheme is not permitted to exceed 10% of the shares of the Company in issue as at the Listing Date, without prior approval from the Company's shareholders.

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 ("**Capitalisation Issue**").

27. Share-based Payment Transactions (Continued)

(i) The Pre-IPO share option scheme (Continued)

For the years ended 31 December 2022 and 2021

The following table discloses movements of the Pre-IPO share option scheme:

	Outstanding at at 1 January 2021	Exercised during the year	Lapsed during the year (Note)	Outstanding at 31 December 2021	Exercised during the year	Lapsed during the year (Note)	Outstanding at 31 December 2022
Share options granted on 30 September 2019:							
Lot I	47,099,000	(46,860,000)	—	239,000	(95,000)	—	144,000
Lot II	35,446,000	(31,509,500)	(46,000)	3,890,500	(304,500)	(18,000)	3,568,000
Lot III	37,946,000	—	(49,000)	37,897,000	(27,323,000)	(364,000)	10,210,000
Lot IV	34,417,000	—	(50,000)	34,367,000	—	(472,000)	33,895,000
Lot V	10,263,000	—	(46,000)	10,217,000	—	(447,000)	9,770,000
Share options granted on 1 May 2020:							
Lot I	16,037,000	(37,000)	—	16,000,000	(16,000,000)	—	—
Lot II	23,015,000	(6,669,000)	(145,000)	16,201,000	(16,142,000)	—	59,000
Lot III	28,567,000	—	(669,000)	27,898,000	(26,898,000)	(366,500)	633,500
Lot IV	24,841,500	—	(418,500)	24,423,000	—	(459,000)	23,964,000
Lot V	20,613,000	—	(418,000)	20,195,000	—	(422,000)	19,773,000
Total	278,244,500	(85,075,500)	(1,841,500)	191,327,500	(86,762,500)	(2,548,500)	102,016,500

Note: Certain employees resigned during the year and respective share options lapsed accordingly.

Out of the outstanding share options of 102,016,500 (2021: 191,327,500), 14,614,500 (2021: 36,330,500) options were exercisable as at 31 December 2022 with an exercise price of RMB0.38 (2021: RMB0.38) per share.

27. Share-based Payment Transactions (Continued)

(i) The Pre-IPO share option scheme (Continued)

The weighted average exercise price is RMB0.38 since the date of grant.

Details of specific categories of options are as follows:

Granted on 30 September 2019:

Types	Vesting period	Exercisable period	Grant date fair value per option RMB
Lot I	30.09.2019 — 3 months from the Listing Date	3 months from the Listing Date — 29.09.2029	2.4186
Lot II	30.09.2019 — 12 months from the Listing Date	12 months from the Listing Date — 29.09.2029	2.3962
Lot III	30.09.2019 — 24 months from the Listing Date	24 months from the Listing Date — 29.09.2029	2.3678
Lot IV	30.09.2019 — 36 months from the Listing Date	36 months from the Listing Date — 29.09.2029	2.3402
Lot V	30.09.2019 — 48 months from the Listing Date	48 months from the Listing Date — 29.09.2029	2.3129

Fair value of share options granted	RMB484,140,000

Granted on 1 May 2020:

Types	Vesting period	Exercisable period	Grant date fair value per option RMB
Lot I	01.05.2020 — 3 months from the Listing Date	3 months from the Listing Date — 30.04.2030	2.0433
Lot II	01.05.2020 — 12 months from the Listing Date	12 months from the Listing Date — 30.04.2030	2.0962
Lot III	01.05.2020 — 24 months from the Listing Date	24 months from the Listing Date — 30.04.2030	2.1077
Lot IV	01.05.2020 — 36 months from the Listing Date	36 months from the Listing Date — 30.04.2030	2.0845
Lot V	01.05.2020 — 48 months from the Listing Date	48 months from the Listing Date — 30.04.2030	2.0779

Fair value of share options granted	RMB242,200,000

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise was HK$16.33 (2021: HK$53.50).

27. Share-based Payment Transactions (Continued)

(i) The Pre-IPO share option scheme (Continued)

Details of specific categories of options are as follows: (Continued)

Binomial Option Pricing model ("**BOPM**") was used to determine the fair value of the option granted. Key assumptions, such as risk-free rate and volatility, are required to be determined by the directors of the Company with best estimate. The key inputs into the model were as follows:

	Share options granted on 1 May 2020	Share options granted on 30 September 2019
Weighted average share price	**RMB2.89**	RMB3.11
Exercise price	**RMB0.38**	RMB0.38
Expected volatility	**40%**	40%
Risk-free rate	**2.54%**	3.14%
Expected dividend yield	**1.50%**	1.50%

The directors of the Company estimated the risk-free rate based on the yield of the China 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 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.

During the year, the Group recognised the total expense of RMB 80,188,000 (2021:RMB155,622,000) in relation to Pre-IPO share options granted by the Company.

(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.

At 31 December 2022, the number of shares in respect of which options had been granted and remained outstanding under the Post-IPO share option scheme was 56,255,000 (2021: 38,078,000), representing 1.6% (2021: 0.6%) of the shares of the Company in issue at that day. The total number of shares in respect of which options may be granted under the Post-IPO share option scheme is not permitted to exceed 10% of the shares of the Company in issue as at the Listing Date, without prior approval from the Company's shareholders.

