



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)

2024 Interim Report



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CORPORATE INFORMATION

Board of Directors

Executive Directors

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

Non-Executive Director

Ms. Jiang Min

Independent Non-Executive Directors

Mr. Zhong Shan
Mr. Yim Siu Wing, Simon
Dr. Wang Gao

Audit Committee

Mr. Zhong Shan (*Chairman*)
Mr. Yim Siu Wing, Simon
Dr. Wang Gao

Nomination Committee

Mr. Chen Zhiping (*Chairman*)
Mr. Zhong Shan
Dr. Wang Gao

Remuneration Committee

Mr. Yim Siu Wing, Simon (*Chairman*)
Mr. Chen Zhiping
Dr. Wang Gao

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

CORPORATE INFORMATION (CONTINUED)

Principal Place of Business in Hong Kong

Office B, 28/F, EGL Tower
No. 83 Hung To Road
Kowloon
Hong Kong

Legal Advisers

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

Auditor

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

The Cayman Islands Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar

Tricor Investor Services Limited
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
Bank of Shanghai Company Limited
Citibank (China) Company Limited
China Everbright Bank Company Limited
China CITIC Bank International Limited
Standard Chartered Bank (Hong Kong) Limited

Stock Short Name

Smooore Intl

Stock Code

6969

Company's Website

www.smoooreholdings.com

Investor Relations Consultants

Christensen China Limited

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the “**Board**”) of directors (the “**Directors**”) of Smoore International Holdings Limited (“**Smoore**” or the “**Company**”), I am pleased to present the interim report of the Company and its subsidiaries (together referred to as the “**Group**”) for the six months ended 30 June 2024 (“**Review Period**”).

Business Review

In the first half of 2024, the Group continued to uphold the corporate mission that atomization makes life better and achieved a relatively solid performance with a focus on atomization technology and constant efforts to expand the application thereof. During the Review Period, we continued our strategy of promoting a layout of a full range of products in the electronic vaping field by strengthening our market insights and brand building, improving our responsiveness to the end-market and accelerating the launch of a number of products to meet the needs of end-consumers on the basis of enhancing our global localised operation capability. Meanwhile, with our active efforts to expand atomization technology into more scenarios, inhalation therapy and beauty atomization were well progressed as planned and encouraging milestones were achieved during the Review Period.

Regarding electronic vaping, the industry is developing with tightened regulations and enforcement, as well as faster product iteration. Over the Review Period, the regulatory framework for electronic vaping products has been gradually improved and enforcement against illicit products has been strengthened in major countries and regions around the world. In the first half of the year, many states in the United States were working on the introduction of registry bills for electronic vaping products successively; the menthol-flavoured electronic vaping products have received Marketing Authorizations in premarket tobacco product application (“**PMTA**”) from the U.S. Food and Drug Administration (“**FDA**”) for the first time; and some countries in Europe have planned to prohibit disposable electronic vaping products that are not rechargeable or refillable (“**traditional disposable**”). We believe that tighter regulations are a long-term trend in the industry, which is conducive to the long-term development of the industry and the resumption of sales of compliant products in the market. Besides, for the electronic vaping products, the market is also featured by shorter iteration cycles and faster new product launches. In addition to nicotine transmission efficiency, taste, flavour and other basic needs, some consumers are also expressing their new demands for the number of puffs, design and even interaction of electronic vaping products. In the European market, the demand for traditional disposable electronic vaping products is shifting towards newer closed- or open-system products. In order to be well-prepared for the industry trend of accelerated changes in regulations and product forms, we optimised our organisation to further enhance organisational agility. Further, as a quick response to market demand, we successfully launched a number of products in the first half of the year to cater for consumers’ different personalised needs. In terms of closed-system products, we officially launched the next generation vape pod solution — FEELM Pro — for the European market, which meets the consumers’ pursuit of high burst power, with higher and more stable taste reproduction and better consistent vaping experience. In view of the rest of the diversified international market, we launched various new products to satisfy consumers’ needs for multi-core, high-explosive and interactive products, which have gained wide attention and recognition from customers and users. In terms of open-system products, our self-owned brand VAPORESSO continued to gain its market share globally and has become an industry-leading brand in the world supported by its excellent localised operation and digital management systems, which provide increasingly accurate understanding and insights of the end-consumers. XROS 4, the updated version of XROS series launched during the Review Period, was once again proved to be hot and popular in the market, contributing to the rapid revenue growth of our self-branded business in the first half of the year.

CHAIRMAN'S STATEMENT (CONTINUED)

Regarding heat-not-burn products, we continued to increase our investment in research and development, and further strengthened our patents and technology barriers during the first half of the year. At present, we have accumulated product solutions differentiated from the mainstream products in the market, which have been highly recognised by customers. In addition, we have been working closely with our strategic customers, aiming to provide them with integrated solutions including products and technology service, which are expected to gradually contribute to the related business revenue in the future.

Regarding atomization products for special purposes, in the first half of the year, we continued to refine our product mix, build up our localised sales team and strengthen our channel penetration in order to produce products that are more in line with consumer preferences and further improve our delivery speed and delivery capability.

We are actively developing diversified atomization-focused new businesses to expand the application of atomization technology. During the Review Period, our inhalation therapy business and beauty atomization business progressed well and achieved milestones respectively. For inhalation therapy business, we have completed the development and production layout of several pharmaceutical devices for asthma and chronic obstructive pulmonary disease (**COPD**), as well as the development of more than 10 drug formulations. The results of our research have been widely recognised in the industry and we are making full use of our research and development resources to develop cooperative relationships with external customers in respect of research and development and production. For beauty atomization business, we successfully launch MOYAL, the first atomizing beauty product that can atomize high-viscosity essence, in the first half of the year. Our current focus is to optimize the business strategies and channel build-up.

In terms of technology research and product development, the Group continued to increase its investment in research and development during the Review Period in order to maintain our leading edge in atomization technology and further expand the application of atomization technology. In the first half of 2024, the Group's investment in research and development recorded a year-on-year increase, primarily for inhalation therapy and heat-not-burn products. In addition to in-house research and development projects, we also collaborate with our customers, expect to provide product solutions and related technological services to our customers in the future. The investment is expected to gradually turn into new revenue and profit growth opportunities for the Group. During the Review Period, we identified our research and development priority based on market insights, focusing on both underlying technology innovation and micro innovation tailored to personalized consumer needs. Meanwhile, we continued to improve our research and development efficiency by upgrading the digital research and development management system in July for the purpose of managing our research and development projects in a more timely, accurate and comprehensive manner.

On the internal management front, attributable to our continuous efforts to implement cost-efficient measures, including the implementation of stringent budget management and conducting Amoeba management in each major business unit, our management efficiency was notably improved. During the Review Period, our administrative expenses decreased significantly over the same period last year.

CHAIRMAN'S STATEMENT (CONTINUED)

Outlook

The industry is changing rapidly, and we believe steady progress brings long-term success.

Regarding electronic vaping, on the one hand, the tightening of global regulations will be conducive to the gradual recovery of sales of compliant products. We will continue to embrace regulations and improve our compliance capabilities to assist our customers in launching new products that meet regulatory requirements and help them further increase their market share. On the other hand, as the iteration of electronic vaping products accelerates, we will stay rooted in the market and improve our market insights and industry foresight. Internally, we will continue to improve our operation efficiency, accelerate our response to the end-market, and introduce more new technologies and products that meet the diverse needs of consumers. We will take active steps to build a more flexible business cooperation model with our customers to create greater value for them. We believe that our compliance capabilities, industry foresight, market insights and technological leadership gained over the years will help the Group continue to maintain a leading position in such a highly regulated and rapidly changing market.

Regarding heat-not-burn products, we will continue to invest in research and development, stockpile more differentiated products and solutions, build and strengthen patent barriers to be well-prepared for full commercialisation, and strive to provide more competitive product solutions and related technological services to our customers.

Regarding atomization products for special purposes, constant efforts will be made to strengthen our localised operation capabilities and optimise our business model. In the second half of the year, we plan to launch more innovative products to further diversify our product mix and lay a solid foundation for securing additional market share.

Regarding inhalation therapy, our efforts to develop drug-device combination products for respiratory diseases, such as asthma and COPD, will continue, so that more patients may benefit from our research results. Moreover, we will continue to forge closer research and development ties with our clients in the pharmaceutical industry in exchange for our research and development achievements. In the field of beauty atomization, we will further intensify product promotion and launch atomizing beauty products to corporate clients for commercial use at an opportune time.

Sincere Appreciation

Long as the journey is, we will reach our destination if we stay the course.

Smoore is grateful to those who work together with us all the way, including regulators for their concern, customers for their trust, employees for their dedication and shareholders for their support.

In the future, we look forward to continuing to work with all of the above parties to further promote the development of the industry and create greater value for our shareholders.

Chen Zhiping

Chairman of the Board

Smoore International Holdings Limited

FINANCIAL HIGHLIGHTS

For the six months ended 30 June

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

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

Notes:

- Cash and cash equivalents = demand deposits + time deposits with maturity of less than three months as at the end of the period
- Asset-liability ratio = total liabilities/total assets
- Current ratio = current assets/current liabilities
- Trade and bills receivables turnover days = average balance of trade and bills receivables/revenue × 180
- Inventory turnover days = average balance of inventory/cost of sales × 180
- Trade and bills payables turnover days = average balance of trade and bills payables/cost of sales × 180
- Average balance = (beginning balance for the period + ending balance for the period)/2

MANAGEMENT DISCUSSION AND ANALYSIS

Principal Business of the Group

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Business Review

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

The following table supplements the related disclosures in the prospectus of the Company dated 29 June 2020, past interim and annual reports and illustrates major updates of material laws, regulations, executive orders and policies in relation to e-cigarette and the tobacco products of the electronic vaping device industry promulgated or proposed by relevant authorities in our major markets (“**Material Laws, Regulations, Executive Orders and Policies Updates**”) as well as the revenue contribution of the affected products sold in such major markets as a percentage of our total revenue for the six months ended 30 June 2024:

