SMOORE

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

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

2023

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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Atomization
makes life better

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About This Report

Report Description

SMOORE International Holdings Limited is pleased to release its 2023 Environmental, Social and Governance Report (the "report"). The report clarifies Smoore's investment and performance in the aspect of environmental, social and governance (hereinafter referred to as "ESG") in 2023, aiming to respond to stakeholders' expectations for the sustainable development and information disclosure of Smoore, and to enhance stakeholders' understanding and confidence in Smoore.

Reporting Declaration

This report has been prepared in accordance with the Environmental, Social, and Governance Reporting Guide contained set out in Appendix C2 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). This report is disclosed in strict accordance with the requirements of "mandatory disclosure" and "comply or explain" in the Environmental, Social and Governance Reporting Guide, and refers to relevant documents such as the GRI Standard 2021, published by the Global Reporting Initiative. This report responds to the "materiality" principle through the analysis of materiality issues, addresses the "quantification" principle with a list of quantitative data. It ensures that the scope of disclosure and reporting methods remain largely consistent year-on-year to respond to the "consistency" principle. At the same time, we review negative topics and poor performance to respond the "balance" principle.

Reporting Scope and Boundary

Unless otherwise specified, the data contained in this report covers the period from January 1, 2023 to December 31, 2023 (hereinafter referred to as "In this year" or "During the reporting period").

Unless otherwise stated, the scope of this report covers three main business segments of the Group: research, design and manufacturing of closed system electronic atomization devices, electronic atomization components, heat-not-burn devices and components and atomization products for special purpose for a number of global leading tobacco companies, independent electronic atomization and other corporate clients; research, design, manufacturing and sale of open system electronic atomization devices, or advanced personal vaporizers ("APV"), for retail clients; and new business such as atomization in medical treatment and beauty treatment to provide patients with inhalation drug delivery products on a basis of atomization technology.

Appellation Definitions

For ease of presentation and readability, "SMOORE", "Smoore", "the Company", "we", and "the Group" all refer to Smoore International Holdings Limited (and its subsidiaries); "FEELM", "Smoore Shenzhen Technology Co., Ltd. (hereinafter referred to as "Smoore Technology")", "VAPORESSO", and "METEX" are brands of Smoore.

Data Source and Reliability Assurance

The financial data in this report are extracted from the 2023 Annual Report of Smoore International Holdings Limited. Other data are from the Company's internal data, survey interview records, and related files. The currency types and amounts involved in the relevant data in this report, unless otherwise specified, are measured in RMB. During the reporting period, due to the adjustment of statistical methods for some data, some data were restated, which is inconsistent with the data reported in previous years, please refer to this report. The Board of Directors of the Company promises that this report does not contain any false or misleading information, and is responsible for the authenticity, accuracy, and completeness of its content.

Confirmation and Approval

The Board of Directors of the Company has approved the report and guarantees that the report does not contain any false records, misleading statements or material omissions.

Obtaining and Response to This Report

This report is published in PDF electronic format on the HKEX news website of Hong Kong Exchanges and Clearing Limited (http://www.hkexnews.hk) and the Company's official website (https://www. smooreholdings.com/). If there are any differences between the traditional Chinese and English versions of this report, please refer to the simplified Chinese version.

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Chairman's Statement

> Dear Stakeholders, on behalf of the Board of Directors (the "Board" as below) of Smoore International Holdings Limited, I am pleased to present the 2023 Environmental, Social and Governance (ESG) Report of the Group, which responds to your expectations on the Group's sustainability management performance with detailed ESG performance.

The year 2023 was a year of both opportunities and challenges. The Group has always upheld the corporate mission of "atomization makes life better" and the corporate vision of "focus on building world-leading atomization technology platforms to create value for society; and bringing happiness for all SMOORE people". We integrate ESG concepts into our daily management, and make sustained efforts to improve the ESG management system, and we also fulfill our social responsibility. During the year, the Group consistently adhered to the business philosophy of "customer first, leading product, sustainable branding". We made continuous efforts in new product R&D and product quality assurance in order to provide customers and users with leading atomization products and services. We also continued to improve the quality of ESG work in the environmental and social areas, further building up the SMOORE brand image, and making positive contributions to the society. During the year, the Group realized revenue of RMB 11,168,422 thousand, creating considerable financial value for investors.