27. Share-based Payment Transactions (Continued)

(ii) The Post-IPO share option scheme (Continued)

The following table discloses movements of the Post-IPO share option scheme held by directors and employees during the years ended 31 December 2022 and 2021:

	Granted during the year ended 31 December 2021	Lapsed during the year (Note i)	Outstanding at 31 December 2021	Granted during the year	Lapsed during the year (Note i)	Cancelled during the year (Note ii)	Outstanding at 31 December 2022
Share options granted on 1 April 2021 (Note ii)							
Lot I	7,072,668	(297,667)	6,775,001	–	(256,834)	(6,518,167)	–
Lot II	7,072,668	(297,667)	6,775,001	–	(256,834)	(6,518,167)	–
Lot III	7,072,664	(297,666)	6,774,998	–	(256,832)	(6,518,166)	–
Lot IV	5,170,000	(295,000)	4,875,000	–	(207,500)	(4,667,500)	–
Share options granted on 9 July 2021 (Note ii)							
Lot I	921,000	(100,000)	821,000	–	(135,000)	(686,000)	–
Lot II	921,000	(100,000)	821,000	–	(135,000)	(686,000)	–
Lot III	921,000	(100,000)	821,000	–	(135,000)	(686,000)	–
Lot IV	907,000	(100,000)	807,000	–	(135,000)	(672,000)	–
Share options granted on 30 September 2021 (Note ii)							
Lot I	2,495,750	(31,250)	2,464,500	–	(217,250)	(2,247,250)	–
Lot II	2,495,750	(31,250)	2,464,500	–	(217,250)	(2,247,250)	–
Lot III	2,495,750	(31,250)	2,464,500	–	(217,250)	(2,247,250)	–
Lot IV	2,245,750	(31,250)	2,214,500	–	(217,250)	(1,997,250)	–
Share options granted on 4 January 2022 (Note ii)							
Lot I	–	–	–	957,500	(130,000)	(827,500)	–
Lot II	–	–	–	957,500	(130,000)	(827,500)	–
Lot III	–	–	–	957,500	(130,000)	(827,500)	–
Lot IV	–	–	–	957,500	(130,000)	(827,500)	–
Share options granted on 19 May 2022							
Lot I	–	–	–	2,447,000	(146,000)	–	2,301,000
Lot II	–	–	–	2,993,750	(146,000)	–	2,847,750
Lot III	–	–	–	2,993,750	(146,000)	–	2,847,750
Lot IV	–	–	–	2,993,750	(146,000)	–	2,847,750
Lot V	–	–	–	546,750	–	–	546,750
Share options granted on 21 July 2022							
Lot I	–	–	–	629,500	(65,000)	–	564,500
Lot II	–	–	–	629,500	(65,000)	–	564,500
Lot III	–	–	–	629,500	(65,000)	–	564,500
Lot IV	–	–	–	629,500	(65,000)	–	564,500

27. Share-based Payment Transactions (Continued)

(ii) The Post-IPO share option scheme (Continued)

The following table discloses movements of the Post-IPO share option scheme held by directors and employees during the years ended 31 December 2022 and 2021: (Continued)

	Granted during the year ended 31 December 2021	Lapsed during the year (Note i)	Outstanding at 31 December 2021	Granted during the year	Lapsed during the year (Note i)	Cancelled during the year (Note ii)	Outstanding at 31 December 2022
Share options granted on 9 November 2022 (Note ii)							
Lot I	–	–	–	8,999,200	(42,800)	–	8,956,400
Lot II	–	–	–	8,999,200	(42,800)	–	8,956,400
Lot III	–	–	–	6,223,600	(33,400)	–	6,190,200
Lot IV	–	–	–	910,000	–	–	910,000
Lot V	–	–	–	910,000	–	–	910,000
Lot VI	–	–	–	910,000	–	–	910,000
Lot VII	–	–	–	2,915,800	(2,000)	–	2,913,800
Lot VIII	–	–	–	2,915,800	(2,000)	–	2,913,800
Lot IX	–	–	–	2,907,400	(2,000)	–	2,905,400
Lot X	–	–	–	1,103,500	(26,700)	–	1,076,800
Lot XI	–	–	–	1,103,500	(26,700)	–	1,076,800
Lot XII	–	–	–	1,103,000	(26,600)	–	1,076,400
Share options granted on 10 November 2022							
Lot I	–	–	–	515,000	(45,000)	–	470,000
Lot II	–	–	–	515,000	(45,000)	–	470,000
Lot III	–	–	–	515,000	(45,000)	–	470,000
Lot IV	–	–	–	515,000	(45,000)	–	470,000
Share options granted on 28 December 2022							
Lot I	–	–	–	482,500	–	–	482,500
Lot II	–	–	–	482,500	–	–	482,500
Lot III	–	–	–	482,500	–	–	482,500
Lot IV	–	–	–	482,500	–	–	482,500
Total	39,791,000	(1,713,000)	38,078,000	61,314,000	(4,136,000)	(39,001,000)	56,255,000

Under the Post-IPO share option scheme, no options were exercisable as at 31 December 2021 and 2022.

27. Share-based Payment Transactions (Continued)

(ii) The Post-IPO share option scheme (Continued)

The following table discloses movements of the Post-IPO share option scheme held by directors and employees during the year ended 31 December 2022 and 2021: (Continued)

Notes:

(i) Certain employees resigned during the year and respective share options lapsed accordingly.