Principal Sale Jurisdictions	Material Laws, Regulations, Executive Orders and Policies Updates	Relevant Products, Potential Impact and Compliance Status	Revenue Contribution ⁽²⁾ (%) for the six months ended 30 June 2024
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 30 June 2024, 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 certain menthol-flavored ENDS products. Many manufacturers have challenged these MDOs in court, and as of 30 June 2024, three federal appellate court had cancelled certain MDOs for tobacco, non-tobacco and non-menthol-flavored ENDS products, while other appeals continue on the merits. In June 2024, the FDA issued the first marketing granted order (“ MGO ”) for menthol-flavored ENDS products. The MDOs issued by the FDA for at least other eight menthol-flavored products have also been put on hold by the court. In January 2024, the FDA issued its first MDO for an open ENDS product for reasons unrelated to flavor. As of the date of this report, the FDA had issued marketing authorization for 18 closed-system tobacco-flavored ENDS products and 4 closed-system menthol-flavored ENDS products produced by the Group for its clients.	11.2% (Revenue contribution from the U.S. market for the Review Period was approximately 40.6% if considering products transshipped through Hong Kong) ⁽³⁾

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Principal Sale Jurisdictions	Material Laws, Regulations, Executive Orders and Policies Updates	Relevant Products, Potential Impact and Compliance Status	Revenue Contribution ⁽²⁾ (%) for the six months ended 30 June 2024
United Kingdom	<p>As advised by external legal counsels, no new material laws, regulations, executive orders and rules were issued in the United Kingdom for the six months ended 30 June 2024. On 29 January 2024, the UK Government announced a ban that prohibited sales of disposable e-cigarettes, aiming to address the rising number of youth who use e-cigarettes. The details of the ban are still subject to further planning by the UK Government and the results of the public consultation, and subject to review and approval by the UK Parliament. It is expected to have a six-month transition period upon the official announcement of the ban.</p>		<p>22.7% (Revenue generated from disposable electronic vaping products delivered to the United Kingdom accounted for approximately 1.1% of the total revenue during the Review Period)</p>

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Principal Sale Jurisdictions	Material Laws, Regulations, Executive Orders and Policies Updates	Relevant Products, Potential Impact and Compliance Status	Revenue Contribution ⁽²⁾ (%) for the six months ended 30 June 2024
E.U.	<p>In accordance with Directive 2014/40/EU, Regulation (EU) 2018/574 and Delegated Regulation (EU) 2018/573, the requirement for a traceability system for tobacco products shall apply to all tobacco products, not just cigarettes and roll-your-own tobacco, from 20 May 2024.</p> <p>Regarding flavor bans and standardized packaging for heated tobacco products: (1) From 1 January 2025, the Latvian legislature enacted a ban on all flavors (except the tobacco flavor) in e-cigarette; (2) In March 2024, Slovenia passed legislation banning all flavors (except the tobacco and menthol flavors) in e-cigarettes and providing a 12-month transition period for manufacturers and retailers to comply with the new legislation; (3) From 1 July 2024, Norway has implemented its own flavor restrictions and made standardized packaging mandatory; (4) From 1 January 2024, Bulgaria has implemented a new regulation requiring all heated tobacco products (except those with a tobacco flavor) to display a warning of the risks associated with their use on their packaging.</p> <p>Regarding the ban on the sale of disposable e-cigarettes: In March 2024, Belgium received approval from the European Union (EU) to ban disposable e-cigarettes, with the ban set to take effect on 1 January 2025.</p> <p>Regarding the tax: From 1 January 2024, Belgium has imposed a new tax on e-cigarette liquids. The tax is US15 cents per milliliter of e-cigarette liquid. This tax measure mainly aims to reduce the consumption of e-cigarettes by increasing their cost.</p>	<p>In accordance with Article 6 of Regulation (EU) 2018/574, all tobacco products shall be marked in each unit packet with a unique identifier. This measure aims to enhance the traceability of tobacco products in the E.U. market.</p> <p>Economic operators shall be obliged to keep comprehensive information on the movement of their products. Economic operators shall be prepared to provide this information to the European competent authorities upon request. This requirement aims to enhance supervision and reduce illicit trade.</p>	8.1%

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Principal Sale Jurisdictions	Material Laws, Regulations, Executive Orders and Policies Updates	Relevant Products, Potential Impact and Compliance Status	Revenue Contribution ⁽²⁾ (%) for the six months ended 30 June 2024
Hong Kong, China	<p>As advised by external legal counsels, no new material laws, regulations, executive orders and rules were issued in Hong Kong, China for the six months ended 30 June 2024.</p> <p>The Hong Kong government announced on 6 June 2024 that it proposed to prohibit the possession of Alternative Smoking Products (ASPs) in the short term in order to achieve the goal of imposing a total ban on ASPs.</p>	<p>From 30 April 2022, importing, promoting, manufacturing, selling or possessing ASPs for commercial purposes have been banned. However, the proposed further restriction will not affect the regulatory framework administered by the Hong Kong Customs and Excise Department under which the transshipment of ASPs via sea-to-air and land-to-air modes is allowed.</p>	36.9% (Revenue contribution from Hong Kong transshipment to the U.S. market was approximately 29.4% during the Review Period)
Japan	<p>As advised by external legal counsels, no new material laws, regulations, executive orders and rules were issued in Japan for the six months ended 30 June 2024.</p>		2.3%
Mainland of China	<p>As advised by external legal counsels, no new material laws, regulations, executive orders and rules were issued in Mainland of China for the six months ended 30 June 2024.</p>		Revenue from Mainland of China market accounted for approximately 1.7%

Notes:

- (1) In the U.S. market, only federal level laws, regulations, executive orders, and policies were summarized.
- (2) During the Review Period, unless otherwise specified, 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 30 June 2024 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 products transshipped through Hong Kong. Taking into account products transshipped through Hong Kong, the revenue contribution from the U.S. market during the Review Period was approximately 40.6%.

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 research and development (“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, expand our product portfolio, promote the application of atomization technology in industries such as medical and health, and develop a brand-new atomization technology industry.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Sales and Marketing

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

Research and Development

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

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

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

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

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. During the Review Period, the Group filed 699 new patent applications worldwide, including 401 patents for invention. As of 30 June 2024, the Group had filed, accumulatively, a total of 8,394 patents worldwide, including 4,268 patents for invention.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

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

Production and Operation

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Future Prospects and Strategies

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

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

Financial Review

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

1. Revenue – Categorized by Business Types

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

(1) Self-branded business sales

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

(2) Corporate client oriented sales

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Revenue — Categorized by Customers' Places of Incorporation

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

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

** During the Review Period, the Group's revenue from the Mainland of China market was approximately RMB326,643,000 (the corresponding period in 2023: approximately RMB393,207,000). To our knowledge, revenue from the Mainland of China market includes some of the revenue that exported to international markets ultimately. Excluding those effects, revenue generated by the Group from the Mainland of China during the Review Period was approximately RMB87,775,000 (the corresponding period in 2023: approximately RMB62,087,000), accounting for approximately 1.7% (the corresponding period in 2023: approximately 1.2%) of total revenue.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2. Gross Profit and Cost of Sales

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

Cost of sales as a percentage of revenue:

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3. Distribution and Selling Expenses

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

- (1) Staff salaries and benefits increased by approximately 37.1% from approximately RMB108,439,000 for the corresponding period last year to approximately RMB148,642,000 for the Review Period, and as a percentage of revenue, increased from approximately 2.1% for the corresponding period last year to approximately 3.0% for the Review Period. The increase in staff salaries and benefits was mainly attributable to the increase in the remuneration of the Group's marketing personnel for the Review Period in order to further expand international market.
- (2) Market development costs increased by approximately 33.4% from approximately RMB44,988,000 for the corresponding period last year to approximately RMB60,014,000 for the Review Period, and as a percentage of revenue, increased from approximately 0.9% for the corresponding period last year to approximately 1.2% for the Review Period. The increase in market development costs was mainly attributable to (i) the promotion expenses related to the atomizing beauty product solutions launched by the Group during the Review Period; (ii) the increased efforts to promote electronic and special purpose vaping products in the international market.
- (3) Travelling expenses decreased by approximately 6.0% from approximately RMB16,647,000 for the corresponding period last year to approximately RMB15,646,000 for the Review Period, and travelling expenses as a percentage of revenue was broadly maintained at the same level as the corresponding period last year, i.e. approximately 0.3%.
- (4) Other expenses increased by approximately 289.3% from approximately RMB38,582,000 for the corresponding period last year to approximately RMB150,214,000 during the Review Period, and as a percentage of revenue, increased from approximately 0.8% for the corresponding period last year to approximately 2.9% during the Review Period. The increase in other expenses was primarily due to an increase in provisions for product related expenses in light of expected product changes in connection with regulatory and compliance requirements.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

4. Administrative Expenses

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

- (1) Staff salaries and benefits decreased by approximately 29.8% from approximately RMB289,043,000 for the corresponding period last year to approximately RMB202,790,000 for the Review Period, and as a percentage of revenue, decreased from approximately 5.6% for the corresponding period last year to approximately 4.0% for the Review Period. The decrease in staff salaries and benefits was mainly attributable to the decrease of management remuneration expenses brought by the increase of management efficiency of the Group during the Review Period.
- (2) Professional service fees decreased by approximately 61.7% from approximately RMB39,646,000 for the corresponding period last year to approximately RMB15,190,000 for the Review Period, and as a percentage of revenue, decreased from approximately 0.8% for the corresponding period last year to approximately 0.3% for the Review Period. The decrease in professional service fees was mainly attributable to the substantial decrease of the Group's spending on legal advice and recruitment service during the Review Period as compared to the corresponding period last year.
- (3) Depreciation and amortization expenses increased by approximately 23.1% from approximately RMB42,304,000 for the corresponding period last year to approximately RMB52,097,000 during the Review Period, and as a percentage of revenue, slightly increased from approximately 0.8% for the corresponding period last year to approximately 1.0% during the Review Period.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5. Research and Development Expenses

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

- (1) Staff salaries and benefits increased by approximately 23.6% from approximately RMB386,633,000 for the corresponding period last year to approximately RMB477,901,000 for the Review Period, and as a percentage of revenue, increased from approximately 7.5% for the corresponding period last year to approximately 9.5% for the Review Period. The increase in staff salaries and benefits was mainly due to the increase in the remuneration of research and development personnel in the inhalation therapy field and the heat-not-burn products field during the Review Period.
- (2) Development costs increased by approximately 31.7% from approximately RMB132,772,000 for the corresponding period last year to approximately RMB174,900,000 for the Review Period, and as a percentage of revenue, increased from approximately 2.6% for the corresponding period last year to approximately 3.5% for the Review Period. The increase in development costs was mainly due to the increase in mold expenses, development expenses, material sample expenses and other expenses incurred in the fields of inhalation therapy and heat-not-burn products in accordance with the Group's strategy during the Review Period.
- (3) Depreciation and amortization expenses increased by approximately 44.3% from approximately RMB42,086,000 for the corresponding period last year to approximately RMB60,727,000 for the Review Period, and as a percentage of revenue, increased from approximately 0.8% for the corresponding period last year to approximately 1.2% for the Review Period. The increase in depreciation and amortization expenses was mainly due to the increase in depreciation of research and development equipment acquired by the Group.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

