



2020
ENVIRONMENTAL,
SOCIAL AND
GOVERNANCE
REPORT

SMOORE

SMOORE INTERNATIONAL HOLDINGS LIMITED
思摩爾國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 6969)

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ABOUT THE REPORT

Reporting Scope

Smoore International Holdings Limited (“**Smoore**” or the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**” or “**we**”) are pleased to publish the first Environmental, Social and Governance Report (this “**Report**”) of the Group to stakeholders to disclose the sustainable development strategies, policies and performance of the Group in the past year. Unless otherwise stated, the reporting scope of this Report covers the two main business segments of the Group:

- 1) research, design and manufacturing of closed system vaping devices and vaping components for a number of global leading tobacco companies and independent vaping companies, and
- 2) research, design, manufacturing and sale of self-branded open system vaping devices, or advanced personal vaporizers (“**APV**”), for retail clients.

Reporting Period

The reporting period of this Report is from 1 January 2020 to 31 December 2020 (the “**Reporting Period**”).

Reporting Standards

This Report is prepared in accordance with the “comply or explain” provisions of the Environmental, Social and Governance Reporting Guide (the “**ESG Guide**”) as set out in the Appendix 27 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) issued by the Stock Exchange of Hong Kong Limited (the “**HKEX**”), and was reviewed and passed by the board of directors on 31 March 2021.

Reporting Principles

This Report is prepared based on the following four reporting principles:

<div style="background-color: #4CAF50; color: white; text-align: center; padding: 5px; margin-bottom: 10px;">Materiality</div> <p>Definitions: The issues covered in this Report should reflect the significant impacts of the Group on economy, environment and society, or the aspects affecting the assessments and decisions of stakeholders.</p> <p>Responses from Smoore: Through communicating with stakeholders as well as considering the Group’s business nature and development, material sustainability issues have been identified.</p>	<div style="background-color: #4CAF50; color: white; text-align: center; padding: 5px; margin-bottom: 10px;">Balance</div> <p>Definitions: This Report should disclose both positive and negative information of the Group in an objective manner, so as to reflect a comprehensive perspective of the sustainability performance of the Group.</p> <p>Responses from Smoore: The Group has identified the environmental, social and governance issues that have significant impact on the Group’s businesses, including the achievements and challenges faced by the Group, and made disclosure in this Report.</p>	<div style="background-color: #4CAF50; color: white; text-align: center; padding: 5px; margin-bottom: 10px;">Quantitative</div> <p>Definitions: This Report should disclose key performance indicators in a measurable manner.</p> <p>Responses from Smoore: The Group would disclose its key environmental and social performance indicators quantitatively where appropriate.</p>	<div style="background-color: #4CAF50; color: white; text-align: center; padding: 5px; margin-bottom: 10px;">Consistency</div> <p>Definitions: This Report should disclose information in a consistent manner, and should explain any method alterations, so that environmental, social and governance data would be meaningfully comparable in the future.</p> <p>Responses from Smoore: This Report is the first Environmental, Social and Governance Report of the Group. We focus on maintaining annual comparisons and will strive to ensure the consistency of reporting scope and reporting methods in future reports.</p>
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Your Feedback

We regard the opinions of stakeholders as an important driving force for the sustainable development of the Group. If you have any comments on this Report or our sustainability performance, please contact us at IR@smooreholdings.com.

ABOUT THE GROUP

Business Profile

Research, design and manufacturing of closed system vaping devices and vaping components for a number of global leading tobacco companies and independent vaping companies



Research, design, manufacturing and sale of self-branded open system vaping devices, or advanced personal vaporizers (“**APV**”), for retail clients

ABOUT THE GROUP (CONTINUED)

Development Path

2009
Founding

- Establishment of Smoore Shenzhen

2012

- Started exporting our products to the U.S.

2015

- Launched our self-branded Vapresso in the U.S. market
- Exported our products and expanded our distributor network to Europe
- Awarded the “High and New Technology Enterprise Certificate” (高新技術企業證書) by Shenzhen Science and Technology Innovation Commission (深圳市科技創新委員會) together with three other government authorities
- Listed on the NEEQ
- Established business relationship with Japan Tobacco and some of its group companies

2016
Launched ceramic heating technology for the first time

- Introduced the first ceramic heating technology into the market



2017

- Established our first basic research center

ABOUT THE GROUP (CONTINUED)

2018

- Established business relationship with British American Tobacco and Reynolds Asia-Pacific
- “FEELM” was awarded the “Golden Leaf Award” by Tobacco Reporter and Vapor Voice Magazines



2019

- Awarded the Certificate of Participation by the Underwriters Laboratories(UL), a global safety certification company approved by the U.S. Federal Agency Occupational Safety and Health Administration to perform safety testing
- Established three basic research centers and our basic laboratory established under our basic research center in Shenzhen was awarded the Laboratory Accreditation Certificate (實驗室認可證書) by China National Accreditation Service for Conformity Assessment (中國合格評定國家認可委員會) (CNAS)
- Awarded the “21st China Patent Excellence Award” (中國專利獎) by the National Intellectual Property Administration of the PRC (中國國家知識產權局)

2020
Listing

- “FEELM” was awarded the “iF Design Award” by iF Industrie Forum Design
- Listed on the Hong Kong Stock Exchange on 10 July (stock code 6969.HK)
After listing, Smoore will gain stronger growth momentum driven by the capital market. We have stood at a new starting point and have unprecedented development opportunities. We will continue to enhance our corporate operation and management level, boost our profitability, and return shareholders, investors and society with more brilliant results



ABOUT THE GROUP (CONTINUED)

Awards and Recognition

<p>Enterprise Development</p>	<ul style="list-style-type: none"> Selected by Shenzhen Enterprise Confederation (深圳市企業聯合會) and Shenzhen Entrepreneurs Association (深圳市企業家協會) as “Ranked 92nd among Shenzhen Top 500 Enterprises” (深圳500強企業第92位) for year 2020 Received the “Industry Leader and Annual Innovation Award of Vapouround Awards 2020” (Vapouround Awards 2020 行業領導者及年度創新獎) from “Vapouround” Received the “2020 Gelonghui Most Valuable IPO” (2020年度格隆匯最具投資價值IPO) award from Gelonghui (格隆匯) Selected by Bao’an District Government as the “2020 Six categories of Top 100 Companies in Bao’an District” (2020年寶安區六類百強企業) Received the “2020 Pegasus Award for China Electronic Information Market” (2020中國電子信息市場飛馬獎) from the China Electronics Chamber of Commerce (中國電子商會) Selected as “The Most Influential Enterprise of the King of China’s New Economy in 2020” (2020中國新經濟之王最具影響力企業) by “36Kr” (36氪) Received the “Value-added Benchmark Enterprise in Bao’an District” (寶安區增加值標杆企業) award from the Shenzhen Bao’an District Five categories of Top 100 Enterprises Association (深圳市寶安區五類百強企業聯合會)
<p>Corporate Governance</p>	<ul style="list-style-type: none"> Selected by the China National Intellectual Property Administration as “National Intellectual Property Advantage Enterprise (2019–2022)” (國家知識產權優勢企業(2019–2022)) Selected as “Integrity Demonstration Unit in Bao’an District” (寶安區誠信示範單位) by the Office of the Working Group for the Construction of Social Credit System of Shenzhen Bao’an District (深圳市寶安區社會誠信體系建設工作領導小組辦公室) and the Credit Promotion Association of Shenzhen Bao’an District (深圳市寶安區信用促進會) Received the “Good Credit Enterprise” (信用達標企業) certificate from Electronic Cigarette Industry Association of China Electronics Chamber of Commerce (中國電子商會電子煙行業協會)
<p>Quality and Innovation</p>	<ul style="list-style-type: none"> Selected as “Shenzhen Postdoctoral Innovation Practice Base” (深圳市博士後創新實踐基地) by Shenzhen Human Resources and Social Security Bureau (深圳市人力資源和社會保障局) Germany iF Industrial Design Award” (德國iF工業設計獎) awarded by the iF Industrie Forum Design (iF工業設計論壇) “First Prize of Bao’an District Mayor Quality Award” (寶安區區長質量獎大獎第一名) awarded by Bao’an District Government of Shenzhen “Customs Advanced Authorized Economic Operator Certification” (海關AEO高級認證企業證書) awarded by the Shenzhen Customs
<p>Human Resources</p>	<ul style="list-style-type: none"> “Liepin Guangdong CSR Practice Extraordinary Employer for 2020” (獵聘2020廣東CSR實踐非凡僱主) awarded by Liepin “Human Resource Management Excellence Award 2020” (前程無憂2020人力資源管理傑出獎) awarded by 51job “Zhaopin 2020 Top 30 Best Employers from Shenzhen in Guangdong–Hong Kong–Macao Greater Bay Area” (智聯招聘2020粵港澳大灣區最佳僱主深圳前30強) awarded by Zhaopin Limited



OUR APPROACH TO SUSTAINABLE DEVELOPMENT

Sustainable Development Governance

The board of directors has the overall responsibility for the Group's risk management activities and supervises major environmental, social and governance risks. The Group regards risk management as a vital part of daily management and corporate governance. The Group assesses and determines the risks and opportunities related to environmental, social and governance issues and their impacts. We have also formulated environmental, social and governance-related control measures to deal with major environmental, social and governance risks. By combining with sound internal control, we continuously identify, assess, optimize, manage and monitor the Group's operational risks. In addition, we have taken feasible measures to cope with global climate change and the exacerbation of extreme weather, including purchasing natural disaster compensation insurance for factory buildings, equipments and inventories, in order to reduce major losses caused by heavy rains, floods or typhoons. For details of our risk management, please refer to the Corporate Governance Report of the 2020 Annual Report.

Adhering to the mission of "Vaping makes life better" and the corporate vision of "Focus on building a world-leading vaping technology platform, Creating value for society and Bringing happiness for all Smoore people", sustainability is an essential part of it. We promise to integrate environmental, social and governance issues into our daily operations and business decision-making processes, discharge corporate social responsibilities, put good sustainable development governance into practice, with a hope to bring positive effects on the environment and society. Our sustainable development strategy is based on the following five core areas, enabling the Group to create long-term value and contribute to the United Nations' sustainable development goals.

SUSTAINABLE DEVELOPMENT GOALS



OUR APPROACH TO SUSTAINABLE DEVELOPMENT (CONTINUED)

Innovation	Commitment	Vaping	Aspiration	Love
<p>Creating high-quality products</p>	<p>Marketing responsibly</p>	<p>Embracing a greener future</p>	<p>Nurturing teams of talents</p>	<p>Creating a sustainable community</p>
 				 
<p>Commit to providing brand-new products to promote technological development</p>	<p>Optimize customer experience, strengthen close communication with customers, and maintain information transparency</p>	<p>Protect environment and integrate green concepts and practices into the operation process</p>	<p>Protect the rights and interests of employees and fulfill social responsibilities</p>	<p>Influence the world with love and create value for society</p>
<p>SDG 3.9 Promote the use of safe materials and reduce hazardous chemicals</p>	<p>SDG 12.8 Ensure transparent and fair information, promote sustainable development and lifestyle through the production of qualified and traceable products</p>	<p>SDG 12.2 Strengthen the sustainable management and efficient use of natural resources</p>	<p>SDG 8.7 Prevent and identify child labor</p>	<p>SDG 1.1 Promote the eradication of extreme poverty among people in the world</p>
<p>SDG 8.3 Promote technical learning and innovation & physical and mental health and well-being</p>		<p>SDG 12.5 Promote recycling and reusing to reduce waste generation</p>	<p>SDG 8.8 Protect labor rights and build a safe and secured working environment</p>	<p>SDG 10.1 Promote reduction of inequality</p>

All UN member states (over 190) passed the Sustainable Development Goals (SDGs) in 2015 to eradicate poverty, reduce inequality, and build a more peaceful and prosperous society by 2030. The SDGs includes 17 core goals, including promoting economic growth, satisfying education, hygiene, social protection and employment opportunities, tackling climate change, environmental protection, etc. It aims to guide global joint efforts and actions to protect the earth while promoting economic prosperity.