(ii) Pursuant to the announcement of the Company dated 1 April 2021, 9 July 2021, 30 September 2021 and 4 January 2022, the Company has granted 26,388,000, 3,670,000, 9,733,000 and 3,830,000 share options to certain eligible participants (the "**Existing Grantees**") with an exercise price of HK$51.05, HK$42.08, HK$36.30 and HK$38.43 per share (the "**Original Exercise Prices**") under the Post-IPO share option scheme, which entitle the Existing Grantees to subscribe for a total of 43,621,000 new ordinary shares of US$0.01 each. As at the date of 9 November 2022, 4,620,000 share options have lapsed since some Existing Grantees have ceased to be eligible participants after resignation, all of the remaining 39,001,000 share options have not been exercised (the "**Outstanding Share Options**").

Given that the Original Exercise Prices are much higher than the recent market price of the shares, directors of the Company is of the view that the Outstanding Share Options will not be able to achieve the purpose of providing the Existing Grantees with incentives and rewards for their contribution to the Group in the short run. Therefore, the directors of the Company has resolved to cancel the Outstanding Share Options under the Post-IPO share option scheme and to grant the Existing Grantees with the same number of new share options ("**the Replacement Option**"), which were beneficial to the Existing Grantees. The cancellation and grant are accounted for as a replacement in accordance with HKFRS 2, in which the amount to be recognised for the services from Existing Grantees is measured based on original vesting conditions. The incremental fair value amounted to RMB90,968,000, which is calculated as the difference between the fair value of the Replacement Options measured using BOPM and the net fair value of the cancelled options at the date the Replacement Options were granted.

27. Share-based Payment Transactions (Continued)

(ii) The Post-IPO share option scheme (Continued)

Details of specific categories of options are as follows:

Granted on 1 April 2021:

Types	Vesting period	Exercisable period	Grant date fair value per option HK$
Lot I	01.04.2021 – 31.03.2022	01.04.2022 – 31.03.2031	10.1504
Lot II	01.04.2021 – 31.03.2023	01.04.2023 – 31.03.2031	11.3630
Lot III	01.04.2021 – 31.03.2024	01.04.2024 – 31.03.2031	12.3951
Lot IV	01.04.2021 – 31.03.2025	01.04.2025 – 31.03.2031	13.2697
Fair value of share options granted			HK$308,428,060

Granted on 9 July 2021:

Types	Vesting period	Exercisable period	Grant date fair value per option HK$
Lot I	09.07.2021 – 08.07.2022	09.07.2022 – 08.07.2031	12.0530
Lot II	09.07.2021 – 08.07.2023	09.07.2023 – 08.07.2031	14.2180
Lot III	09.07.2021 – 08.07.2024	09.07.2024 – 08.07.2031	16.0390
Lot IV	09.07.2021 – 08.07.2025	09.07.2025 – 08.07.2031	17.4710
Fair value of share options granted			HK$54,813,707

Granted on 30 September 2021:

Types	Vesting period	Exercisable period	Grant date fair value per option HK$
Lot I	30.09.2021 – 29.09.2022	30.09.2022 – 29.09.2031	10.6580
Lot II	30.09.2021 – 29.09.2023	30.09.2023 – 29.09.2031	12.5610
Lot III	30.09.2021 – 29.09.2024	30.09.2024 – 29.09.2031	14.1650
Lot IV	30.09.2021 – 29.09.2025	30.09.2025 – 29.09.2031	15.4310
Fair value of share options granted			HK$127,955,286

27. Share-based Payment Transactions (Continued)

(ii) The Post-IPO share option scheme (Continued)

Details of specific categories of options are as follows: (Continued)

Granted on 4 January 2022:

Types	Vesting period	Exercisable period	Grant date fair value per option HK$
Lot I	04.01.2022 – 03.01.2023	04.01.2023 – 03.01.2032	8.8970
Lot II	04.01.2022 – 03.01.2024	04.01.2024 – 03.01.2032	10.2500
Lot III	04.01.2022 – 03.01.2025	04.01.2025 – 03.01.2032	11.4830
Lot IV	04.01.2022 – 03.01.2026	04.01.2026 – 03.01.2032	12.4890
Fair value of share options granted			HK$41,286,443

Granted on 19 May 2022

Types	Vesting period	Exercisable period	Grant date fair value per option HK$
Lot I	19.05.2022 – 18.05.2023	19.05.2023 – 18.05.2032	4.5570
Lot II	19.05.2022 – 18.05.2024	19.05.2024 – 18.05.2032	5.1940
Lot III	19.05.2022 – 18.05.2025	19.05.2025 – 18.05.2032	5.6660
Lot IV	19.05.2022 – 18.05.2026	19.05.2026 – 18.05.2032	6.0380
Lot V	19.05.2022 – 18.05.2027	19.05.2027 – 18.05.2032	6.3300
Fair value of share options granted			HK$65,200,294

Granted on 21 July 2022:

Types	Vesting period	Exercisable period	Grant date fair value per option HK$
Lot I	21.07.2022 – 20.07.2023	21.07.2023 – 20.07.2032	5.5060
Lot II	21.07.2022 – 20.07.2024	21.07.2024 – 20.07.2032	6.3170
Lot III	21.07.2022 – 20.07.2025	21.07.2025 – 20.07.2032	6.9360
Lot IV	21.07.2022 – 20.07.2026	21.07.2026 – 20.07.2032	7.4370
Fair value of share options granted			HK$16,490,249

27. Share-based Payment Transactions (Continued)

(ii) The Post-IPO share option scheme (Continued)

Details of specific categories of options are as follows: (Continued)

Granted on 9 November 2022:

Types	Vesting period	Exercisable period	Grant date incremental fair value per option HK$
Lot I	09.11.2022 – 07.05.2023	08.05.2023 – 08.11.2032	2.7730
Lot II	09.11.2022 – 31.03.2024	01.04.2024 – 08.11.2032	3.1880
Lot III	09.11.2022 – 31.03.2025	01.04.2025 – 08.11.2032	3.5590
Lot IV	09.11.2022 – 08.07.2023	09.07.2023 – 08.11.2032	2.8690
Lot V	09.11.2022 – 08.07.2024	09.07.2024 – 08.11.2032	3.3090
Lot VI	09.11.2022 – 08.07.2025	09.07.2025 – 08.11.2032	3.6530
Lot VII	09.11.2022 – 29.09.2023	30.09.2023 – 08.11.2032	2.9650
Lot VIII	09.11.2022 – 29.09.2024	30.09.2024 – 08.11.2032	3.3850
Lot IX	09.11.2022 – 29.09.2025	30.09.2025 – 08.11.2032	3.7110
Lot X	09.11.2022 – 03.01.2024	04.01.2024 – 08.11.2032	3.1020
Lot XI	09.11.2022 – 03.01.2025	04.01.2025 – 08.11.2032	3.4920
Lot XII	09.11.2022 – 03.01.2026	04.01.2026 – 08.11.2032	3.7940

Fair value of share options granted	HK$98,911,662

Granted on 10 November 2022:

Types	Vesting period	Exercisable period	Grant date fair value per option HK$
Lot I	10.11.2022 – 09.11.2023	10.11.2023 – 09.11.2032	2.8080
Lot II	10.11.2022 – 09.11.2024	10.11.2024 – 09.11.2032	3.2150
Lot III	10.11.2022 – 09.11.2025	10.11.2025 – 09.11.2032	3.5170
Lot IV	10.11.2022 – 09.11.2026	10.11.2026 – 09.11.2032	3.7540

Fair value of share options granted	HK$6,846,382

27. Share-based Payment Transactions (Continued)

(ii) The Post-IPO share option scheme (Continued)

Details of specific categories of options are as follows: (Continued)

Granted on 28 December 2022:

Types	**Vesting period**	**Exercisable period**	**Grant date fair value per option** HK$
Lot I	12.28.2022 – 12.27.2023	12.28.2023 – 12.27.2032	3.5740
Lot II	12.28.2022 – 12.27.2024	12.28.2024 – 12.27.2032	4.0870
Lot III	12.28.2022 – 12.27.2025	12.28.2025 – 12.27.2032	4.4690
Lot IV	12.28.2022 – 12.27.2026	12.28.2026 – 12.27.2032	4.7710
Fair value of share options granted			HK$8,154,547

BOPM was used to determine the fair value of the option granted. Key assumptions, such as risk-free rate and volatility, are required to be determined by the directors of the Company with best estimate.

The key inputs into the model of the Replacement Option were as follows:

	Share option granted on 1 April 2021	**Share option granted on 9 July 2021**	**Share option granted on 30 September 2021**	**Share option granted on 4 January 2022**
Weighted average share price	HK$51.05	HK$42.08	HK$36.30	HK$38.43
Exercise price	HK$51.05	HK$42.08	HK$36.30	HK$38.43
Expected volatility	27.43%	48.47%	47.92%	40.68%
Risk-free rate	1.42%	1.19%	1.36%	1.41%
Expected dividend yield	1.17%	0.65%	0.58%	0.60%

27. Share-based Payment Transactions (Continued)

(ii) The Post-IPO share option scheme (Continued)

Details of specific categories of options are as follows: (Continued)

	Share option granted on 1 April 2021 and cancelled on 9 November 2022	Share option granted on 9 July 2021 and cancelled on 9 November 2022	Share option granted on 30 September 2021 and cancelled on 9 November 2022	Share option granted on 4 January 2022 and cancelled on 9 November 2022	Share option granted on 9 November 2022
Weighted average share price	HK$51.05	HK$42.08	HK$36.30	HK$38.43	HK$11.11
Exercise price	HK$51.05	HK$42.08	HK$36.30	HK$38.43	HK$11.11
Expected volatility	42.38%	42.26%	42.11%	41.93%	41.46%
Risk-free rate	4.06%	4.05%	4.05%	4.03%	4.00%
Expected dividend yield	2.54%	2.54%	2.54%	2.54%	2.54%

The key inputs into the model of the Post-IPO share option were as follows:

	Share option granted on 19 May 2022	Share option granted on 21 July 2022	Share option granted on 10 November 2022	Share option granted on 28 December 2022
Weighted average share price	HK$16.88	HK$20.80	HK$11.20	HK$12.96
Exercise price	HK$16.88	HK$20.80	HK$11.20	HK$12.96
Expected volatility	41.16%	41.14%	41.50%	41.14%
Risk-free rate	2.90%	2.91%	3.98%	3.56%
Expected dividend yield	2.14%	1.77%	2.62%	2.16%

27. Share-based Payment Transactions (Continued)

(ii) The Post-IPO share option scheme (Continued)

The directors of the Company estimated the risk-free rate based on the yield of the China 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 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.

During the year, the Group recognised the total expense of RMB170,085,000 (2021: RMB115,374,000) in relation to the Post-IPO share options granted by the Company.

(iii) Share Award Scheme

On 2 September 2021 ("**Adoption date**"), the Company's Restricted Share Award Plan (the "**Restricted Share Award Scheme**") was adopted with a duration of 10 years commencing from the Adoption date. The purposes of the Restricted Share Award Scheme are (i) to recognise and reward the contribution of certain employees, directors, advisors and any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group (the "**Eligible Participants**"); and (ii) to attract suitable personnel for further development of the Group.