6. Other Income and Expenses

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

7. Other Gains and Losses

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

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

8. Finance Costs

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

9. Income Tax Expense

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

10. Total Comprehensive Income for the Period

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

11. Liquidity and Financial Resources

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

Treasury Management Policy

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

Borrowings

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

Gearing Ratio

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

12. Pledge of Assets

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

13. Exposure to Foreign Exchange Risk

The functional currency of the Company is RMB. The sales of the Group are mainly settled in USD and RMB. During the Review Period, approximately 60% of the Group's revenue was settled in USD and approximately 40% was settled in RMB. Meanwhile, approximately 80% of the materials, labors and various expenditures paid by the Group were settled in RMB. The foreign exchange risk of the Group mainly refers to the risks of foreign exchange gain or loss arising from the net amount of monetary funds denominated in USD, trade and bills receivables denominated in USD deducted by trade payables denominated in USD ("**U.S. dollars exposure**") as a result of changes in the exchange rate between USD and RMB.

Sensitivity Analysis

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

Based on the amounts of assets and liabilities of the Group denominated in USD as of 30 June 2024, if the exchange rate of USD against RMB rises by 10%, the Group's total comprehensive income will increase by approximately RMB752,282,000 (31 December 2023: increase by approximately RMB599,744,000). Otherwise, if the exchange rate of USD against RMB drops by 10%, the Group's total comprehensive income will decrease by approximately RMB752,282,000 (31 December 2023: decrease by approximately RMB599,744,000).

14. Employment, Training and Development

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

15. Capital Expenditures

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

16. Capital Commitments

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

17. Material Acquisitions and Disposals

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

18. Significant Investments

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

19. Contingent Liabilities

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

20. Future Plans for Material Investments or Capital Expenditures

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

- (1) The section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated 29 June 2020;
- (2) The section headed “Intended Use of Net Proceeds” in the Company’s announcement dated 4 February 2021 in connection with the completion of top-up placing; and
- (3) The Group’s investment plans as disclosed in the 2021 Annual Report “Future Plans for Material Investments or Capital Expenditures”.

OTHER INFORMATION

Major Customers and Suppliers

For the six months ended 30 June 2024, the Group's sales to its top five customers accounted for approximately 56.7% (six months ended 30 June 2023: approximately 67.1%) of its total sales. The Group's purchase amounts from its top five suppliers accounted for approximately 22.3% (six months ended 30 June 2023: approximately 23.7%) of its total purchase amounts. The Group aims to maintain long-term cooperative relationship with reputable customers and suppliers for the expansion of its business.

Corporate Governance

Compliance with the Code Provisions of the Corporate Governance Code

The Board 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 of the Company ("**Shareholders**").

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

- (1) The decision of the Board requires the approval of a majority of Directors. Currently, the Board of the Company consists of eight Directors, including three independent non-executive Directors and one non-executive Director. Therefore, the Board believes that there are sufficient checks and balances within the Board;
- (2) Mr. Chen and the other Directors have already undertaken to fulfill their fiduciary duties as Directors, which requires them to act for the benefits and in the best interests of the Company;
- (3) The balance of power guarantees the functioning of the Board. The Board of the Company consists of experienced talents in different fields. These members meet regularly to discuss significant issues relating to the business strategies and operations of the Group;
- (4) The Group's development 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 the separation of roles of chairman of the Board and chief executive officer is necessary.

Terms of Reference of Board Committees

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

Audit Committee

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

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

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

Remuneration Committee

The Remuneration Committee currently consists of Mr. Chen Zhiping, an executive Director, Mr. Yim Siu Wing, Simon and Dr. Wang Gao, 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. The Remuneration Committee makes recommendations to the Board on the remuneration packages of individual executive Directors and senior management. No Director will take part in any discussion on his or her own remuneration. The Remuneration Committee also reviews matters relating to share schemes under Chapter 17 of the Listing Rules.

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

OTHER INFORMATION (CONTINUED)

Nomination Committee

The Nomination Committee currently consists of Mr. Chen Zhiping, an executive Director, Mr. Zhong Shan and Dr. Wang Gao, 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.

Environmental, Social and Governance Committee

The Environmental, Social and Governance (“ESG”) Committee was established by the Board 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.

Risk Management and Internal Controls

The Company has an internal audit function in place to provide an independent assessment of the Group's risk management and internal control systems and review of their effectiveness in accordance with the CG Code. The Internal Audit Department prepares its unbiased view by using risk assessment method and consult management for the review by the Audit Committee of the Company. The audit work focuses on identification and analysis of the risks in relation to the Group's finance, operation, compliance monitoring, business activities and environmental, social and governance. An integral part of the internal audit function is to monitor and ensure effective operation of risk management and internal control systems.

The Board, through the Audit Committee, has conducted a review of the effectiveness of the risk management and internal control systems of the Group for the six months ended 30 June 2024.

OTHER INFORMATION (CONTINUED)

Model Code for Securities Transactions by Directors

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

Directors' Interests in Competing Business

During the six months ended 30 June 2024, none of the Directors had any interest in any business which competes with the Company or any of its subsidiaries.

Continuous Professional Development of Directors

All Directors should participate in continuous professional training to acquire and refresh their knowledge and skills pursuant to the code provision C.1.4 as set out in the CG Code. The Company has arranged for continuous professional training for the directors during the Review Period.

Changes of Directors' Information

Dr. Wang Gao, an independent non-executive director of the Group, was an independent Director of Canature Health Technology Group Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 300272), until February 2024. Save as disclosed above, as of 30 June 2024, there were no changes to the information of Directors which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Investor Relations and Communication with Shareholders

The Company establishes different communication channels with the Shareholders and investors, including (i) corporate communications (including but not limited to annual reports, interim reports, notices of meetings, circulars and proxy forms) to be sent to the Shareholders as required under the Listing Rules, and the Shareholders can also choose to receive such documents in printed form; (ii) the annual general meeting provides a platform for the 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 the Shareholders; (v) press conferences and briefing meetings with analysts are arranged from time to time to update on the performance of the Group; (vi) the Company's Hong Kong branch share registrar deals with all the share registration and related matters for Shareholders; and (vii) a dedicated team of the Company handles general enquiries from the Shareholders and investors.

OTHER INFORMATION (CONTINUED)

Shareholders and investors can send written inquiries or requests to the attention of the Board 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 adopted the Shareholders' communication policy and procedures for Shareholders to propose a person for election as Director on 15 June 2020.

Interim Dividend

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

Closure of Register of Members

The register of members of the Company will be closed from 5 September 2024 to 9 September 2024, both dates inclusive, during which period no transfer of shares will be registered. In order to establish the identity of the Shareholders who are entitled to the interim dividend, all transfer forms, accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on 4 September 2024.

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

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

OTHER INFORMATION (CONTINUED)

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

As of 30 June 2024, the interests and short positions of our Directors or chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name of Directors or chief executives	Notes	Nature of interest	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	2,061,635,600	33.59%
	(3)	Interest of concert party	Long position	280,201,400	4.56%
	(4)	Beneficial owner	Long position	12,073,000	0.20%
	(5)	Others	Long position	1,024,100	0.0167%
Xiong Shaoming	(6)	Interest in controlled corporation	Long position	280,201,400	4.56%
	(7)	Interest of concert party	Long position	1,997,635,600	32.54%
	(8)	Beneficial owner	Long position	1,024,100	0.0167%
	(9)	Others	Long position	76,073,000	1.24%
Wang Guisheng	(10)	Interest in controlled corporation	Long position	12,000,000	0.20%
	(11)	Beneficial owner	Long position	1,592,000	0.0259%
Wang Xin	(12)	Interest in controlled corporation	Long position	1,243,000	0.0203%
	(13)	Beneficial owner	Long position	543,500	0.0089%

OTHER INFORMATION (CONTINUED)

Notes:

- (1) The percentage is calculated based on the total number of shares of the Company in issue as at 30 June 2024, which was 6,138,238,720 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 64,000,000 shares of the Company. Accordingly, Mr. Chen is deemed to be interested in the 2,061,635,600 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 1,024,100 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 1,024,100 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 and the shares to be acquired upon vesting of the Share Awards.
- (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 12,000,000 shares of the Company. Accordingly, Mr. Wang is deemed to be interested in the 12,000,000 shares of the Company held by Sunrise & Rainbow Holding Limited.
- (11) Mr. Wang Guisheng beneficially holds a total interests of 1,592,000 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. Wang Guisheng and the shares to be acquired upon vesting of the Share Awards.
- (12) Ms. Wang Xin holds all the issued shares of WXGJ Holding Limited, which in turn directly holds 1,243,000 shares of the Company. Accordingly, Ms. Wang is deemed to be interested in the 1,243,000 shares of the Company held by WXGJ Holding Limited.
- (13) Ms. Wang Xin beneficially holds a total interests of 543,500 shares. Such shares represent (i) 61,000 shares of the Company beneficially held by Ms. Wang; (ii) 365,600 shares to be issued upon exercise of the post-IPO share options; and (iii) 116,900 shares to be acquired upon vesting of the Share Awards.