OUR APPROACH TO SUSTAINABLE DEVELOPMENT (CONTINUED)

Stakeholder Engagement

We believe that both internal and external opinions are crucial for continuous improvement of sustainable development performance. We regularly communicate with stakeholders to understand their priorities and expectations for sustainable development, and collect their opinions on the Group's sustainable development measures. We have identified employees, customers (including corporate customers, distributors), suppliers, shareholders and investors, government and non-government organizations and even the media as our main stakeholder categories. We have established a variety of communication channels to maintain close contact with various categories of stakeholders, so as to collect their opinions as important bases for improving the Group's operating principles and sustainable development strategies.

Stakeholders	Regular Participation or Communication Channels	
Employees	<ul style="list-style-type: none"> • Interview • Performance appraisal • Staff forum 	<ul style="list-style-type: none"> • Training courses • Employees activities and employees satisfaction survey • Announcement
Customers (including corporate customers, distributors)	<ul style="list-style-type: none"> • Website of the Group • Exhibition 	<ul style="list-style-type: none"> • Telephone call • Customer satisfaction survey
Suppliers	<ul style="list-style-type: none"> • On-site inspection • Regular review 	<ul style="list-style-type: none"> • Website of the Group • Supplier conference
Shareholders and investors	<ul style="list-style-type: none"> • General meetings • Annual report, financial report and announcement • Social media (such as WeChat official account) 	<ul style="list-style-type: none"> • Website of the Group • Mass media
Government and non-governmental organizations	<ul style="list-style-type: none"> • Meetings • Environmental survey 	<ul style="list-style-type: none"> • Direct communication • Qualification assessment
Media	<ul style="list-style-type: none"> • Social media (such as WeChat official account) • Charitable activities 	<ul style="list-style-type: none"> • Volunteer Service

OUR APPROACH TO SUSTAINABLE DEVELOPMENT (CONTINUED)

Materiality Analysis

In addition to the regular communication channels mentioned above, the Group entrusted an independent third-party consultant to conduct a stakeholder survey during the Reporting Period. Through online surveys, various categories of stakeholders were invited to rate the materiality of various issues to the Group, enabling us to identify significant environmental, social and governance issues before we take corresponding actions.

The materiality assessment during the Reporting Period is divided into the following three phases:

Phase 1: Identify the environmental, social and governance aspects

The Group's independent sustainability consultant comprehensively identified and reviewed 24 sustainable development issues that are most relevant to the Group's business, covering economic, environmental, labor, human rights and other social issues (refer to the "Sustainable Development Issue List"). These issues are gathered from a wide range of sources, including the Listing Rules requirements of the Hong Kong Stock Exchange, SDGs, stakeholder opinions, industry trends on sustainable development, media information analysis, etc., to ensure that identified issues fully reflect the nature of the Group's business and the results of previous communications with stakeholders.



Phase 2: Collect opinions from stakeholders and develop a materiality matrix

We invited six key stakeholder groups to participate in an online stakeholder engagement survey, to help us to prioritize the 24 sustainability issues identified from phase 1. After that, the consultant conducted a quantitative analysis of the materiality of these issues based on the stakeholder's views and the importance of the issues to the operation continuity and development of the Group's business, then presented the results of the analysis in a matrix form to determine the most important issues from these two perspectives. The most important issues at the stakeholder and Group levels are the focus of disclosure in this Report.



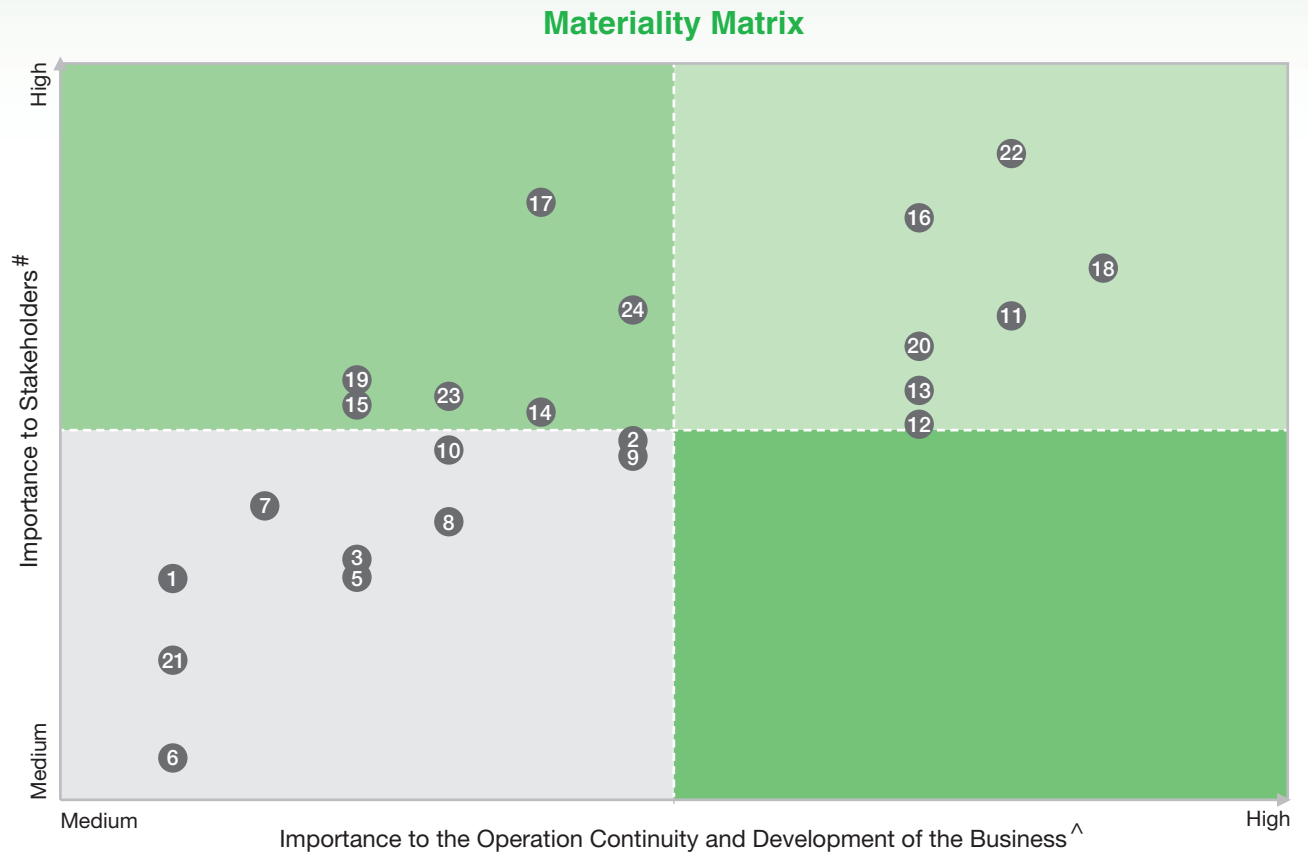
Phase 3: Verify the material issues

The management of the Group verified these seven prioritized material issues to ensure the rationality, balance and completeness of this Report.

OUR APPROACH TO SUSTAINABLE DEVELOPMENT (CONTINUED)

During the Reporting Period, we have concluded the materiality analysis results which are set out in the following materiality matrix. Among them, the 7 issues in the upper right corner are the issues that stakeholders are more concerned about in this analysis and will be disclosed in detail in this Report.

Materiality Matrix



The importance to stakeholders is determined based on the scores assigned by the external stakeholders according to the impact of materiality issues on social/environment.

^ The importance to the operation continuity and development of the business is determined based on the scores assigned by internal stakeholders according to the likelihood and potential impact of issues affecting continued operation and development of the Group's business.

OUR APPROACH TO SUSTAINABLE DEVELOPMENT (CONTINUED)

Sustainable Development Issue List

Environment	Society	Economy
1. Air emissions	9. Employee benefits	23. Economic performance
2. Waste	10. Equal opportunity, diversity, anti-discrimination	24. Business expansion
3. Carbon emissions and energy	11. Occupational health and safety	
4. Water resources	12. Employee development and training	
5. Packaging material consumption	13. Employment compliance	
6. Climate-related risks	14. Social risks from the supply chain	
7. Green procurement	15. Transparency and traceability of raw materials sources	
8. Environmental risks from the supply chain	16. Product certification, quality and safety	
	17. Customer service	
	18. Intellectual property management	
	19. Marketing, advertising and product labeling	
	20. Anti-corruption	
	21. Community investment	
	22. Product development and innovation	

* Note: The 7 issues in bold are considered as more important issues.

Seven Material Issues Identified	Related Chapters/Sub-units
Occupational health and safety	— Health and safety — Protect employees' health
Employee development and training	— Development opportunities and performance management — Improve the growth platform
Employment compliance	— Labor standards maintenance
Product certification, quality and safety	— Quality branding
Intellectual property management	— Promote product innovation, research and development and intellectual property protection
Anti-corruption	— Anti-corruption
Product development and innovation	— Technology platformization — Product diversification

RESPONSE TO COVID-19

We understand that stakeholders concern about the impact of the global outbreak of COVID-19 in 2020 on the business of the Group. In the early stage of the epidemic, we quickly adopted various response measures to mitigate the impact of the epidemic on business operations, protect the health of our employees, prevent the spread of the virus, and fulfill our responsibilities as a corporate citizen.

Protecting the Health of Employees

We had established the COVID-19 prevention center as early as 27 January 2020. The COVID-19 prevention center consists of our vice president, human resource and administrative management center heads and the heads of operation of each manufacturing base. They were responsible for supervising the work on epidemic prevention and control as well as formulating epidemic emergency plans at the group level based on actual conditions. We also direct each manufacturing base to set up an epidemic prevention team for orderly implementation of measures.

At the same time, we took the health of our employees as the main prerequisite, so we flexibly adjusted work arrangements by implementing suspension arrangements under severe epidemic situation, and implemented all epidemic prevention measures prior to the resumption of manufacturing base and office. We hired professionals to conduct comprehensive disinfection in the factory area and set up temporary quarantine facilities. Also, we quickly procured necessary epidemic prevention supplies, such as a sufficient number of masks, disinfection supplies and temperature measurement equipments. After being approved to resume work, we remained vigilant and carefully implemented the work resumption control measures. We have adopted the following preventive and control measures in various aspects:

1. Access management:

- All personnel entering our office or factory area are required to measure their body temperature and disinfect their hands.
- Travel histories of all employees who intend to work should be recorded in details. Different measures are taken for employees travelling from different regions. For employees coming from high-risk areas, we followed the government's defined measures and require them to be separated from work for a prescribed period of time.
- Visitors must make appointments in advance and register upon arrival. We have a designated reception area to measure their body temperature, collect their travel records and confirm whether they have worn masks and disinfected their hands to reduce the risk of cross-infection.



2. Meal arrangements:

- All personnel must measure their body temperature and disinfect their hands before entering the dining hall.
- Employees should be arranged to dine at different times and avoid face-to-face meals.
- Employees should be arranged to dine in different areas to ensure a safe distance for meals.

3. Electronic approval system:

- Online approval policy has been implemented for payment-related purchase applications to prevent viruses from spreading through documents and ensure smooth document delivery. The physical documents are kept by each department and submitted together when appropriate and safe.