The Group has set up Giant Bliss to administrate and hold the Company's shares before they are vested and transferred to the Eligible Participants. The vested shares are transferred to Eligible Participants at no cost except that the expenses attributable or payable in respect of the transfer of such shares of the Company shall be borne by the Eligible Participants.

The fair value of the share awarded was determined based on the market value of the Company's shares at the grant dates. The vesting period under the Restricted Share Award Scheme ranges from three months to five years.

During the year ended 31 December 2022, share awarded were granted on 4 January, 19 April, 21 July, 10 November and 28 December. The estimated fair values of the share awarded granted on those dates are HK$32,900,000, HK$109,162,000, HK$19,862,000, HK$8,603,000 and HK$10,349,000 respectively. During the year ended 31 December 2021, share awarded were granted on 24 December. The estimated fair values of the share awarded granted on those dates is HK$188,774,000.

At 31 December 2022, the number of shares which had been granted and remained outstanding under the Restricted Share Award Scheme was 12,862,100 (2021: 4,797,300), representing 0.2% (2021: 0.1%) of the shares of the Company in issue at that day. The total number of shares awarded which may be granted under the Restricted Share Award Scheme shall not exceed 5% of the total issued share capital of the Company. The total number of shares which may be subject to an award or awards to a Eligible Participant shall not in aggregate exceed 1% of the total number of issued shares.

27. Share-based Payment Transactions (Continued)

(iii) Share Award Scheme (Continued)

The following table discloses movements of the Restricted Share Award Scheme held by directors and employees during the years ended 31 December 2022 and 2021:

	Granted during the year ended 31 December 2021 and Outstanding at 1 January 2022	Granted during the year	Vested during the year	Lapsed during the year	Outstanding at 31 December 2022
Shares granted on 24 December 2021:	4,797,300	—	(1,201,200)	(120,500)	3,475,600
Shares granted on 4 January 2022:	—	940,000	—	(80,000)	860,000
Shares granted on 19 April 2022:	—	6,354,000	—	(326,000)	6,028,000
Shares granted on 21 July 2022:	—	976,000	—	(80,000)	896,000
Shares granted on 10 November 2022:	—	804,000	—	—	804,000
Shares granted on 28 December 2022:	—	798,500	—	—	798,500
Total	4,797,300	9,872,500	(1,201,200)	(606,500)	12,862,100

During the year, the Group recognised the total expense of RMB129,059,000 (2021: RMB2,809,000) in relation to the Restricted Share Award Scheme shares granted by the Company.

28. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of net debts, which include lease liabilities disclosed in Note 23 and advances drawn on bills receivables discounted disclosed in Note 25, net of cash and cash equivalents and equity of the Group, comprising share capital, retained profits and other reserves.

The management of the Group reviews the capital structure regularly. As part of this review, the management considers the cost of capital and the risks associated with the capital. Based on recommendations of the management of the Group, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as new debt or the redemption of existing debt.

29. Financial Instruments

a. Categories of financial instruments

	31/12/2022 RMB'000	31/12/2021 RMB'000
Financial assets		
Amortised cost	**18,223,670**	18,714,698
FVTPL		
— Forward foreign exchange contracts	**—**	6,385
	18,223,670	18,721,083
Financial liabilities		
Amortised cost	**1,786,487**	1,740,375
Lease liabilities	**456,810**	320,075
	2,243,297	2,060,450

29. Financial Instruments (Continued)

b. Financial risk management objectives and policies

The Group's major financial instruments include trade and bills receivables, other receivables, financial assets at FVTPL, short-term bank deposits over three months, long-term bank deposits, restricted bank deposits, bank balances and cash, trade and bills payables, other payables, advances drawn on bills receivables discounted with recourse and lease liabilities. Details of the financial instruments are disclosed in the respective notes.

The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

The Group undertakes certain transactions denominated in foreign currencies which are different from RMB, the functional currency of the group entities. The Group currently does not have a foreign exchange hedging policy. However, the Group will monitor its foreign currency exposure closely and will consider hedging significant currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities as at 31 December 2022 and 2021 are as follows.

	Assets		Liabilities	
	31/12/2022 RMB'000	31/12/2021 RMB'000	**31/12/2022 RMB'000**	31/12/2021 RMB'000
US$	**1,436,704**	1,259,026	**234,948**	55,545
HK$	**99,641**	41,951	**870**	615
GBP	**1,201**	849	**12**	—
IDR	**4,378**	145	**19,187**	12,908
Others	**241**	—	**234**	—
	1,542,165	1,301,971	**255,251**	69,068

Sensitivity analysis

The above GBP, IDR and others denominated assets are insignificant to the Group. Accordingly, no sensitivity analysis is prepared in management's opinion.

29. Financial Instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

Sensitivity analysis (Continued)

The following table details the Group's sensitivity to a 10% (2021:10%) increase and decrease in the relevant foreign currencies, against the functional currency of the respective group entities. 10% (2021:10%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for 10% (2021:10%) change in foreign currency rates. A positive number below indicates an increase in post-tax profit where the relevant foreign currencies strengthens 10% (2021:10%) against the functional currency. For a 10% (2021:10%) weakening of the relevant foreign currencies against the functional currency, there would be an equal and opposite impact on the profit, and the balances below would be negative.

	31/12/2022 RMB'000	31/12/2021 RMB'000
US$	**103,464**	102,299
HK$	**9,764**	3,514

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to short-term bank deposits over three months, long-term bank deposits, restricted bank deposits, advances drawn on bills receivables discounted with recourse, and lease liabilities and cash flow interest rate risk in relation to bank balances due to the fluctuation of the prevailing market interest rate.