OTHER INFORMATION (CONTINUED)

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

As of 30 June 2024, so far as the Directors of the Company are aware, the following parties (other than our Directors or chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and Section 336 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	32.54%
Zhao Zihan	(3)	Interest of spouse	Long position	2,354,934,100	38.37%
Han Xiao	(4)	Interest of spouse	Long position	2,354,934,100	38.37%
EVE BATTERY INVESTMENT LTD.	(5)	Beneficial owner	Long position	1,901,520,000	30.98%
	(6)	Beneficial owner	Short position	60,578,645	0.99%
EVE Asia Co., Limited	(5)	Interest in controlled corporation	Long position	1,901,520,000	30.98%
	(6)	Interest in controlled corporation	Short position	60,578,645	0.99%
EVE Energy Co., Ltd.	(5)	Interest in controlled corporation	Long position	1,901,520,000	30.98%
	(6)	Interest in controlled corporation	Short position	60,578,645	0.99%
Liu Jincheng	(7)	Interest in controlled corporation	Long position	1,950,240,000	31.77%
	(6)	Interest in controlled corporation	Short position	60,578,645	0.99%
Luo Jinhong	(8)	Interest of spouse	Long position	1,950,240,000	31.77%
	(8)	Interest of spouse	Short position	60,578,645	0.99%

OTHER INFORMATION (CONTINUED)

Notes:

- (1) The percentage is calculated based on the total number of shares of the Company in issue as at 30 June 2024, which was 6,138,238,720 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 Co., Ltd.. EVE Energy Co., Ltd. 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, 4 November 2022, 3 July 2023 and 12 October 2023. To the knowledge of the Directors, as of 30 June 2024, the Exchange Property which EVE Battery has pledged to the specific trust account included 60,578,645 shares. On 5 August 2024, the Company was informed by EVE Battery that dividend of the Company was received for the Exchange Property on 19 June 2024 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 331,176 shares it held to the specific trust account. After completion of this additional pledge, the Exchange Property included 60,909,821 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, 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.

Share Schemes

The number of shares that may be issued under options and award shares granted under all of the Company's share schemes during the first half of 2024 divided by the weighted average number of shares of the relevant share class in issue (excluding treasury shares) during the period is approximately 0.02%.

OTHER INFORMATION (CONTINUED)

A. Share Option Scheme

(1) Pre-IPO Share Option Scheme

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

As at 30 September 2019 and 1 May 2020, the Company has granted share options for the purchase of a total of 319,032,000 shares to eligible participants under the pre-IPO share option scheme. As the Pre-IPO Share Option Scheme will not involve the granting of options to subscribe for Shares after the Listing, no further additional options will be granted under the Pre-IPO Share Option Scheme.

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

Details of the movement of the pre-IPO share option scheme for the six months ended 30 June 2024 are as follows:

Grantee	Date of grant	Number of options	Vesting period	Exercisable period	Closing price immediately before the date of grant		Fair value as at the date of grant (RMB)	Weighted average closing price before the exercise date (HKD)		Number of options at 2024/01/01	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Number of options at 2024/6/30
					(HKD)	price (RMB)		price (RMB)	price (RMB)						
Chen Zhiping (Director)	2020/05/01	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
Bu Weiqiang (Associate of director)	2019/09/30	48,000	2019/09/30–2021/07/09	2021/07/10–2029/09/29	NA	0.38	2.40	–	–	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 (Associate of director)	2020/05/01	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 (Associate of director)	2019/09/30	32,000	2019/09/30–2024/07/09	2024/07/10–2029/09/29	NA	0.38	2.31	–	–	32,000	–	–	–	–	32,000
Other employees (not Director)	2019/09/30	32,987,000	2019/09/30–2021/07/09	2021/07/10–2029/09/29	NA	0.38	2.40	9.69	3,520,000	–	270,000	–	–	–	3,250,000
		35,725,000	2019/09/30–2022/07/09	2022/07/10–2029/09/29	NA	0.38	2.37	9.69	6,833,500	–	270,000	–	–	–	6,563,500
		31,152,000	2019/09/30–2023/07/09	2023/07/10–2029/09/29	NA	0.38	2.34	5.30	1,977,000	–	460,000	–	–	–	1,517,000
		10,688,000	2019/09/30–2024/07/09	2024/07/10–2029/09/29	NA	0.38	2.31	–	8,724,000	–	–	–	–	41,000	8,683,000
		13,672,500	2020/05/01–2022/07/09	2022/07/10–2030/04/30	NA	0.38	2.11	–	180,500	–	–	–	–	–	180,500
		9,565,500	2020/05/01–2023/07/09	2023/07/10–2030/04/30	NA	0.38	2.08	–	537,500	–	–	–	–	–	537,500
	2020/05/01	9,257,500	2020/05/01–2024/07/09	2024/07/10–2030/04/30	NA	0.38	2.08	–	7,081,500	–	–	–	262,500	6,819,000	
Total									41,127,000	–	1,000,000	–	303,500	39,823,500	

OTHER INFORMATION (CONTINUED)

(2) Post-IPO Share Option Scheme

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

For the six months ended 30 June 2024, the Company has granted 580,000 share options to eligible participants under the Post-IPO Share Option Scheme on 27 March 2024. The number of options that may be granted under the mandate of the Post-IPO Share Option Scheme on 1 January 2024 was 86,793,572 shares and the number of options that may be granted under the mandate of Post-IPO Share Option Scheme on 30 June 2024 was 99,275,572 shares.

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

OTHER INFORMATION (CONTINUED)

Details of the movement of the post-IPO share option scheme during the six months ended 30 June 2024 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 2024/01/01	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Number of options at 2024/6/30	
Wang Guisheng (Director)	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	2021/04/01-2023/03/31	2023/04/01-2031/03/31	47.30	51.05	11.36	NA	—	—	—	—	—	—	
		44,334	2021/04/01-2024/03/31	2024/04/01-2031/03/31	47.30	51.05	12.40	NA	—	—	—	—	—	—	
	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
		319,150	2023/08/23-2024/08/22	2024/08/23-2033/08/22	7.63	7.79	2.15	NA	319,150	—	—	—	—	—	319,150
		319,150	2023/08/23-2025/08/22	2025/08/23-2033/08/22	7.63	7.79	2.54	NA	319,150	—	—	—	—	—	319,150
Xiong Shaoming (Director)	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	2021/04/01-2023/03/31	2023/04/01-2031/03/31	47.30	51.05	11.36	NA	—	—	—	—	—	—	
		78,000	2021/04/01-2024/03/31	2024/04/01-2031/03/31	47.30	51.05	12.40	NA	—	—	—	—	—	—	
	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 (Director)	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	2021/04/01-2023/03/31	2023/04/01-2031/03/31	47.30	51.05	11.36	NA	—	—	—	—	—	—	
		5,000	2021/04/01-2024/03/31	2024/04/01-2031/03/31	47.30	51.05	12.40	NA	—	—	—	—	—	—	
	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 (Associate of director)	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	2021/04/01-2023/03/31	2023/04/01-2031/03/31	47.30	51.05	11.36	NA	—	—	—	—	—	—	
		21,666	2021/04/01-2024/03/31	2024/04/01-2031/03/31	47.30	51.05	12.40	NA	—	—	—	—	—	—	
	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 (Associate of director)	2021/04/01	21,900	2021/04/01-2022/03/31	2022/04/01-2031/03/31	47.30	51.05	10.15	NA	—	—	—	—	—	—	
		21,900	2021/04/01-2023/03/31	2023/04/01-2031/03/31	47.30	51.05	11.36	NA	—	—	—	—	—	—	
		21,900	2021/04/01-2024/03/31	2024/04/01-2031/03/31	47.30	51.05	12.40	NA	—	—	—	—	—	—	
	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
Yuan Xiang (Associate of director)	2023/08/23	9,650	2023/08/23-2024/08/22	2024/08/23-2033/08/22	7.63	7.79	2.15	NA	9,650	—	—	—	—	9,650	
		9,650	2023/08/23-2025/08/22	2025/08/23-2033/08/22	7.63	7.79	2.54	NA	9,650	—	—	—	—	9,650	
		9,650	2023/08/23-2026/08/22	2026/08/23-2033/08/22	7.63	7.79	2.83	NA	9,650	—	—	—	—	9,650	
	2023/08/23	33,550	2023/08/23-2024/08/22	2024/08/23-2033/08/22	7.63	7.79	2.15	NA	33,550	—	—	—	—	—	33,550
		33,550	2023/08/23-2025/08/22	2025/08/23-2033/08/22	7.63	7.79	2.54	NA	33,550	—	—	—	—	—	33,550
Bu Weiqiang (Associate of director)	2023/08/23	26,825	2023/08/23-2024/08/22	2024/08/23-2033/08/22	7.63	7.79	2.15	NA	26,825	—	—	—	—	—	26,825
		26,825	2023/08/23-2025/08/22	2025/08/23-2033/08/22	7.63	7.79	2.54	NA	26,825	—	—	—	—	—	26,825
		26,825	2023/08/23-2026/08/22	2026/08/23-2033/08/22	7.63	7.79	2.83	NA	26,825	—	—	—	—	—	26,825
	2023/08/23	26,825	2023/08/23-2024/08/22	2024/08/23-2033/08/22	7.63	7.79	2.15	NA	26,825	—	—	—	—	—	26,825
		26,825	2023/08/23-2025/08/22	2025/08/23-2033/08/22	7.63	7.79	2.54	NA	26,825	—	—	—	—	—	26,825

OTHER INFORMATION (CONTINUED)