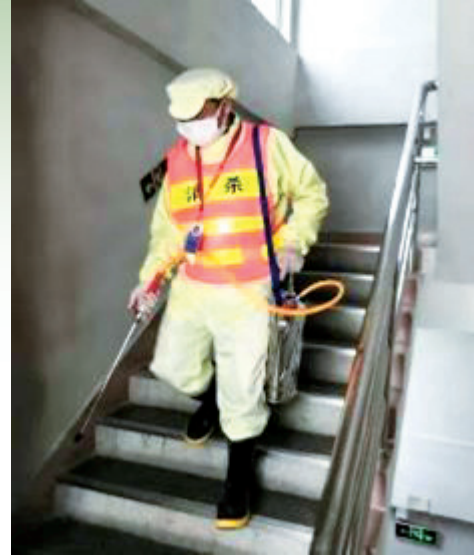
RESPONSE TO COVID-19 (CONTINUED)

4. Employee recruitment:

- Personnel from non-key epidemic areas were arranged for interviews and recruitment as usual. They would be formally on board after conducting quarantine and observation in accordance with the requirements of local governments and the actual operating conditions of the Group. Personnel who have lived in, contacted, passed through or stayed in the epidemic area would be interviewed and hired after the quarantine is lifted according to government requirements.

5. Improving hygiene:

- Designated personnel are assigned for regular disinfection and inspection of office areas, factories, dormitories and canteens on a daily basis.
- All personnel should maintain proper social distancing when communicating, and must wear masks in all places and on their way to and from work.



6. Reducing travel and meetings:

- Reduce employee contact with customers, such as cancelling or postponing all unnecessary meetings or travel, using email and teleconferences instead, where feasible.

Although fighting the epidemic is a challenging task, it amplifies the unity of all employees under these difficult days. Through our joint efforts and active cooperation, we have successfully achieved the goal of zero infection for all employees in 2020.

Social Responsibility

At the beginning of 2020, the COVID-19 epidemic broke out and spread rapidly across China. In the face of the sudden crisis, the Group systematically carried out epidemic prevention and anti-epidemic activities to ensure an uninterrupted production and operation. At the same time, the Group donated RMB1 million to Hubei Province, the center of the epidemic at the time, for procuring anti-epidemic materials such as medical masks. We took the lead in fulfilling corporate social responsibilities, and were awarded the “Outstanding Contribution Award for Donations to the Prevention and Control of COVID-19 epidemic” (新冠肺炎疫情防控捐赠突出贡献奖) by the Hubei Charity Federation (湖北省慈善總會).



In view of the shortage of medical protection supplies across China at that time, we also donated 20,000 disposable masks to the Bao'an District Housing and Construction Bureau of Shenzhen to give a helping hand in protecting front-line personnel on duty against the epidemic. We fully support the prevention and control of the epidemic and received a letter of thanks from the Bao'an District Housing and Construction Bureau of Shenzhen, which explains our social responsibility and commitment to help each other and tide over the difficulties.

INNOVATION — CREATING HIGH-QUALITY PRODUCTS



“Science and technology” is the cornerstone of creating value for customers, the core element that promotes the continuous optimization and improvement of products and brands, and also the driving force for our sustainable development. “Science” focuses on the discovery and research of the principles of the physical world and basic technologies. “Technology” focuses on the application effects of transformational discovery and research.

Vision: Focus on building a world-leading vaping technology platform and creating value for society

Core value: Science and technology is the core driving force for corporate development

Technology platformization

In the rapidly changing and highly competitive vaping industry, strong R&D capability is an important factor for us to maintain our leading position in the market. The Group is committed to continuously ensuring product safety and maintaining innovation through novel and upgraded vaping technologies. We not only focus on scientific research but also its relevant practical application. Our R&D department focuses on different aspects of the research areas — from basic exploratory research, fundamental knowledge advancement and generation of new ideas, to applying scientific theories to conduct new technology development and project incubation, and further to the application and testing of such technology for the mass production of our products. By integrating different functions of various departments, we can strengthen the development of our core technology and respond to market demands in a timely manner. As at 31 December 2020, the number of the Group’s R&D personnel accounted for approximately 46.4% of the non-production personnel (the total number of employees less the number of production personnel).

R&D Platform

Basic Research Centers

Based on our strategic plans and the industry trends, the basic research centers explore and develop the fundamental knowledge and generate new ideas, which form the basis of progress and development in our vaping technology.

Technology Center

Based on the research results, our technology center subsequently applies these scientific theories to the research and development of new technologies and project incubation.

Technology Industrial Center

After new technologies are developed, our technology industrial center will apply and test such technologies for the mass production of our products.

Technological innovation can improve the performance and value of our products, and can also promote the development of a variety of competitive new products, and increase our market penetration. We take technological leadership as the core of achieving product leadership, and continuously innovate and improve existing products by responding to market needs and opinions, so as to achieve trans-scientific research breakthroughs, and maintain and consolidate our technological leading position in the industry.

The implementation and success of R&D strategies rely heavily on sufficient and skilled talent reserves. We strive to create an open corporate atmosphere that encourages innovation, and tolerate trial and error costs. We believe that providing high-quality training to R&D personnel is also very important. Taking the “technology deepening” strategy as an important entry point, we will introduce leading innovative thinking methodologies and theoretical systems.

INNOVATION — CREATING HIGH-QUALITY PRODUCTS (CONTINUED)

Product Development Process Workflow

Setting R&D Direction

- Improve the efficiency and experience of vaping, analyze the deficiencies of existing technologies in the market, identify the main areas for improvement in the current vaping industry, and then collectively discuss potential solutions and their application in vaping equipment
- Cooperate closely with top universities and scientific research institutions, and bring together world-class elites in vaping field to master the most cutting-edge knowledge and obtain new patents in the course of research
- After collecting information on the upcoming industry trends through various sources, we will initiate product concepts in advance to serve as a source of inspiration for our customers

Developing Production Planning and Design

- Design, customize and innovate the automation technology in the production process
- Conduct R&D and testing of raw materials to ensure product safety and quality

Analyzing Product Safety

- Always adhere to safety first in product design
- Regularly review the safety, industrial hygiene and environmental protection of our products and factories
- Establish an advanced analysis and testing center to be responsible for chemical analysis, physical test, structural characterization test, product evaluation, etc.

Vapresso

Established in 2015, VAPORESSO is our open system vaping device brand and is also one of the first manufacturers in the industry to submit Premarket Tobacco Product Applications (“**PMTA**”) to the U.S. Food and Drug Administration (“**FDA**”). It takes innovation, quality and safety as the criteria, and combines the three in one to create excellent experience for users.

Empowered by Core Technology — Complete PMTA Test & Analysis Independently

Our analysis and testing center was put into the relevant experiment process of PMTA. The analysis and testing center has obtained CNAS and UL8139 certification, and has become a laboratory that can independently complete the test and analysis of all toxic and hazardous substances and the corresponding health and safety risk assessment required by the PMTA guidelines.

INNOVATION — CREATING HIGH-QUALITY PRODUCTS (CONTINUED)

Product Diversification

We have established a global customer network, including the global leading tobacco companies and independent electronic vaping companies. Our products are sold to more than 50 countries and regions around the world, including the United States, Japan, Europe, etc. Our good business relationship with customers creates different development opportunities in products and applications. We have expanded our product offerings to capture the market opportunities from closed system vaping devices to self-branded open system APV. By having an edge on developing and integrating innovative technologies, we are able to achieve improvements in product technology, structure and design so as to provide vaping devices that meet our customers' demands. In order to further diversify our customer base, we have set a goal to actively research and develop medical vaping equipment and improve the application level of vaping technology.

FEELM's New Self-developed Heating Element

Trans-scientific research

Breakthrough in the balance between industrial design aesthetics and practicality

FEELM, our high-end electronic vaping technology brand, combines a metallic film with a ceramic material to redefine vaping technology. It is a combination of Feel+Film. Feel represents the ultimate sensory experience, and also represents our cognitive philosophy of high-end vaping technology; Film represents a film-like film, which is a wide heated surface that perfectly fits the surface of the atomizers. This unique structural design brings a better vaping experience. From the first to the billionth, we have always manufactured every pore of the vaping core according to the most stringent standards, allowing customers worldwide to enjoy the ultimate excellent experience.

Awards over the years

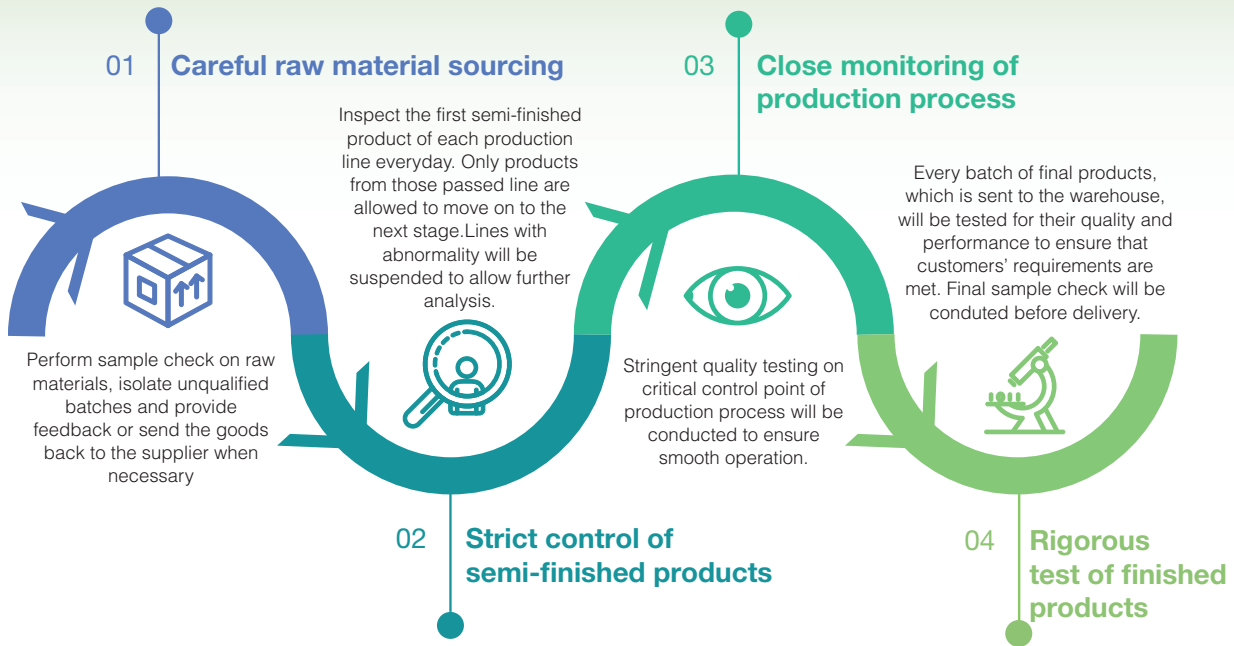
- “Golden Leaf Award”
- “China Patent Excellence Award”
- “Germany iF Industrial Design Award”



INNOVATION — CREATING HIGH-QUALITY PRODUCTS (CONTINUED)

Quality Branding

Product Quality Control Process



The Group's products integrate aesthetics and practicality of industrial design, and combine the three advantages of innovation, quality and safety. In addition to technological innovation and product diversification, maintaining the highest quality of products is also the key to the success of our business. We have compiled a quality management system that complies with the ISO9001:2015 international standards, and established the industry's first medical-grade factory that have obtained GMP and cGMP certificates. We strive for perfection in both the policy and the hardware configuration to provide customers high-quality products.

We have a quality control team responsible for setting and implementing quality control standards and handling customer complaints. From the incoming of raw materials to the completion of product manufacturing, we fully implement stringent and meticulous quality control measures. All products have comprehensive batch manufacturing records and bear product quality traceability, which can facilitate the understanding of product quality during the entire production process. Finally, the products need to pass the chemical analysis, physical testing, structural characterization testing, product evaluation, etc. Physical testing includes battery reliability testing and product functional testing, while chemical analysis includes testing and analyzing the components of our closed system vaping devices, to ensure that the leachable and extractable substances and aerosols of these components comply with relevant regulations and standards of the jurisdictions where our products are sold, while meeting customers' requirements and providing additional guarantee for product safety.

INNOVATION — CREATING HIGH-QUALITY PRODUCTS (CONTINUED)

We also received the “Laboratory Accreditation Certificate” from the China National Accreditation Service. The scope of the accreditation encompasses our laboratories’ ability to conduct chemical analysis, physical performance testing, and product quality testing. The certificate makes our data and testing capabilities more reliable.