The management of the Group considers that the impact to profit or loss for respective years are insignificant for a reasonable change in the market interest rate. Accordingly, no sensitivity analysis is prepared.

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group.

The Group's credit risk is primarily attributable to its trade receivables. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

At 31 December 2022, the Group had concentration risk as 72% (2021: 59%) of the total gross trade receivables was due from the Group's largest debtor, and 90% (2021: 95%) of the total gross trade receivables was due from the five largest debtors.

29. Financial Instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Group's exposure to credit risk

In addition to the credit risk limit management and other mitigation measures as described above, the Group monitors all financial assets, except for trade receivables, that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime ECL rather than 12m ECL.

Trade receivables

For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items individually.

The Group writes off trade receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

Bills receivables

In order to minimise the credit risk on bills received from customers, the Group will only accept bills issued by certain licensed banks with high credit ratings. Before accepting any bills from customers, the Group will verify the validity of each bill. In this regard, the management of the Group considers that the Group's credit risk associated with its bills receivables is limited.

Other receivables and rental deposits

For other receivables and rental deposits, the Group has applied the general approach in HKFRS 9 to measure the loss allowance at 12m ECL, since the management of the Group assesses that there has not been any significant increase in credit risk since initial recognition.

In determining the expected credit losses, the Group determines the ECL on these items individually based on past default experience of the counterparty and reputation.

Long-term bank deposits, restricted bank deposits, short-term bank deposits over three months and bank balances

The long-term bank deposits, restricted bank deposits, short-term bank deposits over three months and bank balances are determined to have low credit risk. The credit risk on long-term bank deposits, restricted bank deposits, short-term bank deposits over three months and bank balances are limited because majority of the counterparties are reputable banks and the risk of default is low.

29. Financial Instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

As part of the Group's credit risk management, the Group applied internal credit rating for its customers. The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Group A	The counterparty has a low risk of default based on historical repayment records and has a good reputation	Lifetime ECL — not credit-impaired	12-month ECL — not credit-impaired
Group B	The counterparty has high creditability but sometimes repays after due dates in full	Lifetime ECL — not credit-impaired	12-month ECL —not credit-impaired
Group C	The counterparty usually settles in full after due dates with a higher risk of default	Lifetime ECL — not credit-impaired	Lifetime ECL — not credit-impaired
Group D	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
Group E	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

29. Financial Instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amounts 2022 RMB'000	Gross carrying amounts 2021 RMB'000
Financial assets at amortised cost						
Long-term bank deposits	15(a)	(Note ii)	N/A	12-month ECL — not credit-impaired	**544,690**	1,516,030
Short-term bank deposits over three months	15(b)	(Note ii)	N/A	12-month ECL — not credit-impaired	**5,431,616**	3,235,648
Bank balances and cash	15(c)	(Note ii)	N/A	12-month ECL — not credit-impaired	**9,762,933**	11,426,758
Restricted bank deposits		(Note ii)	N/A	12-month ECL — not credit-impaired	**1,138**	12,412
Trade receivables	18	(Note ii)	Group A	Lifetime ECL — not credit-impaired	**76,211**	58,793
			Group B	Lifetime ECL — not credit-impaired	**2,072,479**	1,570,844
			Group C	Lifetime ECL — not credit-impaired	**63,675**	70,667
			Group D	Lifetime ECL — credit-impaired	**—**	2,859
Bills receivables	18	(Note ii)	N/A	12-month ECL — not credit-impaired	**101,744**	722,653
Other receivables and rental deposits	19	N/A	(Note i)	12-month ECL — not credit-impaired	**181,665**	114,596

Notes:

i. For the purposes of internal credit risk management, the Group uses past due information, historical repayment records and past experience to assess whether credit risk has increased significantly since initial recognition.

As at 31 December 2022, the gross carrying amount of rental deposits amounted to approximately RMB43,374,000 (2021: RMB38,076,000) and the management of the Group makes periodic individual assessment on the recoverability of rental deposits based on the landlord's credit quality.

ii. The external credit ratings range from A1 to Caa2 quoted from the rating scale of an international credit rating agency.

29. Financial Instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

For trade receivables which are not credit-impaired, lifetime ECL of approximately RMB12,481,000 (2021: RMB13,703,000) were made as at 31 December 2022 for average loss rates range from 0.1% to 9.5% (2021: from 0.1% to 9.5%).

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

In the opinion of the management of the Group, the trade receivables within Group A, B, and C at the end of the reporting period which have been past due 90 days or more are not considered as in default by considering the expected subsequent and historical repayment from the trade debtors.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) RMB'000	**Lifetime ECL (credit-impaired)** RMB'000	**Total** RMB'000
As at 1 January 2021	6,144	2,759	8,903
New financial assets originated	13,703	100	13,803
Impairment losses reversed	(6,144)	—	(6,144)
As at 31 December 2021	13,703	2,859	16,562
New financial assets originated	12,481	507	12,988
Impairment losses reversed	(13,703)	(554)	(14,257)
Write-offs	—	(2,812)	(2,812)
As at 31 December 2022	12,481	—	12,481

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

29. Financial Instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

The following tables detail the Group and the Company's remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The directors of the Company are satisfied that the Group will have sufficient financial resource to meet its financial obligation as they fall due for the foreseeable future after taking into account of the expected working capital requirements for the next twelve months from the end of the reporting period.