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 2024/01/01	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Number of options at 2024/6/30
Other employees (not Director)	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	–	–	–	–	–	–
		6,913,335	2021/04/01–2023/03/31	2023/04/01–2031/03/31	47.30	51.05	11.36	NA	–	–	–	–	–	–
		6,913,330	2021/04/01–2024/03/31	2024/04/01–2031/03/31	47.30	51.05	12.40	NA	–	–	–	–	–	–
		5,170,000	2021/04/01–2025/03/31	2025/04/01–2031/03/31	47.30	51.05	13.27	NA	–	–	–	–	–	–
	2021/07/09	921,000	2021/07/09–2022/07/08	2022/07/09–2031/07/08	42.95	42.08	12.05	NA	–	–	–	–	–	–
		921,000	2021/07/09–2023/07/08	2023/07/09–2031/07/08	42.95	42.08	14.22	NA	–	–	–	–	–	–
		921,000	2021/07/09–2024/07/08	2024/07/09–2031/07/08	42.95	42.08	16.04	NA	–	–	–	–	–	–
		907,000	2021/07/09–2025/07/08	2025/07/09–2031/07/08	42.95	42.08	17.47	NA	–	–	–	–	–	–
	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	–	–	–	–	–	–
		2,495,750	2021/09/30–2023/09/29	2023/09/30–2031/09/29	35.50	36.30	12.56	NA	–	–	–	–	–	–
		2,495,750	2021/09/30–2024/09/29	2024/09/30–2031/09/29	35.50	36.30	14.17	NA	–	–	–	–	–	–
		2,245,750	2021/09/30–2025/09/29	2025/09/30–2031/09/29	35.50	36.30	15.43	NA	–	–	–	–	–	–
	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	2022/01/04–2024/01/03	2024/01/04–2032/01/03	37.10	38.43	10.25	NA	–	–	–	–	–	–
		957,500	2022/01/04–2025/01/03	2025/01/04–2032/01/03	37.10	38.43	11.48	NA	–	–	–	–	–	–
		957,500	2022/01/04–2026/01/03	2026/01/04–2032/01/03	37.10	38.43	12.49	NA	–	–	–	–	–	–
	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	1,995,375	–	–	–	124,750	1,870,625
		2,993,750	2022/05/19–2024/05/18	2024/05/19–2032/05/18	17.46	16.88	5.19	NA	2,443,125	–	–	–	223,750	2,219,375
		2,993,750	2022/05/19–2025/05/18	2025/05/19–2032/05/18	17.46	16.88	5.67	NA	2,443,125	–	–	–	242,500	2,200,625
		2,993,750	2022/05/19–2026/05/18	2026/05/19–2032/05/18	17.46	16.88	6.04	NA	2,443,125	–	–	–	242,500	2,200,625
		546,750	2022/05/19–2027/05/18	2027/05/19–2032/05/18	17.46	16.88	6.33	NA	447,750	–	–	–	136,500	311,250
	2022/07/21	629,500	2022/07/21–2023/07/20	2023/07/21–2032/07/20	20.60	20.80	5.51	NA	427,000	–	–	–	85,000	342,000
		629,500	2022/07/21–2024/07/20	2024/07/21–2032/07/20	20.60	20.80	6.32	NA	427,000	–	–	–	85,000	342,000
		629,500	2022/07/21–2025/07/20	2025/07/21–2032/07/20	20.60	20.80	6.94	NA	427,000	–	–	–	85,000	342,000
		629,500	2022/07/21–2026/07/20	2026/07/21–2032/07/20	20.60	20.80	7.44	NA	427,000	–	–	–	85,000	342,000
	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	8,012,800	–	–	–	2,848,200	5,164,600
		8,760,200	2022/11/09–2024/03/31	2024/04/01–2032/11/08	11.78	11.11	3.19	NA	8,012,800	–	–	–	2,848,200	5,164,600
		6,223,600	2022/11/09–2025/03/31	2025/04/01–2032/11/08	11.78	11.11	3.56	NA	5,640,400	–	–	–	2,826,600	2,813,800
		910,000	2022/11/09–2023/07/08	2023/07/09–2032/11/08	11.78	11.11	2.87	NA	596,600	–	–	–	–	596,600
		910,000	2022/11/09–2024/07/08	2024/07/09–2032/11/08	11.78	11.11	3.21	NA	596,600	–	–	–	–	596,600
		910,000	2022/11/09–2025/07/08	2025/07/09–2032/11/08	11.78	11.11	3.65	NA	596,600	–	–	–	–	596,600
		2,915,800	2022/11/09–2023/09/29	2023/09/30–2032/11/08	11.78	11.11	2.97	NA	2,348,800	–	–	–	158,700	2,190,100
		2,915,800	2022/11/09–2024/09/29	2024/09/30–2032/11/08	11.78	11.11	3.39	NA	2,348,800	–	–	–	158,700	2,190,100
		2,907,400	2022/11/09–2025/09/29	2025/09/30–2032/11/08	11.78	11.11	3.71	NA	2,341,400	–	–	–	158,600	2,182,800
		1,103,500	2022/11/09–2024/01/03	2024/01/04–2032/11/08	11.78	11.11	3.10	NA	850,100	–	–	–	100,000	750,100
		1,103,500	2022/11/09–2025/01/03	2025/01/04–2032/11/08	11.78	11.11	3.49	NA	850,100	–	–	–	100,000	750,100
		1,103,000	2022/11/09–2026/01/03	2026/01/04–2032/11/08	11.78	11.11	3.79	NA	849,800	–	–	–	100,000	749,800
	2022/11/10	515,000	2022/11/10–2023/11/09	2023/11/10–2032/11/09	11.02	11.20	2.81	NA	375,000	–	–	–	7,500	367,500
		515,000	2022/11/10–2024/11/09	2024/11/10–2032/11/09	11.02	11.20	3.22	NA	375,000	–	–	–	7,500	367,500
		515,000	2022/11/10–2025/11/09	2025/11/10–2032/11/09	11.02	11.20	3.52	NA	375,000	–	–	–	7,500	367,500
		515,000	2022/11/10–2026/11/09	2026/11/10–2032/11/09	11.02	11.20	3.75	NA	375,000	–	–	–	7,500	367,500
	2022/12/28	482,500	2022/12/28–2023/12/27	2023/12/28–2032/12/27	12.78	12.96	3.57	NA	262,500	–	–	–	15,000	247,500
		482,500	2022/12/28–2024/12/27	2024/12/28–2032/12/27	12.78	12.96	4.09	NA	262,500	–	–	–	15,000	247,500
		482,500	2022/12/28–2025/12/27	2025/12/28–2032/12/27	12.78	12.96	4.47	NA	262,500	–	–	–	15,000	247,500
		482,500	2022/12/28–2026/12/27	2026/12/28–2032/12/27	12.78	12.96	4.77	NA	262,500	–	–	–	15,000	247,500
	2023/04/19	865,000	2023/04/19–2024/04/18	2024/04/19–2033/04/18	9.95	9.71	3.03	NA	770,000	–	–	–	–	770,000
		865,000	2023/04/19–2025/04/18	2025/04/19–2033/04/18	9.95	9.71	3.54	NA	770,000	–	–	–	–	770,000
		865,000	2023/04/19–2026/04/18	2026/04/19–2033/04/18	9.95	9.71	3.91	NA	770,000	–	–	–	–	770,000
		865,000	2023/04/19–2027/04/18	2027/04/19–2033/04/18	9.95	9.71	4.20	NA	770,000	–	–	–	–	770,000
	2023/07/20	735,000	2023/07/20–2024/07/19	2024/07/20–2033/07/19	7.88	8.16	2.57	NA	215,000	–	–	–	30,000	185,000
		735,000	2023/07/20–2025/07/19	2025/07/20–2033/07/19	7.88	8.16	2.99	NA	215,000	–	–	–	30,000	185,000
		735,000	2023/07/20–2026/07/19	2026/07/20–2033/07/19	7.88	8.16	3.28	NA	215,000	–	–	–	30,000	185,000
		735,000	2023/07/20–2027/07/19	2027/07/20–2033/07/19	7.88	8.16	3.51	NA	215,000	–	–	–	30,000	185,000
	2023/08/23	18,707,225	2023/08/23–2024/08/22	2024/08/23–2033/08/22	7.63	7.79	2.15	NA	18,446,250	–	–	–	490,750	17,955,500
		18,707,225	2023/08/23–2025/08/22	2025/08/23–2033/08/22	7.63	7.79	2.54	NA	18,446,250	–	–	–	490,750	17,955,500
		18,707,225	2023/08/23–2026/08/22	2026/08/23–2033/08/22	7.63	7.79	2.83	NA	18,446,250	–	–	–	490,750	17,955,500
		18,707,225	2023/08/23–2027/08/22	2027/08/23–2033/08/22	7.63	7.79	3.06	NA	18,446,250	–	–	–	490,750	17,955,500
	2023/10/20	390,000	2023/10/20–2024/10/19	2024/10/20–2033/10/19	5.97	5.99	1.79	NA	390,000	–	–	–	80,000	310,000
		390,000	2023/10/20–2025/10/19	2025/10/20–2033/10/19	5.97	5.99	2.09	NA	390,000	–	–	–	80,000	310,000
		390,000	2023/10/20–2026/10/19	2026/10/20–2033/10/19	5.97	5.99	2.31	NA	390,000	–	–	–	80,000	310,000
		390,000	2023/10/20–2027/10/19	2027/10/20–2033/10/19	5.97	5.99	2.48	NA	390,000	–	–	–	80,000	310,000
	2024/03/27	145,000	2024/03/27–2025/03/26	2025/03/27–2034/03/26	6.55	6.85	1.96	NA	–	145,000	–	–	20,000	125,000
		145,000	2024/03/27–2026/03/26	2026/03/27–2034/03/26	6.55	6.85	2.31	NA	–	145,000	–	–	20,000	125,000
		145,000	2024/03/27–2027/03/26	2027/03/27–2034/03/26	6.55	6.85	2.59	NA	–	145,000	–	–	20,000	125,000
		145,000	2024/03/27–2028/03/26	2028/03/27–2034/03/26	6.55	6.85	2.82	NA	–	145,000	–	–	20,000	125,000
Total									129,524,700	580,000	–	–	13,182,000	116,922,700

Note: Please refer to page 73 of this Interim Report for the accounting standard and policy adopted to calculate the fair value of the options.

OTHER INFORMATION (CONTINUED)

B. Share Award Scheme

The Company adopted a share award scheme on 2 September 2021 (the “Share Award Scheme”). With effect from 1 January 2023, the Share Award Scheme is subject to the provisions of Chapter 17 of the Listing Rules. The purpose 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.

For the six months ended 30 June 2024, the Company has granted 390,000 awarded shares to certain selected participants in accordance with the terms of the Share Award Scheme on 27 March 2024. The number of Award Shares that may be granted under the mandate of the Share Award Scheme on 1 January 2024 was 267,480,861 shares and the number of awarded shares that may be granted under the mandate of the Share Award Scheme on 30 June 2024 was 269,584,686 shares.