Promoting Product Innovation, Research and Development and Intellectual Property Protection

The Group’s products demonstrate the precision and meticulousness of technology, for which we have obtained numerous design and development patents in the field of vaping technology. As of 31 December 2020, the Group has applied for 2,221 patents.

In addition, the Group has established a sound security system for trade secrets to prevent leaking intellectual property rights to third parties or unauthorized plagiarism through strict authorization control and confidentiality protection in R&D, production and other business activities. We generally protect the intellectual property rights we have in accordance with the laws related to patent, trademark, copyright and other intellectual property protection, fair trade practices and confidentiality agreements. All employees are obliged to keep company confidentials. When signing an employment contract, they must also agree to the terms of intellectual property rights. The terms stipulate that the Group owns all the inventions, trade secrets, research and development achievements and other crafts developed or created by the employees on our behalf. Serious offenders will be terminated from employment without compensation and may be subject to legal action. After leaving the company, all employees still have to assume the same confidentiality obligations as during their tenure, and shall not use confidential information without authorization, regardless of the reason for terminating the labor relationship with the company.

Industry Recognition

With a long-term vision to build up our own technology brands, we always emphasized our research on heating technology. In 2016, our first generation of heating technology was introduced. It was designed to replace conventional wick-based coil which comes with uneven heat distribution, ineffective heating process and inevitable burnt taste. This heating technology is optimized to absorb and vaporize high viscosity extracted e-liquid more efficiently and effectively. We then further launched its second generation “FEELM”, which combines metal films with ceramic materials to achieve improvements in material and structural science.

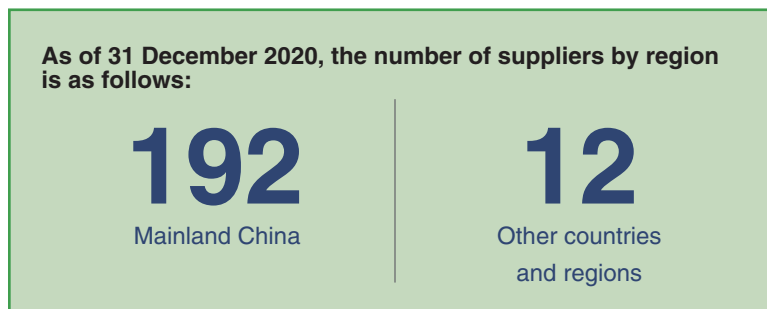
FEELM has been adopted widely by many of our corporate clients and exported to many countries. In September 2018, “FEELM” won the “Golden Leaf Award” from Tobacco Reporter and Vapor Voice Magazine. In November 2020, Vapouround, the world’s leading media in the vaping industry, announced the Vapouround Awards 2020 Winners, in which FEELM won two heavyweight awards — Industry Leader and Innovation of the Year. The awards awarded to FEELM this time are determined by Vapouround based on comprehensive evaluation, important indicators used include brand’s global market influence, global market share, technological innovation and end consumer praise of products which is definitely a recognition of FEELM’s efforts inside and outside the industry.



INNOVATION — CREATING HIGH-QUALITY PRODUCTS (CONTINUED)

Responsible Supply Chain Management

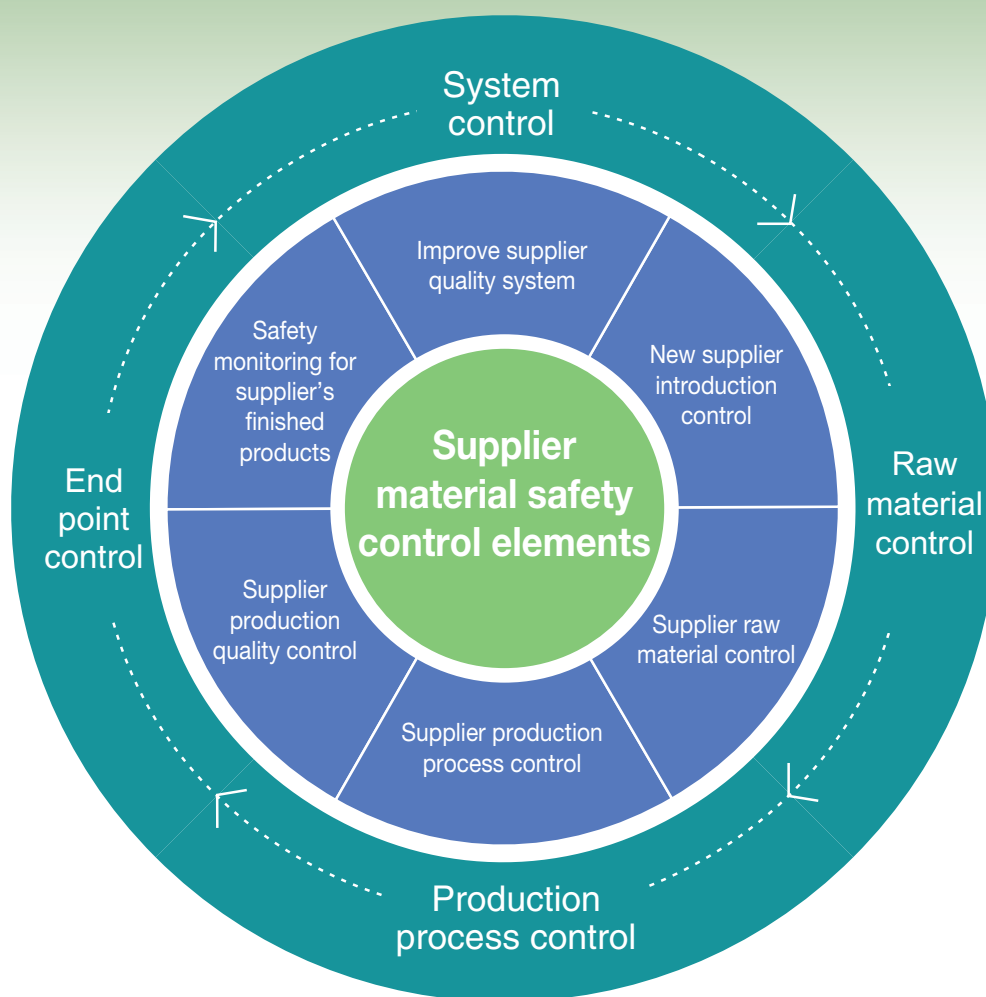
As one of the earliest vaping technology solution providers in China, the Group is well-known for its integrated production system and well-established supply chain management through years of experience. We maintain long-term and stable cooperative relationships with major suppliers, and regularly assess the performance of suppliers in four categories: quality, delivery, cost, and service. We implement the Procurement Management Code for all potential and existing suppliers, which specify in detail the means, methods, scoring rules, rewards and punishments for supplier audits. The Procurement Management Code stipulates the existing management methods and objective indicators for eliminating under-qualified suppliers, ensuring the survival of the fittest in supplier resources and the fairness and openness of the rules. Suppliers at home and abroad will be screened and managed according to the above process to ensure that all links of the supply chain meet the standards and safety requirements through strict control measures.



In addition, through the Purchase (Quality Assurance) Agreement (《採購(質量保證)協議》) and the ROHS/REACH (SVHC) Declaration (《ROHS/REACH(SVHC)聲明書》), we have clarified and regulated the supplier's quality, environmental protection commitments and requirements of the EU Restriction of Hazardous Substances (ROHS)/REACH Substances of Very High Concern (SVHC) to actively manage environmentally sensitive substances in raw materials. We expect that suppliers can shoulder social responsibilities together, and have introduced the Agreement on Suppliers to Comply With the Social Responsibility (《供應商遵守社會責任協議書》) to express expectations for them to fulfill their social responsibilities, which includes requirements to suppliers to comply with the Group's Anti-bribery Management Regulations (《反行賄反受賄管理規定》) to avoid bribery or corruption. We also require all material suppliers to ensure their management and quality standards to guarantee the normal operation of production and delivery. We also focus on the performance of environmental and social responsibility of suppliers in the selection of new suppliers and the annual review of suppliers.

We reduce procurement costs, build a flexible and fast-responsive supply chain to ensure open, transparent, efficient, legal and compliance procurement business by enhancing the professionalization of procurement personnel, standardizing procurement behavior and improving procurement processes. Each business unit also adopts a mode of centralized procurement of resources to obtain competitive procurement costs.

INNOVATION — CREATING HIGH-QUALITY PRODUCTS (CONTINUED)



Stringent Raw Material Inspection

In terms of raw material procurement, the Group only purchases raw materials from qualified suppliers that have passed quality and reliability assessments, and conducts multi-dimensional inspections throughout the entire raw material procurement process. Sample tests would be conducted before confirming the purchase order to ensure the quality of raw materials. Before the delivery of raw materials, our quality control staff will conduct on-site inspections at manufacturing bases of some suppliers. After delivery, the submitted raw materials will be randomly sampled and tested to ensure the formation of a high-quality, low-cost and fast supply chain. Our quality control system is designed to identify and deal with defective raw materials early in the production process.

In order to further improve the quality and safety of raw materials, we have decided to take the initiative to carry out a comprehensive and thorough safety assessment raw material, which includes four areas: extractables research of material structure and composition, migration research, material safety risk assessment and toxicity analysis. We have taken a zero-tolerance attitude towards dangerous raw materials, and have finally formulated a qualified purchasing list for suppliers. Our suppliers can only purchase raw materials from the list, thus raising the monitoring point of raw materials to the most upstream of the supply chain and providing multiple guarantees for product quality.

COMMITMENT — MARKETING RESPONSIBLY

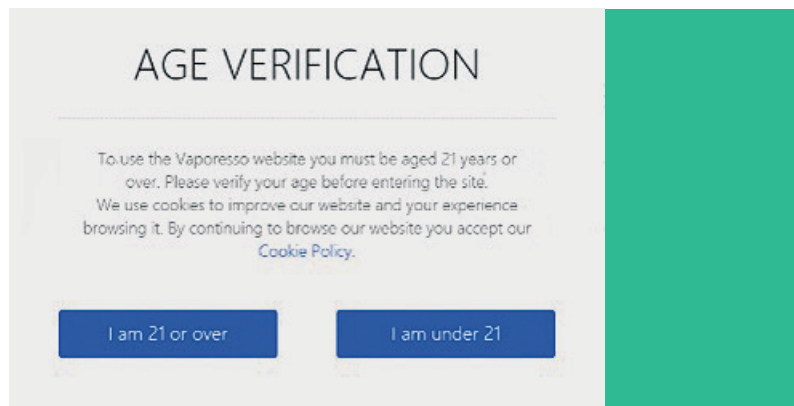


We always treat current and potential customers with a humble and sincere attitude, actively respond to and surpass their needs, ensure that users can maximize their benefits when using our products, improve their satisfaction and trust in our products and services, and provide greater market value to help customers succeed.

Core value: Product in the lead, brand goes sustainable

Promotion, Sales Channels and Services

Only by promoting the healthy development of society can we achieve a better life for the general public. We act cautiously when communicating information related to products and services, and take all feasible measures to prevent minors from contacting, buying or using our vaping products, since the Group attaches great importance to the impact of our products on society, customers and the youth. Our self-branded APV products mainly rely on our customers for distribution and then sell to end consumers. Although the business does not involve retail promotion or marketing, we, as a responsible company, strive to prevent minors from obtaining product information from the Group. We have set the browsing age restriction control on the homepage of the official website of our brands. Users need to undergo age authentication. Those under the legal age will not be able to link to other pages of the website.



COMMITMENT — MARKETING RESPONSIBLY (CONTINUED)

In addition, the user manuals of our self-branded APV and closed system vaping devices and the online electronic version of the product manual are marked with signs that are only for adults and not for use by minors, Product packaging boxes also clearly state that the product should be kept away from children. The posts on the website contain stern and clear safety tips, reminding that these products contain nicotine ingredients, expecting to achieve a deterrent effect.

For the design of our self-branded APV products, we have incorporated elements that can prevent children from misuse, such as requiring users to press the power button five times before starting the program of the device.