Liquidity tables

	Weighted average effective interest rate	On demand or less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2022								
Trade and bills payables	—	773,679	346,611	29,944	—	—	1,150,234	1,150,234
Other payables	—	534,509	—	—	—	—	534,509	534,509
Lease liabilities	4.75–4.90	17,149	30,316	121,100	302,830	23,402	494,797	456,810
Advances drawn on bills receivables discounted with recourse	1.55	100,822	922	—	—	—	101,744	101,744
		1,426,159	377,849	151,044	302,830	23,402	2,281,284	2,243,297
As at 31 December 2021								
Trade payables	—	563,591	263,209	—	—	—	826,800	826,800
Other payables	—	476,070	—	—	—	—	476,070	476,070
Lease liabilities	4.75–4.90	14,220	27,450	115,323	161,261	27,761	346,015	320,075
Advances drawn on bills receivables discounted with recourse	2.24	172,151	266,252	—	—	—	438,403	437,505
		1,226,032	556,911	115,323	161,261	27,761	2,087,288	2,060,450

29. Financial Instruments (Continued)

c. Fair value measurements of financial instruments

The following provides information about how the Group determines fair values of financial instruments.

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets were measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets were determined.

Financial assets	Fair values as at 31 December		Fair value hierarchy	Valuation technique and key inputs
	2022 RMB'000	2021 RMB'000		
The Group				
Financial assets at FVTPL — forward foreign exchange contracts	–	6,385	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.

There is no transfer between different levels of the fair value hierarchy during the year ended 31 December 2022.

(ii) Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The management of the Group considers the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair value.

The fair values of these financial assets and financial liabilities at amortised cost are determined in accordance with generally accepted pricing models based on discounted cash flow analysis with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

30. Reconciliation of Liabilities Arising from Financing Activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows from financing activities.

	Dividend payable RMB'000	Interest payable RMB'000	Advances drawn on bills receivables discounted with recourse RMB'000	Lease liabilities RMB'000	Accrued issue costs RMB'000	Total RMB'000
At 1 January 2021	–	–	–	330,658	4,235	334,893
Financing cash flows	(2,369,904)	(9,579)	2,411,128	(156,902)	(4,250)	(129,507)
Repayment of advance drawn on bills receivables (Note)	–	–	(1,973,623)	–	–	(1,973,623)
Dividend declared (Note 11)	2,369,905	–	–	–	–	2,369,905
Recognition of lease liabilities	–	–	–	221,627	–	221,627
Early termination of leases	–	–	–	(90,687)	–	(90,687)
Interest expenses	–	9,579	–	15,467	–	25,046
Foreign exchange translation	–	–	–	(88)	15	(73)
At 31 December 2021	1	–	437,505	320,075	–	757,581
Financing cash flows	(1,447,882)	(10,140)	2,227,479	(197,951)	–	571,506
Repayment of advance drawn on bills receivables (Note)	–	–	(2,563,240)	–	–	(2,563,240)
Dividend declared (Note 11)	1,448,103	–	–	–	–	1,448,103
Recognition of lease liabilities	–	–	–	321,630	–	321,630
Early termination of leases	–	–	–	(5,773)	–	(5,773)
Interest expenses	–	10,140	–	18,840	–	28,980
Foreign exchange translation	–	–	–	(11)	–	(11)
At 31 December 2022	222	–	101,744	456,810	–	558,776

Note: During the year, advances drawn on discounted bills with recourse of RMB2,563,240,000 (2021: RMB1,973,623,000) have been settled by the issuers of the bills to the relevant financial institutions directly.

31. Commitments

	31/12/2022 RMB'000	31/12/2021 RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**625,062**	390,128

The Group has commitment for future minimum lease payments in respect of short term leases as follows:

	31/12/2022 RMB'000	31/12/2021 RMB'000
Within one year	**6,222**	9,133

32. Retirement Benefit Plans

The Group operates numbers of defined contribution plans across its geographies, the PRC retirement benefit scheme is the retirement arrangement of material size. The employees of the Group in the PRC are members of a state-managed retirement benefits scheme operated by the PRC government. The subsidiaries are required to contribute certain percentage of payroll costs to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

The Group also operates a MPF Scheme for all its qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules.

The amounts of contributions made by the Group in respect of the retirement benefits scheme during the year are disclosed in Notes 9 and 10.

33. Related Party Transactions

(a) The Group had significant transactions and balances with related parties, some of which are also deemed to be connected parties pursuant to the Listing Rules. Other than as disclosed elsewhere in these consolidated financial statements, the Group entered into the following transactions with the related party:

Name of related party	Name of transactions	2022 RMB'000	2021 RMB'000
EVE Energy Co. Ltd, Shareholder of the Company	Purchase of raw material	**536,118**	230,500
	Research and development expense	**18,200**	—
		554,318	230,500

The transactions on the above falls under the definition of "connected transaction" or"continuing connected transaction" under the Listing Rules.