Details of the movement of the Share Award Scheme for the six months ended 30 June 2024 are 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 2024	Granted during the period	Vested during the period	Cancelled during the period	Lapsed during the period	Number of awards as at 30 June 2024
Xiong Shaoming (Director)	2023/8/23	24,700	2024/8/23-2033/8/22	7.63	—	7.20	NA	24,700	—	—	—	—	24,700
		24,700	2025/8/23-2033/8/22	7.63	—	7.20	NA	24,700	—	—	—	—	24,700
		24,700	2026/8/23-2033/8/22	7.63	—	7.20	NA	24,700	—	—	—	—	24,700
		24,700	2027/8/23-2033/8/22	7.63	—	7.20	NA	24,700	—	—	—	—	24,700
Wang Guisheng (Director)	2023/8/23	45,600	2024/8/23-2033/8/22	7.63	—	7.20	NA	45,600	—	—	—	—	45,600
		45,600	2025/8/23-2033/8/22	7.63	—	7.20	NA	45,600	—	—	—	—	45,600
		45,600	2026/8/23-2033/8/22	7.63	—	7.20	NA	45,600	—	—	—	—	45,600
		45,600	2027/8/23-2033/8/22	7.63	—	7.20	NA	45,600	—	—	—	—	45,600
Wang Xin (Director)	2023/8/23	29,225	2024/8/23-2033/8/22	7.63	—	7.20	NA	29,225	—	—	—	—	29,225
		29,225	2025/8/23-2033/8/22	7.63	—	7.20	NA	29,225	—	—	—	—	29,225
		29,225	2026/8/23-2033/8/22	7.63	—	7.20	NA	29,225	—	—	—	—	29,225
		29,225	2027/8/23-2033/8/22	7.63	—	7.20	NA	29,225	—	—	—	—	29,225
Bu Zhiqiang (Associate of director)	2023/8/23	11,200	2024/8/23-2033/8/22	7.63	—	7.20	NA	11,200	—	—	—	—	11,200
		11,200	2025/8/23-2033/8/22	7.63	—	7.20	NA	11,200	—	—	—	—	11,200
		11,200	2026/8/23-2033/8/22	7.63	—	7.20	NA	11,200	—	—	—	—	11,200
		11,200	2027/8/23-2033/8/22	7.63	—	7.20	NA	11,200	—	—	—	—	11,200
Li Xiaoping (Associate of director)	2023/8/23	7,300	2024/8/23-2033/8/22	7.63	—	7.20	NA	7,300	—	—	—	—	7,300
		7,300	2025/8/23-2033/8/22	7.63	—	7.20	NA	7,300	—	—	—	—	7,300
		7,300	2026/8/23-2033/8/22	7.63	—	7.20	NA	7,300	—	—	—	—	7,300
		7,300	2027/8/23-2033/8/22	7.63	—	7.20	NA	7,300	—	—	—	—	7,300
Yuan Xiang (Associate of director)	2023/8/23	3,225	2024/8/23-2033/8/22	7.63	—	7.20	NA	3,225	—	—	—	—	3,225
		3,225	2025/8/23-2033/8/22	7.63	—	7.20	NA	3,225	—	—	—	—	3,225
		3,225	2026/8/23-2033/8/22	7.63	—	7.20	NA	3,225	—	—	—	—	3,225
		3,225	2027/8/23-2033/8/22	7.63	—	7.20	NA	3,225	—	—	—	—	3,225
Bu Weiqiang (Associate of director)	2023/8/23	8,925	2024/8/23-2033/8/22	7.63	—	7.20	NA	8,925	—	—	—	—	8,925
		8,925	2025/8/23-2033/8/22	7.63	—	7.20	NA	8,925	—	—	—	—	8,925
		8,925	2026/8/23-2033/8/22	7.63	—	7.20	NA	8,925	—	—	—	—	8,925
		8,925	2027/8/23-2033/8/22	7.63	—	7.20	NA	8,925	—	—	—	—	8,925

OTHER INFORMATION (CONTINUED)

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 2024	Granted during the period	Vested during the period	Cancelled during the period	Lapsed during the period	Number of awards as at 30 June 2024	
Other employees (not Directors)	2021/12/24	570,000	2022/4/1–2031/12/23	39.40	–	39.35	NA	–	–	–	–	–	–	
		570,000	2023/4/1–2031/12/23	39.40	–	39.35	NA	–	–	–	–	–	–	
		570,000	2024/4/1–2031/12/23	39.40	–	39.35	6.60	530,000	–	105,000	–	–	425,000	–
		570,000	2025/4/1–2031/12/23	39.40	–	39.35	NA	530,000	–	–	–	–	425,000	105,000
Other employees (not Directors)	2021/12/24	90,000	2022/7/9–2031/12/23	39.40	–	39.35	NA	–	–	–	–	–	–	
		90,000	2023/7/9–2031/12/23	39.40	–	39.35	NA	–	–	–	–	–	–	
		90,000	2024/7/9–2031/12/23	39.40	–	39.35	NA	70,000	–	–	–	–	70,000	
		90,000	2025/7/9–2031/12/23	39.40	–	39.35	NA	70,000	–	–	–	–	70,000	
Other employees (not Directors)	2021/12/24	570,575	2022/9/30–2031/12/23	39.40	–	39.35	NA	–	–	–	–	–	–	
		570,575	2023/9/30–2031/12/23	39.40	–	39.35	NA	37,500	–	–	–	–	37,500	
		570,575	2024/9/30–2031/12/23	39.40	–	39.35	NA	470,050	–	–	–	20,525	449,525	
		445,575	2025/9/30–2031/12/23	39.40	–	39.35	NA	345,050	–	–	–	20,525	324,525	
Other employees (not Directors)	2022/1/4	235,000	2023/1/4–2032/1/3	37.10	–	35.00	NA	–	–	–	–	–	–	
		235,000	2024/1/4–2032/1/3	37.10	–	35.00	6.21	210,000	–	210,000	–	–	–	
		235,000	2025/1/4–2032/1/3	37.10	–	35.00	NA	210,000	–	–	–	10,000	200,000	
		235,000	2026/1/4–2032/1/3	37.10	–	35.00	NA	210,000	–	–	–	10,000	200,000	
		974,250	2023/4/19–2032/4/18	18.46	–	17.18	NA	–	–	–	–	–	–	–
Other employees (not Directors)	2022/4/19	1,588,500	2024/4/19–2032/4/18	18.46	–	17.18	6.77	1,308,750	–	1,239,500	–	69,000	250	
		1,588,500	2025/4/19–2032/4/18	18.46	–	17.18	NA	1,308,750	–	–	–	107,250	1,201,500	
		1,588,500	2026/4/19–2032/4/18	18.46	–	17.18	NA	1,308,750	–	–	–	107,250	1,201,500	
		614,250	2027/4/19–2032/4/18	18.46	–	17.18	NA	482,250	–	–	–	60,500	421,750	
		244,000	2023/7/21–2032/7/20	20.60	–	20.35	NA	–	–	–	–	–	–	–
Other employees (not Directors)	2022/7/21	244,000	2024/7/21–2032/7/20	20.60	–	20.35	NA	204,000	–	–	–	45,000	159,000	
		244,000	2025/7/21–2032/7/20	20.60	–	20.35	NA	204,000	–	–	–	45,000	159,000	
		244,000	2026/7/21–2032/7/20	20.60	–	20.35	NA	204,000	–	–	–	45,000	159,000	
		171,000	2023/11/10–2032/11/09	11.02	–	10.70	NA	–	–	–	–	–	–	–
Other employees (not Directors)	2022/11/10	171,000	2024/11/10–2032/11/09	11.02	–	10.70	NA	136,000	–	–	–	4,625	131,375	
		171,000	2025/11/10–2032/11/09	11.02	–	10.70	NA	136,000	–	–	–	4,625	131,375	
		171,000	2026/11/10–2032/11/09	11.02	–	10.70	NA	136,000	–	–	–	4,625	131,375	
		199,625	2023/12/28–2032/12/27	12.78	–	12.96	NA	–	–	–	–	–	–	–
Other employees (not Directors)	2022/12/28	199,625	2024/12/28–2032/12/27	12.78	–	12.96	NA	47,500	–	–	–	–	47,500	
		199,625	2025/12/28–2032/12/27	12.78	–	12.96	NA	47,500	–	–	–	–	47,500	
		199,625	2026/12/28–2032/12/27	12.78	–	12.96	NA	47,500	–	–	–	–	47,500	
		433,000	2024/4/19–2033/4/18	9.95	–	9.62	6.77	389,250	–	314,250	–	–	75,000	
Other employees (not Directors)	2023/4/19	433,000	2025/4/19–2033/4/18	9.95	–	9.62	NA	389,250	–	–	–	5,000	384,250	
		433,000	2026/4/19–2033/4/18	9.95	–	9.62	NA	389,250	–	–	–	5,000	384,250	
		428,000	2027/4/19–2033/4/18	9.95	–	9.62	NA	384,250	–	–	–	–	384,250	
		479,250	2024/7/20–2033/7/19	7.88	–	8.16	NA	75,000	–	–	–	20,000	55,000	
Other employees (not Directors)	2023/7/20	479,250	2025/7/20–2033/7/19	7.88	–	8.16	NA	75,000	–	–	–	20,000	55,000	
		479,250	2026/7/20–2033/7/19	7.88	–	8.16	NA	75,000	–	–	–	20,000	55,000	
		479,250	2027/7/20–2033/7/19	7.88	–	8.16	NA	75,000	–	–	–	20,000	55,000	
		6,144,675	2024/8/23–2033/8/22	7.63	–	7.20	NA	6,047,025	–	–	–	180,350	5,866,675	
Other employees (not Directors)	2023/8/23	6,144,675	2025/8/23–2033/8/22	7.63	–	7.20	NA	6,047,025	–	–	–	180,350	5,866,675	
		6,144,675	2026/8/23–2033/8/22	7.63	–	7.20	NA	6,047,025	–	–	–	180,350	5,866,675	
		6,144,675	2027/8/23–2033/8/22	7.63	–	7.20	NA	6,047,025	–	–	–	180,350	5,866,675	
		162,125	2024/10/20–2033/10/19	5.97	–	5.82	NA	162,125	–	–	–	57,125	105,000	
Other employees (not Directors)	2023/10/20	162,125	2025/10/20–2033/10/19	5.97	–	5.82	NA	162,125	–	–	–	57,125	105,000	
		162,125	2026/10/20–2033/10/19	5.97	–	5.82	NA	162,125	–	–	–	57,125	105,000	
		162,125	2027/10/20–2033/10/19	5.97	–	5.82	NA	162,125	–	–	–	57,125	105,000	
		97,500	2025/3/27–2034/3/26	6.55	–	6.60	NA	–	97,500	–	–	–	97,500	
Other employees (not Directors)	2024/3/27	97,500	2026/3/27–2034/3/26	6.55	–	6.60	NA	–	97,500	–	–	–	97,500	
		97,500	2027/3/27–2034/3/26	6.55	–	6.60	NA	–	97,500	–	–	–	97,500	
		97,500	2028/3/27–2034/3/26	6.55	–	6.60	NA	–	97,500	–	–	–	97,500	
		120,000	2023/9/17–2032/11/09	11.02	–	10.70	NA	–	–	–	–	–	–	–
External consultant	2022/11/10													
Total							35,462,900	390,000	1,868,750	–	2,443,825	31,540,325		

Note: Please refer to page 74 of this Interim Report for the accounting standard and policy adopted to calculate the fair value of the awards.