After-sales Service

It often takes months or even years, instead of an overnight, to establish relationships with customers. Only through persistent deep cultivation of channels can we build a high-quality channel system. In order to more comprehensively standardize customer service management, we have formulated complete customer service system for customers, including Customer Feedback Management Control Procedures, Customer Satisfaction Survey Procedures, detailing the requirements and processes for quality complaints, product replacement and improvement, which optimize customer service quality, and laying an important and stable cornerstone for establishing long-term and good customer relationships.

We are committed to continuously improving customer satisfaction and encouraging customers to provide comments or suggestions on products and services. The sales department also conduct a detailed customer satisfaction survey at least once a year. The survey mainly collects opinions online, covering four categories: product quality stability, price reasonableness, product delivery timeliness, and service effectiveness. Finally, we conduct statistics and analysis on the collected data. The quality department will take corresponding corrective and preventive measures according to the survey results, track the implementation, and strive to build customer loyalty to our products through continuous improvement of products and service levels. We provide warranties for our products, and the warranty period varies depending on the actual situation of the product. When a customer discovers quality defects in our products and files a complaint with us, it is required to report the details of the defective products, including the batch number, product contents, product list and the reason of defect. Depending on the outcome of our assessment and negotiation with the customer, defective products will be replaced for customers when necessary.

In addition, we have also set up a customer service platform to maintain communication with customers, and provide customers with appropriate information, guidance and support to resolve customers' questions and difficulties. Customers' engagement and satisfaction are critical to our long-term development. We will continue to provide high-quality after-sales service regardless of national boundaries and cherish every customer's opinion and feedback.

COMMITMENT — MARKETING RESPONSIBLY (CONTINUED)

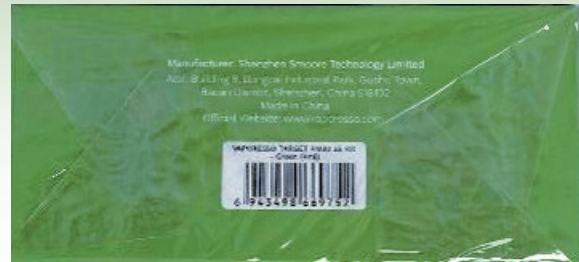
Customer After-sales Service Process

- 1 Judge the authenticity and warranty period based on the information provided by the customer after receiving customer complaints
- 2 Provide customers with targeted solutions if the product is genuine and within the warranty period
- 3 Give instructions on the operation of the corresponding product if the operation is incorrect by the customer. Direct replacement is applied when the product is judged to be unqualified
- 4 Deliver the Customer Complaint Problem Record Form to the factory quality department for product improvement
- 5 Initiate the recall process if the factory quality department confirms that the product has major hidden dangers after testing the product

COMMITMENT — MARKETING RESPONSIBLY (CONTINUED)

Consumer Rights Protection

As a leading player in the global vaping technology solutions market, the Group pays great attention to the true needs and safety of customers, and strives to provide diversified and innovative products to meet customers' needs. At the same time, we spare no effort to combat counterfeit products to ensure that customers can purchase and enjoy genuine products.



Our product packaging is printed with Universal Product Code (UPC barcode), which serves as the identity of the product during the entire logistics process. UPC can help integrate the sales data of distributors and stores, realize sales data management, and help products in the United States to achieve product sales compliance and ensures the traceability of products in the sales process. Consumers can buy at ease and enjoy satisfactory after-sales service through the anti-counterfeiting code and query system.

Information Security

For the confidentiality of customer information or information obtained from customer service, we systematically restrict the work involving customer information and adopt a confidentiality responsibility system. Each department shall conduct proper data management and implement hierarchical management in their respective job functions. Trade secrets such as customer information, supplier information, financial information, etc., are protected by installing confidential software on the computers of the relevant personnel to set the decryption permission. Access rights are regulated according to the employee's authority to prevent excessive disclosure of information to the employee, especially for confidential and important information files involving customers' data, it is more necessary to encrypt. Employees are prohibited from downloading or exporting files of the company without authorization. If the files need to be sent, received, transmitted or carried out due to business needs, employees must apply to their superiors and obtain approval before they can copy them to the company's storage device. The Group's information system has also been installed with a firewall to protect data from various security threats.

VAPING — EMBRACING A GREENER FUTURE



“Vaping makes life better” is our corporate mission. We expect not only to bring people better lives with the innovation of vaping technology, but also to lead our customers to embrace a new green future through responsible management of our environmental footprint.

Core value: Direction and goal setting first, action comes after

Our environmental management system has been in compliance with the ISO 14001 international standards since 2014. We believe that through a standardized management system, we can integrate environmental factors into different areas of our business to effectively manage the environment and energy performance.

Management of Greenhouse Gas and Waste Gas Emission

The greenhouse gas and waste gas we generate mainly come from indirect emissions caused by the use of purchased electricity during our operations and direct emissions from the use of petrol and diesel by vehicles. The Group is committed to reducing the burden on the environment via actively reducing the consumption of electricity and vehicle fuel resources, and implementing measures to reduce air emissions from the origins of emissions. To this end, we have formulated the Greenhouse Gas Control Procedures.

Waste Management

By formulating the Waste Management Regulations, we provide clear guidelines for the storage and treatment of waste generated during our operations to ensure that they are properly treated. Waste is divided into two categories: non-hazardous waste and hazardous waste.

Non-hazardous waste mainly represents waste cardboard, waste plastic and others, which are collected by qualified third-party sanitation companies for further appropriate recycling or disposal. Hazardous waste generally includes waste smoke oil, smoke tubes, atomizers and others, which are handled by relevant parties with hazardous waste disposal qualifications recognized by the Environmental Protection Agency. Fire-fighting devices are placed within 20 meters of the temporary storage area to prevent accidental fires.

Each department places wastes in specified collection containers and storage locations by category, and the collection barrels are also clearly marked to improve the sorting.

Besides, in order to reduce waste at the source, we preset the printer to double-sided printing and restrict the use of office copiers and printers to reduce paper consumption.

Water Resources Management

We inspect the water pipeline regularly and carry out repairs in a timely manner in case of any water leakage incurred to prevent the waste of water. The Group's water mainly came from the local municipal water supply system, and we did not encounter any problems when purchasing applicable water sources during the Reporting Period. In our production process, the smoothing process of the semi-finished products would use water resources, but no waste water discharge is involved since the water would be recycled. The sewage generated by our operations is mainly general domestic wastewater, which is directly discharged into municipal sewage pipelines for comprehensive treatment.

VAPING — EMBRACING A GREENER FUTURE (CONTINUED)

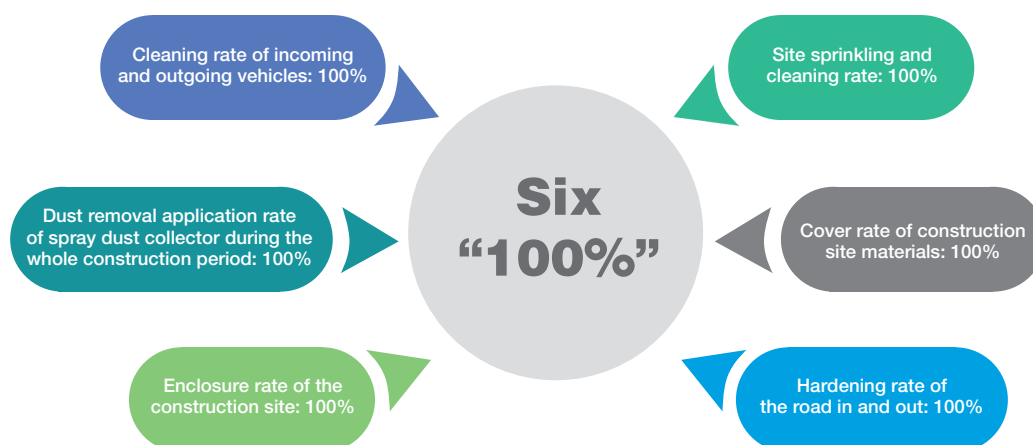
Energy Management

We also attach importance to the resource consumption generated by business operations, and continue to improve the level of energy management. We have formulated the Management Procedures for Energy Conservation and Emission Reduction, the Management Regulations for Saving Resources, the Control Procedures for Environmental Monitoring and Measurement and other measures to control energy consumption. We are committed to incorporating energy-saving elements into our daily business operations. To achieve this goal, the Group has adopted the following measures:

- Office buildings and conference rooms are controlled by separate switches. The person in charge of electricity consumption in such premises should check the power saving situation at all times such as turn off the machines when leaving and turn off the lights when leaving;
- Consider to eliminate high-energy-consuming electromechanical equipment and strive to use new energy-saving products when each department is upgrading equipment;
- Frequently check the vehicles in use to prevent oil leakage result from loose parts.

Environmental Management of New Construction Projects

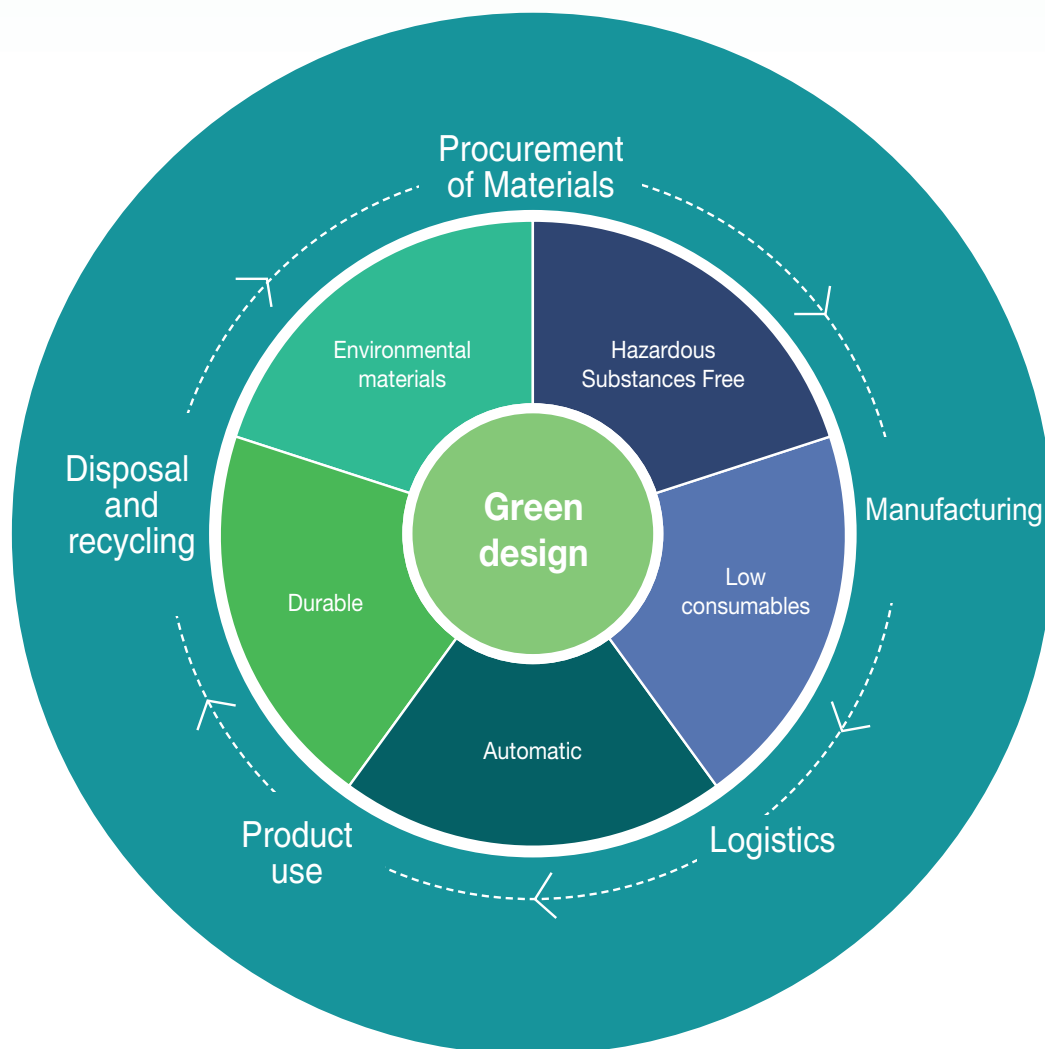
In order to increase our future production capacity and improve production efficiency, we are building a manufacturing base in Jiangmen. Although the relevant construction work has been outsourced to a third-party construction company, we still pay close attention to the impact of the project on the environment and require the contractor to implement effective environmental management measures during the construction process to reduce the influence to the community and prevent damage to the natural environment. The contractor implements dust control measures on the construction site, and strive to achieve a “six 100%” prevention and control level. In terms of water conservation, rainwater is collected into a collection tank through an integrated rainwater utilization system in storage tanks built by the contractor, then drained to a fully automatic self-cleaning filter and UV disinfectant for sterilization, and finally fed into the site’s greening system and road flushing system for greening, road flushing, etc. to achieve the goal of reducing the use of tap water by recycling rainwater.