(b) Compensation of key management personnel

The remuneration of key management personnel, including members of the board of directors and other members of senior management, during the year was as follows:

	2022 RMB'000	2021 RMB'000
Salaries and other benefits	**17,386**	17,011
Retirement benefit schemes contributions	**265**	260
Share-based payment expenses	**40,238**	62,311
	57,889	79,582

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

34. Statement of Financial Position and Reserves of the Company

	31/12/2022 RMB'000	31/12/2021 RMB'000
Non-current assets		
Investments in subsidiaries	**1,496,909**	1,117,643
Amounts due from subsidiaries	**6,764,395**	8,242,458
	8,261,304	9,360,101
Current assets		
Bank balances and cash	**91,626**	265,623
	91,626	265,623
Current liabilities		
Other payables and accrued expenses	**2,524**	977
Amounts due to subsidiaries	**15,812**	14,612
	18,336	15,589
Net current assets	**73,290**	250,034
Total assets less current liabilities	**8,334,594**	9,610,135
Net assets	**8,334,594**	9,610,135
Capital and reserves		
Share capital (Note 26)	**424,043**	419,451
Reserves (Note i)	**7,910,551**	9,190,684
Total equity	**8,334,594**	9,610,135

34. Statement of Financial Position and Reserves of the Company (Continued)

Note:

(i) Movement in the Company's reserves:

	Share premium RMB'000	Capital redemption reserve RMB'000	Share option reserve RMB'000	Share award reserve RMB'000	Other reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2021	8,577,982	—	338,349	—	(232,032)	(1,148,030)	7,536,269
Total comprehensive income for the year	—	—	—	—	—	21,995	21,995
Issuance of shares (Note 26)	3,716,867	—	—	—	—	—	3,716,867
Recognition of share-based payment expenses	—	—	270,996	2,809	—	—	273,805
Transaction costs attributable to issuance of shares	(15,170)	—	—	—	—	—	(15,170)
Exercise of share options	229,702	—	(202,879)	—	—	—	26,823
Dividends recognised as distribution (Note 11)	(2,369,905)	—	—	—	—	—	(2,369,905)
At 31 December 2021	10,139,476	—	406,466	2,809	(232,032)	(1,126,035)	9,190,684
Total comprehensive income for the year	—	—	—	—	—	36,187	36,187
Recognition of share-based payment expenses	—	—	250,273	129,059	—	—	379,332
Repurchase and cancellation of shares	(247,077)	1,313	—	—	—	—	(245,764)
Exercise of share options	215,935	—	(188,870)	—	—	—	27,065
Vesting of shares under share award scheme	11,548	—	—	(38,587)	—	—	(27,039)
Dividends recognised as distribution (Note 11)	(1,449,914)	—	—	—	—	—	(1,449,914)
	8,669,968	1,313	467,869	93,281	(232,032)	(1,089,848)	7,910,551

35. Particulars of Subsidiaries of the Company

Details of the principle subsidiaries held by the Company at the end of the reporting periods are set out below:

Name of subsidiary	Place of incorporation/ establishment/ operation	Issued and fully paid capital/ registered capital	Attributable equity interest held by the Company		Principal activities
			2022	2021	
Smoore Group Limited	British Virgin Islands ("BVI")	US$100	100%	100%	Investment holding
Smoore HK	Hong Kong	HK$10,000	100%	100%	Investment holding, export sales of vaping devices and supply chain service
SBI Limited	BVI	US$22,000	100%	100%	Investment holding
Smoore Shenzhen	The PRC	RMB66,631,579	100%	100%	Investment holding, research and development, manufacturing and sales of vaping devices
東莞市麥克電子科技有限公司	The PRC	RMB3,000,000	100%	100%	Manufacturing of vaping devices
深圳市麥克兄弟科技有限公司	The PRC	RMB3,000,000	100%	100%	Manufacturing of vaping devices
深圳市韋普萊思科技有限公司	The PRC	RMB1,000,000	100%	100%	Manufacturing of vaping devices
Moore Jiangmen	The PRC	RMB350,000,000	100%	100%	Research, development and manufacturing and sale of vaping devices
東莞市麥克新材料科技有限公司	The PRC	RMB500,000	100%	100%	Manufacturing, research and development of new materials
Maishi Technology	The PRC	RMB20,000,000	100%	100%	Research, development and sales of vaping devices and HNB devices
長沙思摩爾電子科技有限公司	The PRC	RMB500,000	100%	100%	Research and development
江門思摩爾科技有限公司	The PRC	RMB10,000,000	100%	100%	Manufacturing and sales of new materials

35. Particulars of Subsidiaries of the Company (Continued)

Details of the principle subsidiaries held by the Company at the end of the reporting periods are set out below: (Continued)

Name of subsidiary	Place of incorporation/ establishment/ operation	Issued and fully paid capital/ registered capital	Attributable equity interest held by the Company		Principal activities
			2022	2021	
Spectrum Dynamic Research	United States	—	**100%**	100%	Research and development
深圳摩爾霧化健康醫療科技有限公司	The PRC	RMB10,000,000	**100%**	100%	Manufacturing, research, development and sales of atomization products in medical treatment
江門思摩爾新材料有限公司	The PRC	RMB10,000,000	**100%**	100%	Manufacturing, research and development of new materials
東莞思維爾科技有限公司	The PRC	RMB1,000,000	**100%**	100%	Manufacturing of vaping accessories
海南摩爾兄弟科技有限公司	The PRC	RMB10,000,000	**100%**	100%	Research and development
PT Smoore Technology Indonesia	Indonesia	US$80,000,000	**100%**	100%	Research, development and manufacturing of vaping devices
Giant Bliss	BVI	—	**100%**	100%	Trustee
Power Source Inc	United States	—	**100%**	N/A	Sales of vaping devices
思摩爾科技(深圳)有限公司	The PRC	RMB1,000,000	**100%**	N/A	Research and development
Transpire Bio Inc.	United States	—	**100%**	N/A	Research and development
Smoore UK CO., LTD	United Kingdom	—	**100%**	N/A	Sales of vaping devices
Smoore Labs	United States	US$1,000,000	**100%**	N/A	Research and development

These PRC subsidiaries are registered as limited liability companies under the PRC laws.

None of the subsidiaries had issued any debt securities at the end of the year.