Pledge of Controlling Shareholder's Equity

Reference is made to the announcements of the Company dated 31 December 2020, 7 July 2021, 11 April 2022, 20 July 2023 and 21 May 2024. As at 21 May 2024, EVE Asia Co., Limited, the parent company of EVE Battery, had repaid all outstanding amounts of approximately HK\$0.8 billion under the loan facilities granted by CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED (“**CHINA CONSTRUCTION BANK (ASIA)**”) and accordingly, the pledge of 0.30 billion shares of the Company by EVE Battery has therefore been fully released and cancelled pursuant to the relevant pledge agreement between EVE Battery and CHINA CONSTRUCTION BANK (ASIA).

Exchangeable Bonds Issued by Controlling Shareholder

Reference is made to the announcements of the Company dated 12 November 2021, 30 June 2022, 4 November 2022, 3 July 2023, 12 October 2023, and 5 August 2024 and capitalized terms in this section shall have the same meaning as defined in such announcements. To the knowledge of the Directors, as of 30 June 2024, the Exchange Property which EVE Battery has pledged to the specific trust account included 60,578,645 shares. On 5 August 2024, the Company was informed by EVE Battery that dividend of the Company was received for the Exchange Property on 19 June 2024 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 331,176 shares it held to the specific trust account. After completion of this additional pledge, the Exchange Property included 60,909,821 shares.

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 shares (excluding treasury shares) was held by the public for the six months ended 30 June 2024.

Use of Proceeds from the Global Offering

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

OTHER INFORMATION (CONTINUED)

The net proceeds from the Listing have been and will be utilized in the same manner and proportion as set out in the prospectus of the Company dated 29 June 2020 under the section headed “**Future Plans and Use of Proceeds**”. The table below sets out the planned applications of the net proceeds and actual usage as of 30 June 2024:

Use of proceeds	Approximate percentage of total amount	Amount of net proceeds allocated upon Listing (HK\$ million)	Actual usage during the Review Period (HK\$ million)	Actual usage up to 30 June 2024 (HK\$ million)	Unutilized amount as at 30 June 2024 (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	101.4	1,297.7	2,657.2	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	77.5	1,582.0	—	—
(iv) Provide funding for our working capital and other general corporate purposes	5%	395.5	—	395.5	—	—
	100%	7,909.9	178.9	5,252.7	2,657.2	

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

** According to the Measures for the Administration of Electronic Cigarettes (《電子煙管理辦法》) 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 in Mainland of China must comply with the relevant regulations.

OTHER INFORMATION (CONTINUED)

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 the Subscription up to 30 June 2024 are set out as follows:

Intended use of proceeds	Approximate percentage of total amount	Amount of net proceeds allocated (HK\$ million)	Actual usage during the Review Period (HK\$ million)	Actual usage up to 30 June 2024 (HK\$ million)	Unutilized amount as at 30 June 2024 (HK\$ million)	Expected timeline
(i) Expansion of production capacity*	55%	2,445.0	80.5	530.5	1,914.5	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	—	1,556.0	—	—
	100%	4,445.5	80.5	2,086.5	2,359.0	

* According to the Measures for the Administration of Electronic Cigarettes (《電子煙管理辦法》) 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 in Mainland of China must comply with the relevant regulations.

OTHER INFORMATION (CONTINUED)

Appendix D2 to the Listing Rules

According to paragraph 40 of Appendix D2 to the Listing Rules headed “Disclosure of Financial Information”, save as disclosed in this interim report, the Company confirms that the Company’s current information in relation to those matters set out in paragraph 32 of Appendix D2 to the Listing Rules has not been changed materially from the information disclosed in the Company’s 2023 annual report.

Review of Accounts

Deloitte Touche Tohmatsu, the independent auditor of the Company, has reviewed the unaudited condensed consolidated interim financial information for the six months ended 30 June 2024 in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

Events after the Review Period

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

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

德勤

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

Introduction

We have reviewed the condensed consolidated financial statements of Smoore International Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 54 to 78, which comprise the condensed consolidated statement of financial position as of 30 June 2024 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and notes to the condensed consolidated financial statements. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
19 August 2024

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

	NOTES	At 30 June 2024 RMB'000 (unaudited)	At 31 December 2023 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	10	4,630,375	4,675,648
Intangible assets		82,400	90,126
Deposits paid for acquisition of property, plant and equipment		166,152	97,777
Deferred tax assets		35,680	34,120
Long-term bank deposits		3,056,949	1,017,889
Rental deposits		26,946	21,972
		7,998,502	5,937,532
Current assets			
Inventories		808,001	781,204
Trade and bills receivables	11	2,098,983	1,888,208
Other receivables, deposits and prepayments		739,950	729,271
Financial assets at fair value through profit or loss ("FVTPL")		601,701	—
Restricted bank deposits		358,650	4,116
Short-term bank deposits over three months		7,400,336	10,835,877
Bank balances and cash		6,534,871	5,332,076
		18,542,492	19,570,752
Current liabilities			
Trade and bills payables	12	1,197,415	1,269,804
Other payables and accrued expenses		1,179,667	1,478,708
Tax payables		46,668	61,822
Contract liabilities		466,700	242,395
Lease liabilities		129,599	118,415
Deferred income		1,744	2,166
Advances drawn on bills receivables discounted with recourse		1,658,829	393,023
		4,680,622	3,566,333
Net current assets		13,861,870	16,004,419
Total assets less current liabilities		21,860,372	21,941,951

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2024

	NOTE	At 30 June 2024 RMB'000 (unaudited)	At 31 December 2023 RMB'000 (audited)
Non-current liabilities			
Lease liabilities		240,688	264,957
Deferred income		4,189	4,992
Deferred tax liability		290,855	262,393
		535,732	532,342
Net assets		21,324,640	21,409,609
Capital and reserves			
Share capital	13	428,343	428,272
Reserves		20,896,297	20,981,337
Total equity		21,324,640	21,409,609

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Share option reserve RMB'000	Share award reserve RMB'000	Shares held under share award scheme RMB'000	Statutory reserve RMB'000 (Note i)	Other reserve RMB'000 (Note ii)	Translation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2023 (audited)	424,043	8,669,968	1,313	467,869	93,281	(134,513)	50,116	(1,194,032)	(15,358)	12,014,521	20,377,208
Profit for the period	—	—	—	—	—	—	—	—	—	717,342	717,342
Other comprehensive income for the period	—	—	—	—	—	—	—	—	17,014	—	17,014
Total comprehensive income for the period	—	—	—	—	—	—	—	—	17,014	717,342	734,356
Recognition of share-based payment expenses	—	—	—	102,256	44,713	—	—	—	—	—	146,969
Exercise of share options	205	7,783	—	(6,880)	—	—	—	—	—	—	1,108
Vesting of shares under share award scheme	—	(1,898)	—	—	(35,998)	37,896	—	—	—	—	—
Dividends recognised as distribution (Note 8)	—	(439,328)	—	—	—	—	—	—	—	—	(439,328)
At 30 June 2023 (unaudited)	424,248	8,236,525	1,313	563,245	101,996	(96,617)	50,116	(1,194,032)	1,656	12,731,863	20,820,313
At 1 January 2024 (audited)	428,272	8,108,033	1,313	528,892	135,733	(214,351)	66,287	(1,194,032)	(93,978)	13,643,440	21,409,609
Profit for the period	—	—	—	—	—	—	—	—	—	683,198	683,198
Other comprehensive income for the period	—	—	—	—	—	—	—	—	41,399	—	41,399
Total comprehensive income for the period	—	—	—	—	—	—	—	—	41,399	683,198	724,597
Recognition of share-based payment expenses	—	—	—	33,457	36,196	—	—	—	—	—	69,653
Exercise of share options	71	2,672	—	(2,363)	—	—	—	—	—	—	380
Vesting of shares under share award scheme	—	7,800	—	—	(29,216)	21,416	—	—	—	—	—
Purchase of shares under share award scheme	—	—	—	—	—	(603,738)	—	—	—	—	(603,738)
Dividends recognised as distribution (Note 8)	—	(275,861)	—	—	—	—	—	—	—	—	(275,861)
At 30 June 2024 (unaudited)	428,343	7,842,644	1,313	559,986	142,713	(796,673)	66,287	(1,194,032)	(52,579)	14,326,638	21,324,640

Notes:

- (i) Pursuant to the relevant laws in the People's Republic of China (the "PRC"), each of the subsidiaries established in the PRC is required to transfer at least 10% of its profit after taxation to the statutory reserve until the reserve reaches 50% of their registered capital. Transfer to this reserve must be made before distributing dividends to equity holders. The statutory reserve can be used to make up for previous years' losses, expand the existing operations or convert into additional capital of the subsidiaries.
- (ii) Other reserve represents i) the difference between the share capital and share premium of Smoore Shenzhen Technology Co., Ltd ("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 and Smile Baby Investment 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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	For the six months ended 30 June	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
NET CASH FROM OPERATING ACTIVITIES	602,829	1,072,440
INVESTING ACTIVITIES		
Payment for acquisition of property, plant and equipment	(402,857)	(469,305)
Purchase of intangible assets	(9,135)	(14,777)
Placement of short-term deposits with variable interests	(600,000)	(7,000,000)
Withdrawal of short-term deposits with variable interests	—	7,052,638
Placement of restricted bank deposits	(355,215)	—
Withdrawal of restricted bank deposits	681	—
Placement of long-term bank deposits	(2,000,000)	(1,000,000)
Placement of short-term bank deposits over three months	(5,685,760)	(804,335)
Withdrawal of short-term bank deposits over three months	9,083,515	4,400,000
Payments for rental deposits	(6,905)	(4,498)
Refund of rental deposits upon termination of leases	7,408	5,158
Interest received	236,177	138,243
Proceeds from disposal of property, plant and equipment	—	328
NET CASH FROM INVESTING ACTIVITIES	267,909	2,303,452
FINANCING ACTIVITIES		
Proceeds from issue of shares upon exercise of share options	380	1,108
Dividends paid	(276,037)	(439,155)
Repayment of lease liabilities	(50,797)	(88,963)
Interest paid	(18,512)	(10,980)
Advances drawn on bills receivables discounted with recourse	1,280,829	—
Payment on repurchase and cancellation of shares	—	—
Purchase of shares under share award scheme	(603,738)	—
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	332,125	(537,990)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2024