VAPING — EMBRACING A GREENER FUTURE (CONTINUED)

Carbon Footprint Reduction

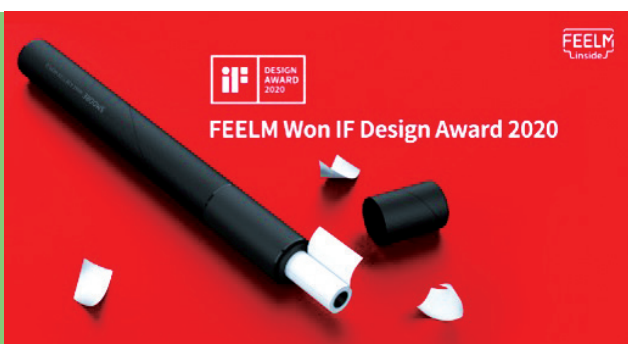
We are committed to adopting the policy of maximizing energy conservation and emission reduction and fulfilling our commitment to environmental protection. From the perspective of product life cycle, we strive to integrate the environmental protection and green concept through all stages, and fully consider feasible ways for carbon footprint reduction in the process of design, research and development, material procurement, manufacturing and product use to improve resource utilization efficiency and reduce the burden on the environment.



VAPING — EMBRACING A GREENER FUTURE (CONTINUED)

Material procurement	<ul style="list-style-type: none"> Promote sustainable procurement, evaluate and assess suppliers' environmental management systems and environmental protection-related compliance and monitoring Prohibit the procurement of hazardous substances that are harmful to health and environment, and raw materials shall comply with relevant EU regulations such as ROHS/REACH(SVHC)
Manufacturing	<ul style="list-style-type: none"> Formulate regulations and scientific schemes for the use and consumption of raw and auxiliary materials to save raw materials Provide quality awareness training to all employees to minimize repetitive processing and defective products Provide employees with energy-saving operation training and assessment Reuse waste raw materials to reduce the generation of waste
Logistics	<ul style="list-style-type: none"> Fully utilize electric forklifts in the plant and reduce the use of fuel forklifts to minimize waste gas emissions generated in the logistics process Improve the automation of production lines to reduce the logistic requirements
Product use	<ul style="list-style-type: none"> Improve product quality to maximize its service life Evaluate the impact of our products on air quality in accordance with internationally recognized standards, such as National Ambient Air Quality Standards ("NAAQS") established by the U.S. Environmental Protection Agency in accordance with the Clean Air Act of 1977
Disposal and recycling	<ul style="list-style-type: none"> Use environmentally friendly materials instead of plastics to improve product degradability

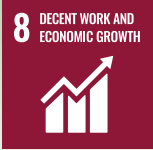
The Group's brand FEELM, with its outstanding industrial design team, pioneered disposable paper vaping products in 2019. The product uses eco-friendly spiral composite paper tube and onion-type mouthpiece process, which not only allow the product to balance the appearance and performance, but also improve the degradability rate to approximately 76% of the total volume, greatly reducing the environmental pollution caused by plastic and achieving all degradability except for a few components such as batteries. The product's unique onion-type mouthpiece design allows the outermost layer of the mouthpiece to be torn off when being reused, perfectly conveying the concept of hygiene and environmental protection to up to 15 subsequent users, which gives users the best hygienic protection for personal and social use.



This product was awarded the iF Industrial Design Award by iF International Forum Design Gmb H in February 2020. The jury believes that the design has spread the concept of environmental protection well. We believe that such award demonstrates our R&D capacity and also lead the environmental protection trend of the vaping industry.

The environmentally friendly products launched by FEELM this time will provide a new path for the industry to explore the green treatment of e-waste and open up new ideas for future development of the industry.

ASPIRATION – NURTURING TEAMS OF TALENTS



The Group regards “adhering to dreams” as one of the core values of corporate culture, because it requires unremitting perseverance in the journey of realizing dreams, and also needs to tolerate and love the people around, so as to gather the “uniting together” team, and then constantly innovate and create through continuous review, change and surpassing, and ultimately achieve the goal.

Core value:

Innovating, uniting together, all for dreams
Responsible, aspiring, perseverant, caring and introspective

Vision:

Bringing happiness for all Smoore people

We believe that success depends on right people, and talents are the key to the success of enterprises. Therefore, we actively build an outstanding team and work with employees to create extraordinary achievements. We have also established the Human Resource Management Manual, which covers recruitment, employees’ deployment, training, remuneration and benefits, performance appraisal, etc., so that employees can obtain a full understanding in terms of employment terms and rules, remuneration and benefits.

Diversified and Elite Culture

In order to continuously meet the requirements for talents and increase our attractiveness in the talent market, we have established a sound talent selection mechanism to identify suitable and outstanding talents through diversified recruitment channels, including internal recruitment, internal recommendation, recruitment websites, headhunting companies, campus recruitment, social platforms, recruitment official websites and others. We also focus on cultivation of internal talents. When recruiting, we adopt the principle of “internal first and then external” by encouraging all departments to give priority to internal talents, and provide current employees with opportunities for career development under the same qualifications, so as to release productivity more effectively.

We have always been advocating the principle of equal opportunities. In the process of recruitment or employees’ promotion, we objectively consider the match between the candidate’s education and ability with the job requirements, and firmly oppose any discriminatory behaviors, including discrimination on race, color, religious belief, gender, age, disability, family status and nationality. We conduct fair and impartial evaluations of all candidates, and prohibit interviewers from participating in interviews with their relatives or friends, and relatives of current employees are not allowed to join the same primary department. For resigned employees, we also arrange interviews with their immediate supervisors to understand the reasons for resignation and ensure that they have not been treated unfairly during their employment.

During the Reporting Period, the Group was awarded the “Human Resource Management Excellence Award 2020 (前程無憂2020人力資源管理傑出獎)”, the “Liepin Guangdong CSR Practice Extraordinary Employer for 2020 (2020廣東CSR實踐非凡僱主)” and the “Zhaopin 2020 Top 30 Best Employers from Shenzhen in Guangdong–Hong Kong–Macao Greater Bay Area (2020年粵港澳大灣區最佳僱主深圳前30強)”, respectively. We appreciate the recognition from all walks of life, and are committed to taking it as a motivation to further improve our performance.



ASPIRATION – NURTURING TEAMS OF TALENTS (CONTINUED)

Development Opportunities and Performance Management

“Inspiring inner driving forces, cultivating talents in succession, co-creating then sharing” is the management philosophy of the Group. We are committed to cultivating talents and exploring potential by providing sufficient and tailored career development opportunities, promoting the continuous improvement of employees through regular feedback based on their performance, and cultivating employees to have “five qualities”, namely responsible, aspiring, perseverant, caring and introspective, so as to share the fruits of the successful development of the enterprise, and gradually become a “obliging dream chaser”.



The core of performance is “progress”, and the key to measuring performance is benchmarking and improvement, namely benchmarking with the past, benchmarking with the industry, benchmarking with counterparties, benchmarking with colleagues, stimulating inner driving forces, and promoting proactive employees. Therefore, we grant annual bonuses and carry out the promotions and job transfers based on the results of employees’ performance appraisal, as a way of recognizing and commending employees who have made great contributions to us.

We have set up clear career development channel, and employees can be promoted through five career paths, including management, technical, marketing, functional and skills, and can obtain promotion opportunities through professional competency rating or salary review process. They can choose suitable development paths and exert their strengths, so that employees in different positions can have sustainable career paths.



ASPIRATION – NURTURING TEAMS OF TALENTS (CONTINUED)

Remuneration and Benefits

We care about every dream chaser, attract and retain talents with competitive salaries and benefits in the market, and implement the vision of “bringing happiness for all Smoores people”. The human resources department regularly review the salary level in the market to establish a comprehensive remuneration system, including remuneration strategies, frameworks, and systems. We also focus on physical and mental health of our employees. Recreational facilities and equipments such as basketball courts, fitness equipments and lounges are available in the premises to allow employees to balance their lives from busy work.

State statutory benefits

- Five social insurances and one housing provident fund stipulated by the state
- Statutory holidays, marriage leave, funeral leave, breastfeeding leave

Unique corporate welfare

In addition to statutory benefits, we provide employees with other additional benefits, including:

- Purchase commercial insurance for all employees such as insurance for medical treatment for serious diseases, accidental injuries, etc.
- Arrange annual physical examination
- Organize annual travel to strengthen team cohesion
- Provide benefits during various traditional festivals
- Provide monetary gifts for red and white events
- Organize afternoon tea and birthday parties for employees
- Provide weekly benefits for daily-paid employees
- Provide staff dormitory



ASPIRATION — NURTURING TEAMS OF TALENTS (CONTINUED)

Improving the Growth Platform

Caring for the growth of employees is our mission. The Group is committed to providing employees with comprehensive training, which is conducted mainly through internal training and supplemented by external training. We formulate the direction of training development by conducting opinion surveys and referring to the communication and feedback results of employees' performance each year. Then, we build a three-level internal training plan:

1. Group level: The Human Resources Administration Center initiates a training survey based on the Company's strategy and talent training requirements. Then, they collect opinions on annual training requirements, and formulate and implement the annual training plan of the Group.
 - including: induction training for new employees, management training, general skills training, etc.
2. Business unit level: Each business unit formulates a business unit-level training plan according to the specific strategy and business development requirements.
 - including: Internal skills upgrading training for professional positions, training for middle and primary management cadres, induction training for new employees, etc.
3. Factory level: Each factory formulates a factory-level training plan in accordance with its own strategies and business development requirements.
 - including: induction training for new employees, on-the-job training, training for professional knowledge and skills, etc.

We also care about the integration of new employees into the Group. During the trial period, we provide on-the-job counseling. The human resources department and mentors would regularly communicate with new employees to understand their work progress, counseling situation, learning feedback, etc., and adjust the training plan timely to ensure that they can smoothly adapt to the new working environment.

Besides, we strive to cultivate a new generation of talents who are interested in seeking development in the vaping technology market. We have a training program for college students and interns, providing practical work training, one-on-one tutoring and training camps to enable them to understand the business operations of the Group and develop an internship and assessment plan. Tutors would provide advice to help the interns understand their own strengths and potentials, laying a good foundation for career development.

We also held a half-year "Core Fire Training Camp (《芯火訓練營》)" for college graduates with 40 courses, including induction training, general skills, professional skills and knowledge, etc. Tutors were deeply involved throughout the whole process, formulated an on-the-job training plan according to actual situation of the department and position, and followed up and provided feedback on the implementation of the plan on a monthly basis, so as to reserve sufficient "nutrients" for their future "blooming".

ASPIRATION — NURTURING TEAMS OF TALENTS (CONTINUED)

Compliance with Labor Standards

We prohibit the use of child labor or forced labor in our operations, and sign labor contracts or internship agreements with all formal employees and interns on a voluntary basis. We also check the applicant's identity documents during the interview to confirm that such applicant has reached the legal working age.

We advocate a balance between work and rest without forcing employees to work overtime. If employees need to work overtime due to the work requirements, they shall first obtain the approval from the head of the department to ensure that the reasons for working overtime are acceptable and that there is no case of forced labor. The Group has also clearly formulated regulations on the calculation of overtime wages and rest allowance to protect the legitimate rights and interests of employees.

Anti-corruption

Anti-bribery is the practice of high-quality business operations, which can help establish a reputation for corporate integrity and reduce risks. Therefore, we advocate the principles of honesty, integrity and trustworthiness in the employment, strive to maintain a high level of business ethics in operations, and adopt a zero-tolerance attitude towards all acts of corruption, solicitation, bribery, misappropriation of public funds, embezzlement of corporate property, etc.

The Group's anti-fraud and anti-money laundering system set out our requirements and principles for anti-corruption. We strictly prohibit all misconducts such as forging virtual documents, indulging in malpractices, pursuing private interests at the expense of public interests, corruption, receiving kickbacks, etc. In addition, we have formulated specific guidelines for accepting business gifts, and violators shall be subject to sanctions or even termination of their labor contracts depending on the seriousness of the case. The legal division check the list of customers regularly, review their legitimacy, and cross-check with the anti-money laundering blacklist (e.g. list of wanted criminals and terrorists, and anti-money laundering blacklist of the State Administration of Foreign Exchange).

In addition, we have established a sound customer identification system. Before starting cooperation with any new customer, we would verify its identity. We never conduct transactions with unidentified customers. If any suspicious case is identified (regardless of the amount), the relevant business units shall report to the management and suspend related business transactions. Then, they shall set up a project investigation team to conduct a thorough investigation, and transfer the case to the local government agency for investigation if necessary.

We also extend our anti-corruption work to the supply chain level. We sign the "Anti-Commercial Bribery Agreement (《反商業賄賂協議》)" with suppliers before cooperating with them, and undertake to strictly abide by the code of practice against commercial bribery or malpractice. All employees shall follow the basic principles of fairness, impartiality and company's interests first when selecting and evaluating suppliers. In case of any violation of the agreement, we report it to the law enforcement authorities upon verification, and employees who offer or accept bribes would also be punished.

ASPIRATION – NURTURING TEAMS OF TALENTS (CONTINUED)

The Group has established a whistleblowing mechanism through which employees or other stakeholders can report or expose fraud incidents through various channels such as reporting telephone numbers, mailboxes, emails, official account of the social platform and official website of the Group. All reports would be handled confidentially to prevent anyone from interfering with the investigation or retaliating against the whistleblower.

Health and Safety

It is our responsibility and mission to safeguard the health of our employees. Therefore, we regularly organize safety work inspections to eliminate potential accidents in order to maintain good governance in terms of employees' occupational safety and health.

We also strive to raise employees' awareness of occupational safety. They are required to abide by safety rules and undergo safety trainings to understand the evacuation routes, fire extinguisher locations of buildings, the operation of certain equipments, and conduct regular fire and other emergency drills to strengthen their abilities to respond to emergencies. In addition, employees in certain special positions, such as electricians, are required to obtain valid qualification certificates to ensure that they have received appropriate safety operation training. Apart from carrying out safety education and publicity work, we have also prepared various personal protective devices and equipments for employees based on different requirements of their positions, and have also set up safety facilities such as micro-fire stations in the premises.

During the Reporting Period, we did not have any work-related fatalities. We recorded a total of 142 working days lost due to work-related injuries.

In order to further enhance the motivation of employees to implement safe production, we have also formulated a safety production reward and punishment mechanism to provide material rewards to employees who actively stop illegal operations or prevent major accidents or on the other hand, to impose penalties on persons and their leaders who cause safety accidents or delay rectification during the work process, through which we expect to cooperate with employees to improve working environment and enhance the level of safety production management.



LOVE — CREATING A SUSTAINABLE COMMUNITY

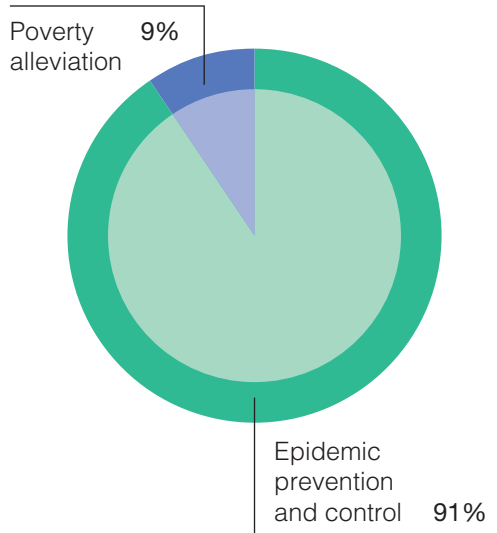


Each of our “obliging dream chaser” is committed to creating value for society, driving action with dreams, infecting the world with love, creating their own happy lives while contributing to customers and society, and working together to build a harmonious society and create a vibrant and sustainable community.


Vision: Creating value for society


The Group earnestly fulfills its corporate citizenship responsibilities through actively participating in community work, strengthening ties with society, caring for the masses of the community and helping those in need. In the exploration journey in the field of vaping technology, the Group works together with all walks of life to make contributions to the society and inject more positive energy. We also work closely with various charities to care for the needs, concerns and expectations of different sectors of the society, and devote time, energy and resources to giving back to the society.

Community investment by major category



Investment in public welfare activities in 2020

Invested a total of more than RMB1,160,000 

Worked voluntarily for more than 630 hours 

LOVE — CREATING A SUSTAINABLE COMMUNITY (CONTINUED)

Poverty Alleviation

We responded to the call of the Poverty Alleviation Office under the State Council to participate in the “Social Forces Helping and Supervising the Poverty Alleviation of Village Projects (社會力量助力掛牌督戰村項目)”. During the Reporting Period, we supported the poverty alleviation actions initiated by the Xixiang Subdistrict Office of Bao’an District; we dispatched the personnel to visit Chongye Village, Lalie Town, Du’an County, Guangxi, and signed the “Agreement of Cooperating in Poverty Alleviation under Social Forces Helping and Supervising the Poverty Alleviation of Village Projects (《社會力量助力掛牌督戰村項目結對幫扶協議》)”, and donated RMB50,000 for industrial poverty alleviation and materials worth RMB20,000 through the Shenzhen Bao’an Charity Association to build a water storage tower for the collective beef cattle farm in the village and provided supporting materials such as basketball stands, teaching laptops and quilts to nearly 100 teachers and students of a local primary school.



◀ Our Poverty Alleviation Representatives and Mr. Han, the officer of Xixiang Subdistrict Office, visited village collective breeding farm under the industrial poverty alleviation project together



◀ Seminars



Visit to the poor families ▶

LOVE — CREATING A SUSTAINABLE COMMUNITY (CONTINUED)

Targeted Poverty Alleviation

Targeted poverty alleviation refers to a poverty alleviation way that effectively implements targeted identification, targeted assistance and targeted management of poverty alleviation objects according to the conditions of different regions and poverty-stricken households. Besides, “bringing happiness for all Smoore people” is our corporate culture, which is also reflected in supporting the national policies of the rich first leading those being rich late and then ultimately achieving common prosperity. Shanwei City is the targeted poverty alleviation city of Shenzhen, and Lufeng County is a relatively poverty-stricken county under Shanwei City and a key object to realize all-round poverty alleviation. As an enterprise based in Shenzhen, we actively support the poverty alleviation work of Shenzhen government. According to the communication with the poverty alleviation cadres stationed in the village of Shenzhen Water Affairs Bureau, we discovered that the Chang’an village primary school is in urgent need of winter school uniforms under the condition of sudden drop in temperature. Therefore, we visited Chang’an village in Lufeng County and donated a total of 470 sets of school uniforms to all students in Chang’an village primary school, encouraging them to study hard and change their fate through knowledge. Meanwhile, we also provided living food worth of RMB6,500 in total directly to the local poverty-stricken families, which were purchased from poverty alleviation products. We expected to deliver our care and warmth to them.



LOVE — CREATING A SUSTAINABLE COMMUNITY (CONTINUED)

Anti-drug Publicity in the Community



As a responsible corporate citizen, we have always attached importance to the educational affairs of the community. In order to further enhance the public's awareness of the dangers of drugs and increase anti-drug publicity and education, our volunteer team with their family members, a total of 28 people participated in the anti-drug publicity activities organized by the Drug Control Office of Xixiang Subdistrict, Bao'an District, Shenzhen, and Anti-drug Sunshine Volunteer Service U Station (禁毒陽光志願服務U站) in their leisure time.

They first received the drug identification knowledge training from the host organizations, then immediately carried out the anti-drug publicity work in the community. They distributed the anti-drug publicity materials of "Cherish Your Life and Stay Away from Drugs" to the citizens, and explained the knowledge of drug hazards, drug forms and identification, in order to equip the citizens with relevant knowledge, skills and attitudes to refuse drugs. Through such activity, our volunteer team can not only promote health information to more citizens, but also expand their own knowledge. Looking forward to the future, we will carry out the same type of promotion work in various places and continue to implement our mission of anti-drug education. On the same day, the volunteer team also went to the Xiwan Mangrove Wetland Park in Bao'an District to clean up coastal garbage, contributing to beautiful coastal and natural environment.



KEY PERFORMANCE INDICATORS OVERVIEW

<i>Environmental KPIs</i> ^{1,2,3}	<i>2020</i>	<i>Unit</i>
Air emissions		
Nitrogen Oxides (NO _x)	57.4	kg
Sulphur Oxides (SO _x)	0.4	kg
Particulate Matter (PM)	3.2	kg
GHG emissions		
Total GHG emissions	64,707.1	Tonnes of CO ₂ e
Direct emissions (Scope 1)	177.6	Tonnes of CO ₂ e
Indirect emissions (Scope 2)	64,529.5	Tonnes of CO ₂ e
GHG emissions intensity	64.6	Kg CO ₂ e/RMB'0 000 000
Use of Resource		
Total energy consumption	77,393.2	MWh
Purchased electricity	77,123.8	MWh
Diesel	27.8	MWh
Petrol	241.6	MWh
Energy consumption intensity	77.3	MWh/RMB'0 000 000
Total packaging material used	10,578.4	Tonnes
Plastic	1,501.8	Tonnes
Paper	8,867.8	Tonnes
Metal	208.8	Tonnes
Packaging material intensity	10.6	Tonnes/RMB'0 000 000
Total water consumption	646,835.6	m ³
Water consumption intensity	646.2	m ³ /RMB'0 000 000
Waste		
Amount of non-hazardous waste produced ⁴	716.6	Tonnes
Plastic	391.6	Tonnes
Metal	100.2	Tonnes
Paper	157.6	Tonnes
Others	67.2	Tonnes
Non-hazardous waste intensity	0.7	Tonnes/RMB'0 000 000
Total hazardous waste produced	120.4	Tonnes
Hazardous waste intensity	0.1	Tonnes/RMB'0 000 000

KEY PERFORMANCE INDICATORS OVERVIEW (CONTINUED)

Social KPIs⁵	2020
Total number of employees	
By gender	
Male	6,380
Female	7,893
By employment type	
Full-time	14,273
Part-time	0
By age group	
20 or below	533
21–40	12,367
41–50	1,288
51 or above	85
By geographical locations	
Mainland China	14,266
Hong Kong	7
Average monthly employee turnover rate⁶	
By gender	
Male	4.7 %
Female	4.4 %
By age group	
20 or below	4.5 %
21–40	4.6 %
41–50	4.1 %
51 or above	2.6 %
By geographical locations	
Mainland China	4.6 %
Hong Kong	2.2 %

KEY PERFORMANCE INDICATORS OVERVIEW (CONTINUED)

Employee training statistics

Total training hour (hours)	1,059,088
Average training hour per employee (hours)	74.2
Percentage of trained employees	97 %

Average training hours and percentage of trained employees**By gender**

Male	74.2 (44%)
Female	74.2 (56%)

By employee category

Senior management	48.0 (1%)
Middle management	40.0 (3%)
General and technical staff	75.5 (96%)

Remarks:

- Our reporting on air and greenhouse gases (GHG) emissions mainly base on the requirements in "How to prepare an ESG report" published by the Hong Kong Stock Exchange and "GHG Protocol Corporate Accounting and Reporting Standard (revised edition)" published by the World Resources Institute (WRI) and World Business Council for Sustainable Development (WBCSD).