	For the six months ended 30 June	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,202,863	2,837,902
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	5,332,076	9,762,933
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(68)	4,543
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	6,534,871	12,605,378

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

1. General Information

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

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

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

2. Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“**HKAS 34**”) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) as well as the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

3. Principal Accounting Policies

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

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2024 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2023.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2024

3. Principal Accounting Policies (Continued)

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2024 for the preparation of the Group's condensed consolidated financial statements:

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

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

4. Revenue and Segment Information

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2024

4. Revenue and Segment Information (Continued)

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

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2024

4. Revenue and Segment Information (Continued)

Geographical information

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

	For the six months ended 30 June	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Hong Kong, China (Note)	1,858,393	2,058,603
United Kingdom	1,145,912	1,293,476
United States of America	564,812	488,923
The PRC (excluding Hong Kong)	326,643	393,207
France	160,310	159,735
New Zealand	117,897	57,770
The United Arab Emirates	115,017	26,814
Japan	114,880	201,806
Others	633,378	442,528
	5,037,242	5,122,862

Note: Revenue generated from Hong Kong are on re-export or 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2024

5. Other Gains and Losses

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

6. Income Tax Expense

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2024

6. Income Tax Expense (Continued)

Under the Law of the People's Republic of China on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% except for Smoore Shenzhen, Jiangmen Moore Technology Co., Ltd (江門摩爾科技有限公司) (“**Moore Jiangmen**”) and Shenzhen Maishi Technology Co., Ltd (深圳麥時科技有限公司) (“**Maishi Technology**”), three major operating subsidiaries in the PRC. Smoore Shenzhen was qualified as High and New Technology Enterprise in November 2015 which was subsequently renewed in November 2018 and December 2021. Moore Jiangmen and Maishi Technology were qualified as High and New Technology Enterprise in December 2021, and therefore Smoore Shenzhen, Moore Jiangmen and Maishi Technology were entitled to a preferential income tax rate of 15% for three years from 2021 to 2023.

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2024

7. Profit for the Period

	For the six months ended 30 June	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Profit for the period has been arrived at after charging:		
Depreciation of right-of-use assets for buildings and land use rights	88,819	112,542
Depreciation of property, plant and equipment	258,614	204,395
Amortisation of intangible asset	16,875	15,065
	364,308	332,002
Less: amounts capitalised as cost of inventories manufactured	(204,302)	(216,997)
	160,006	115,005
Allowance (reversal) for inventories included in cost of sales	17,993	(785)
Government grants	57,955	35,096

8. Dividends

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2024

8. Dividends (Continued)

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

9. Earnings Per Share

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

	For the six months ended 30 June	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Earnings:		
Earnings for the purpose of basic and diluted earnings per share	683,198	717,342
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating earnings per share	6,101,812	6,073,784
Effect of dilutive potential ordinary shares:		
Share options/award shares	50,173	96,303
	6,151,985	6,170,087

10. Property, Plant and Equipment

During the current interim period, the Group acquired property, plant and equipment of RMB344,958,000 (six months ended 30 June 2023: RMB650,323,000). Furthermore, during the current interim period, the Group renewed several lease agreements and entered into several new lease agreements with lease terms ranging from 1 to 10 years. On lease commencement, the Group recognised right-of-use assets of RMB62,953,000 (six months ended 30 June 2023: RMB104,430,000) and lease liabilities of RMB61,943,000 (six months ended 30 June 2023: RMB103,611,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2024

11. Trade and Bills Receivables

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

The Group allows a credit period of 0 to 90 days (31 December 2023: 0 to 90 days) to its trade customers.

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

	At 30 June 2024 RMB'000 (unaudited)	At 31 December 2023 RMB'000 (audited)
Trade receivables		
Within 30 days	775,183	690,863
31 to 60 days	650,725	608,095
61 to 90 days	343,428	301,103
Over 90 days	261,034	273,124
	2,030,370	1,873,185

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2024

12. Trade and Bills Payables

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

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2024

13. Share Capital

	Number of shares	Share Capital US\$'000
Ordinary shares		
Ordinary shares of US\$0.01 each		
Authorised:		
At 1 January 2023 (audited), 30 June 2023 (unaudited), 31 December 2023 (audited) and 30 June 2024 (unaudited)	10,000,000,000	100,000

	Number of shares	Share Capital	
		US\$'000	RMB'000
Issued and fully paid			
At 1 January 2023 (audited)	6,078,168,720	60,782	424,043
Exercise of share options (note 14)	2,917,000	29	205
At 30 June 2023 (unaudited)	6,081,085,720	60,811	424,248
Exercise of share options (note 14)	56,153,000	562	4,024
At 31 December 2023 (unaudited)	6,137,238,720	61,373	428,272
Exercise of share options (note 14)	1,000,000	10	71
At 30 June 2024 (unaudited)	6,138,238,720	61,383	428,343

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2024

14. Share-Based Payment Transactions

Equity-settled share option scheme of the Company

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

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

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

	2024		2023	
	Exercise price RMB	Number of share option	Exercise price RMB	Number of share option
As at 1 January (audited)	0.38	41,127,000	0.38	102,016,500
Exercised during the period	0.38	(1,000,000)	0.38	(2,917,000)
Forfeited during the period	0.38	(303,500)	0.38	(310,500)
As at 30 June (unaudited)	0.38	39,823,500	0.38	98,789,000
Exercisable at the end of the reporting period	0.38	12,144,500	0.38	11,697,500

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2024

14. Share-Based Payment Transactions (Continued)

Equity-settled share option scheme of the Company (Continued)

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

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

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

	2024		2023	
	Exercise price HK\$	Number of share options	Exercise price HK\$	Number of share options
As at 1 January (audited)	5.99–20.80	129,524,700	11.11–20.80	56,255,000
Granted during the period	6.85	580,000	9.71	3,460,000
Forfeited during the period	5.99–20.80	(13,182,000)	9.71–20.80	(3,856,000)
As at 30 June (unaudited)	5.99–20.80	116,922,700	9.71–20.80	55,859,000
Exercisable at the end of the reporting period	9.71–20.80	20,142,250	11.11–20.80	11,030,600

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2024

14. Share-Based Payment Transactions (Continued)

Equity-settled share option scheme of the Company (Continued)

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

During the current interim period, 580,000 share options were granted on 27 March 2024 under the Post-IPO share option scheme. The fair value of the options determined at the date of grant using the Binomial Option Pricing model was HK\$1,404,000 (equivalent to approximately RMB1,275,000). The key inputs into the model were as follows:

	Share options granted on 27 March 2024
Weighted average share price	HK\$6.60
Exercise price	HK\$6.85
Expected life	10 years
Risk-free rate	3.72%
Expected dividend yield	1.52%

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2024

14. Share-Based Payment Transactions (Continued)

Equity-settled share option scheme of the Company (Continued)

(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; and (ii) to attract suitable personnel for further development of the Group.

The table below discloses movement of the Share Award scheme:

	2024	2023
As at 1 January (audited)	35,462,900	12,862,100
Granted during the period	390,000	1,727,000
Lapsed during the period	(2,443,825)	(671,075)
Vested during the period	(1,868,750)	(1,683,500)
As at 30 June (unaudited)	31,540,325	12,234,525
Exercisable at the end of the reporting period	112,750	—

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 current interim period, 390,000 awarded shares were granted on 27 March 2024 under the Restricted Share Award Scheme. The estimated fair value of the share awarded granted on those dates was HK\$2,574,000 (equivalent to approximately RMB2,336,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2024

14. Share-Based Payment Transactions (Continued)

Equity-settled share option scheme of TranspireBio Holdings Limited (“TranspireBio”)

(iv) 2024 equity incentive plan

On 31 May 2024, a share option scheme (the “2024 equity incentive plan”) was adopted by the board of directors of TranspireBio, incorporated in the Cayman Islands, for the purpose of attracting and retaining the services of the directors, senior management and other employees for their contribution to the TranspireBio. Under the 2024 equity incentive plan, the board of directors of TranspireBio may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in TranspireBio.

During the current interim period, 1,132,582,500 share options were granted on 31 May 2024 under the equity incentive plan. The fair value of the options determined at the date of grant using the Binomial Option Pricing model was USD3,602,000 (equivalent to approximately RMB22,652,000). The key inputs into the model were as follows:

	Share options granted on 31 May 2024
Weighted average share price	USD0.0041
Exercise price	USD0.0041
Expected life	10 years
Risk-free rate	4.50%
Expected dividend yield	0.00%

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2024

15. Fair Value Measurements of Financial Instruments

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

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

Financial assets	Fair value as at		Fair value hierarchy	Valuation techniques and key input	Signification unobservable input
	30 June 2024 RMB'000	31 December 2023 RMB'000			
Financial assets at FVTPL — forward foreign swap contracts	583	—	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.	—
— short-term deposit with variable interests	601,118	—	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 was no transfer between different level of the fair value hierarchy during the current interim period.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2024

16. Related Party Transactions

(a) The Group has following transactions and balances with a related party:

		For the six months ended 30 June	
Name of related party	Nature of transactions	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
EVE Energy Co., Ltd, shareholder of the Company	Purchase of raw material	205,442	280,031

		At 30 June 2024 RMB'000 (unaudited)	At 31 December 2023 RMB'000 (audited)
Name of related party	Nature of balances		
EVE Energy Co., Ltd	Trade and bills payables	104,186	230,169
	Other payables and accrued expenses	67	—
		104,253	230,169

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2024

16. Related Party Transactions (Continued)

(b) Compensation of key management personnel

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

	For the six months ended 30 June	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Salaries and other benefits	5,534	5,468
Retirement benefit schemes contributions	170	157
Share-based payment expense	7,057	12,082
	12,761	17,707

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

17. Commitments

	At 30 June 2024 RMB'000 (unaudited)	At 31 December 2023 RMB'000 (audited)
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	395,328	494,304