GHG emissions are presented in carbon dioxide equivalent (CO₂e). Our scope 1 direct emissions cover GHG emissions directly produced by businesses owned or controlled by the Group, while scope 2 indirect emissions cover GHG emissions of indirect energy resulted from electricity (purchased) consumed by the Group.

- Our total energy consumption data includes purchased electricity and non-renewable fuels consumed and the relevant conversion factors are referenced from "Technical Note: Conversion of fuel data to MWh" published by CDP.
- Environmental data intensity is calculated by dividing the total GHG emissions, resource consumption and total amount of waste produced by the annual total revenue of the Group.
- As the sanitary contractor was not able to provide statistical data on general refuse, it was excluded in the data of non-hazardous waste.
- Unless otherwise stated, our reporting on social KPIs mainly make reference to the calculation methodologies stated in "How to prepare an ESG report" published by the Hong Kong Stock Exchange.
- The average monthly employee turnover rate is calculated by $(\text{the number of employees who left in the year} / (\text{the number of employees at the beginning of the year} + \text{total number of new employees for the year})) / 12 * 100\%$.

APPENDIX 1: HKEX ESG REPORTING GUIDE CONTENT INDEX

Subject Areas, Aspects, General Disclosure and KPIs		Chapter/Disclosure	Page
A. Environmental			
Aspect A1: Emissions			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste (e.g. per unit of production volume, per facility).	Vaping — Embracing a Greener Future	P.26–29
KPI A1.1	The types of emissions and respective emissions data.	Key Performance Indicators Overview	P.40
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	Key Performance Indicators Overview	P.40
KPI A1.3	Total hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	Key Performance Indicators Overview	P.40
KPI A1.4	Total non-hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	Key Performance Indicators Overview	P.40
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Vaping — Embracing a Greener Future; As the Group collects environmental data for the first year, the results of emission reductions are not applicable.	P.26–29
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Vaping — Embracing a Greener Future	P.26
Aspect A2: Use of Resources			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Vaping — Embracing a Greener Future	P.26–29
KPI A2.1	Direct and/or indirect energy (such as electricity, gas or oil) consumption by type in total (in MWh) and intensity (e.g. per unit of production, per facility).	Key Performance Indicators Overview	P.40
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production, per facility).	Key Performance Indicators Overview	P.40
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Vaping — Embracing a Greener Future; As the Group collects environmental data for the first year, the results of energy efficiency initiatives are not applicable.	P.26–29
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Vaping — Embracing a Greener Future	P.26
KPI A2.5	Total packaging material used for finished products (in tonnes), and if applicable, with reference to per unit produced.	Key Performance Indicators Overview	P.40
Aspect A3: The Environment and Natural Resources			
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Vaping — Embracing a Greener Future	P.26–29
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Vaping — Embracing a Greener Future	P.26–29

APPENDIX 1: HKEX ESG REPORTING GUIDE CONTENT INDEX (CONTINUED)

<i>Subject Areas, Aspects, General Disclosure and KPIs</i>		<i>Chapter/Disclosure</i>	<i>Page</i>
B. Social			
Employment and Labour Practices			
Aspect B1: Employment			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Aspiration — Nurturing Teams of Talents	P.30–35
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Key Performance Indicators Summary	P.41
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Key Performance Indicators Summary	P.41
Aspect B2: Health and Safety			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Aspiration — Nurturing Teams of Talents	P.35
KPI B2.1	Number and rate of work-related fatalities.	Aspiration — Nurturing Teams of Talents	P.35
KPI B2.2	Lost days due to work injury.	Aspiration — Nurturing Teams of Talents	P.35
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Aspiration — Nurturing Teams of Talents	P.30–35
Aspect B3: Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Aspiration — Nurturing Teams of Talents	P.33
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management, etc.).	Key Performance Indicators Overview	P.42
KPI B3.2	The average training hours completed per employee by gender and employee category.	Key Performance Indicators Overview	P.42
Aspect B4: Labour Standards			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Aspiration — Nurturing Teams of Talents	P.34
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Aspiration — Nurturing Teams of Talents	P.34
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	N/A. During the Reporting Period, there was no non-compliance relating to preventing child and forced labour.	N/A

APPENDIX 1: HKEX ESG REPORTING GUIDE CONTENT INDEX (CONTINUED)

<i>Subject Areas, Aspects, General Disclosure and KPIs</i>		<i>Chapter/Disclosure</i>	<i>Page</i>
B. Social			
Operating Practices			
Aspect B5: Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Innovation — Creating High-quality Products	P.20
KPI B5.1	Number of suppliers by geographical region.	Innovation — Creating High-quality Products	P.20
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Innovation — Creating High-quality Products; Number of suppliers: To be disclosed in the future.	P.20
Aspect B6: Product Responsibility			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Innovation — Creating High-quality Products; Commitment — Marketing Responsibly	P.15–25
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	To be disclosed in the future	N/A
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Commitment — Marketing Responsibly; Number of complaints: To be disclosed in the future.	P.23–24
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Commitment — Marketing Responsibly	P.25
KPI B6.4	Description of quality assurance process and recall procedures.	Commitment — Marketing Responsibly	P.23–24
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Commitment — Marketing Responsibly	P.25
Aspect B7: Anti-corruption			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Aspiration — Nurturing Teams of Talents	P.34
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	To be disclosed in the future.	N/A
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Aspiration — Nurturing Teams of Talents	P.34
Community			
Aspect B8: Community Investment			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Love — Creating a Sustainable Community	P.36–39
KPI B8.1	Focus areas of contribution (such as education, environmental issues, labour demands, health, culture, sport).	Love — Creating a Sustainable Community	P.36–39
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Love — Creating a Sustainable Community	P.36–39

APPENDIX 2: MAJOR LAWS, REGULATIONS, ADMINISTRATIVE ORDERS AND POLICIES RELATED TO THE GROUP

Subject Areas and Aspects	Major sales jurisdictions	Major laws, regulations, administrative orders and policies related to the Group^	Relevant compliance situation
A. Environment			
Aspect A1: Emissions	China	Environmental Protection Law of the People's Republic of China Environmental Impact Assessment Law of the People's Republic of China Water Pollution Prevention and Control Law of the People's Republic of China Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste Atmospheric Pollution Prevention and Control Law of the People's Republic of China Law of the People's Republic of China on Prevention and Control of Pollution from Environmental Noise	During the Reporting Period, the Group was not aware of any violation of laws and regulations related to environmental protection that had a material impact on us. For details of our compliance with relevant environmental laws and regulations, please refer to the "Vaping — Embracing a Greener Future" section of this Report.
B. Society			
Aspect B1: Employment	China	Labour Law of the People's Republic of China Labor Contract Law of the People's Republic of China Social Insurance Law of the People's Republic of China Regulations on Management of Housing Provident Fund of the People's Republic of China	During the Reporting Period, the Group was not aware of any violation of laws and regulations related to employment that had a material impact on us. For details of our compliance with relevant environmental laws and regulations, please refer to the "Aspiration — Nurturing Teams of Talents" section of this Report.
Aspect B2: Health and Safety	China	Work Safety Law of the People's Republic of China Fire Prevention Law of the People's Republic of China Special Equipment Safety Law of the People's Republic of China	During the Reporting Period, the Group was not aware of any violation of laws and regulations related to health and safety that had a material impact on us. For details of our compliance with relevant environmental laws and regulations, please refer to the "Aspiration — Nurturing Teams of Talents" section of this Report.

APPENDIX 2: MAJOR LAWS, REGULATIONS, ADMINISTRATIVE ORDERS AND POLICIES RELATED TO THE GROUP (CONTINUED)

Subject Areas and Aspects	Major sales jurisdictions	Major laws, regulations, administrative orders and policies related to the Group^	Relevant compliance situation
Aspect B4: Labour Standards	China	Labour Law of the People's Republic of China	<p>During the Reporting Period, the Group was not aware of any violation of laws and regulations related to labour standards that had a material impact on us.</p> <p>For details of our compliance with relevant environmental laws and regulations, please refer to the "Aspiration — Nurturing Teams of Talents" section of this Report.</p>
Aspect B6: Product Responsibly	China	Patent Law of the People's Republic of China Trademark Law of the People's Republic of China Copyright Law of the People's Republic of China Law of the People's Republic of China on the Protection of Juveniles Product Quality Law of the PRC	<p>During the Reporting Period, the Group was not aware of any violation of laws and regulations related to product liability that had a material impact on us.</p> <p>For details of our compliance with relevant environmental laws and regulations, please refer to the "Innovation — Creating High-quality Products" and "Commitment — Marketing Responsibly" sections of this Report.</p>
	United States	Tobacco Products Regulations Uniform Commercial Code Pro-Children Act of 2001 Child Health Insurance Program Act Model Uniform Products Liability Act The Consumer Safety Act Consumer Product Safety Improvement Act Comprehensive Smokeless Tobacco Health Education Act Enforcement Action Plan for Promotion and Advertising Restrictions, Office of Compliance & Enforcement, Center for Tobacco Products, U.S. Food and Drug Administration Federal Cigarette Labeling and Advertising Act Required Warnings for Cigarette Packages and Advertisements, 21 C.F.R. Part 1141(effective January 14, 2022) Federal Cigarette Labeling and Advertising Act US Privacy Act of 1974	

APPENDIX 2: MAJOR LAWS, REGULATIONS, ADMINISTRATIVE ORDERS AND POLICIES RELATED TO THE GROUP (CONTINUED)

Subject Areas and Aspects	Major sales jurisdictions	Major laws, regulations, administrative orders and policies related to the Group^	Relevant compliance situation
	Japan	Product Liability Act Civil Code Consumer Product Safety Act Product Safety of Consumer products Tobacco Business Act Japanese juvenile law Act Prohibiting Smoking by Minors Electrical Appliances and Materials Safety Act Health Service Bureau (HSB) Notification 0225 Number 2 Health Promotion Act Industrial Safety and Health Act Ministry of Finance Notification No. 109, Guidelines on Advertisements Concerning Tobacco Tobacco Business Act Implementation The Act on the Protection of Personal Information	
	European Union	Directive 1999/34/EC Council Directive 85/374/EEC Directive 2014/40/EU, Tobacco Products Directive Charter of Fundamental Rights Treaty on European Union Commission Implementing Decision (EU) 2016/586 Commission Implementing Decision (EU) 2015/1735 Commission Implementing Regulation (EU) 2020/2151 Commission Implementing Decision (EU) 2015/1842 Directive 2003/33/EC Commission Delegated Directive 2014/109/EU General Data Protection Regulation	

APPENDIX 2: MAJOR LAWS, REGULATIONS, ADMINISTRATIVE ORDERS AND POLICIES RELATED TO THE GROUP (CONTINUED)

Subject Areas and Aspects	Major sales jurisdictions	Major laws, regulations, administrative orders and policies related to the Group [^]	Relevant compliance situation
Aspect B7: Anti-Corruption	China	Anti-Unfair Competition Law of the People's Republic China	During the Reporting Period, the Group was not aware of any violation of laws and regulations related to anti-corruption that had a material impact on us. For details of our compliance with relevant environmental laws and regulations, please refer to the "Aspiration — Nurturing Teams of Talents" section of this Report.
	United States	Foreign Corrupt Practices Act	

[^] The Chinese version of relevant laws, regulations, administrative orders and policies applicable to the United States, Japan and the European Union is for identification purposes only.