01 Boundless Exploration - Smoore's R&D and Innovation Strength

In the past year, we continued to invest in R&D and identified four strategic lines of business: electronic atomization products, heat-not-burn products, atomization products for special purpose, and atomization in medical treatment. We not only focus on improving technology, but also pursue breakthroughs in R&D efficiency. We always follow a market- and product- oriented philosophy. We constantly optimize our R&D management system to ensure that our R&D results can be rapidly transformed into commercial products. We make great efforts to transform our R&D results into commercial products. In 2023, we launched FEELM Max, a new generation of ceramic coil atomization technology solution, which has achieved more puffs, better flavor and stronger consistency while meeting the requirements on compliance, and we have already achieved substantial sales out of it. We continue to iterate electric cell technology to solve the problems of short lifespan and repeated charging for disposable products that allow more puffs, and to enhance the consumer experience. We hope that our differentiated technologies will continue to enhance customer experience for disposable products, and satisfy consumers to the fullest extent possible. We are also committed to expanding the application of atomization technology and will continue to invest in the healthcare sector. Our overseas healthcare team consists of leaders in the field of respiratory drugs from world-renowned pharmaceutical companies. Their rich industry knowledge and experience provide strong support for our R&D work. So far, we have established partnerships with a number of leading external R&D and manufacturing companies in Europe and the United States, and the development of a number of products is progressing in an orderly manner.

02 Earth Protection - Smoore's Environmental Protection Undertaking

As a responsible corporate citizen, Smoore sees green and low-carbon development as one of its top responsibilities and obligations. It is also essential to achieving our sustainable development. We always keep a keen eye on the cutting-edge environmental technologies, with a view to minimizing carbon emissions throughout the value chain. We follow the 3R (Reduce, Reuse, Recycle) principle to enhance the resource utilization efficiency and contribute to building a better future. To meet the government's strategic goal of carbon neutrality and mitigate the impact of our business operations on climate, we exert great efforts to address climate change and further strengthen our climate risk management. We carry out climate change scenario analyses in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) framework. By systematically and comprehensively analyzing the risks and opportunities brought about by climate change, we can improve our ability to manage climate risk and capitalize on opportunities. We have improved our environmental management policies and implemented a range of energy saving and emission reduction measures to minimize the environmental impact of our operations. We also aim to make our employees more aware of climate change and continuously work to raise their environmental awareness. During the reporting period, we disclosed our objectives and action plans of carbon neutrality. In 2023, Smoore was on the 2023 list of Green Factories by the Department of Energy Conservation and Resources Utilization of the Ministry of Industry and Information Technology of China.

03 Care for the Society - Smoore's Social Contributions

We wholeheartedly embrace the vision of "bringing happiness for all SMOORE people". Regarding our employees as our most valuable asset, we strive to create a workplace of equality, respect, inclusion and diversity, and provide them with growth and development opportunities. We actively engage in volunteer services and community care activities to strengthen interaction with the community, thus contributing to the long-term development of the community. We focus not only on the economic development of the community, but also on the harmonious development of the society. In 2023, we donated RMB 8.27 million to the community and provided 207 hours of volunteer services, involving 38 people in 11 poverty alleviation and public welfare activities. We strive to create a caring and harmonious world together with the community.

04 Value Creation - Smoore's Approach to Compliance Governance

We always maintain a rigorous and professional approach to ESG governance. We emphasize internal management. We keep improving relevant policies, and actively enhance management engagement in ESG issues. Establishing the ESG Committee is an important part of our governance. The Committee not only ensures robust ESG development strategy and management approach, but also strengthens communication and cooperation with the Board. In 2023, we were awarded the "Most Honoured Company" in the "2023 All-Asia Executive Team" selection organized by *Institutional Investor*. This was in recognition of our excellent ESG performance and ongoing efforts. In the future, we will remain committed to improving our ESG management and fulfilling our social responsibility to achieve sustainable development.

In 2024, while the uncertainties in the global business environment present the challenges for our business, we firmly believe that this is also an important opportunity for us to demonstrate our resilience and strength, and to deliver on our commitment to sustainability. We will continue to integrate sustainability into our core daily operations and business decision-making, and commit ourselves to achieving sustainable development goals and contributing to the prosperity and progress of society.

Chen Zhiping

Chairman of the Board
April 15, 2024

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About Smoore

After years of development since its inception in 2009, Smoore has become the world's leading electronic atomization device manufacturer and a global leader in providing atomization technology solutions. Smoore persistently makes positive exploration and innovation with cutting-edge technological R&D centers. By virtue of advanced R&D technology, rich experience in the electronic atomization industry, strong manufacturing capacity and diversified product lines, Smoore brings customers optimal product experience and solutions. The product business of Smoore has been throughout China, the United States, the United Kingdom, France, Japan, Germany and other places, and has been highly recognized and widely praised by customers and the market

## Corporate Culture and Value System

Corporate Mission

Atomization makes life better

SMOORE People

"Caring Dream Chasers" is a concise description of SMOORE people - Responsible, Aspiring, Perseverant, Caring, Introspective

Corporate Vision

Focus on building world-leading atomization technology platforms to create value for society; and bringing happiness for all SMOORE people
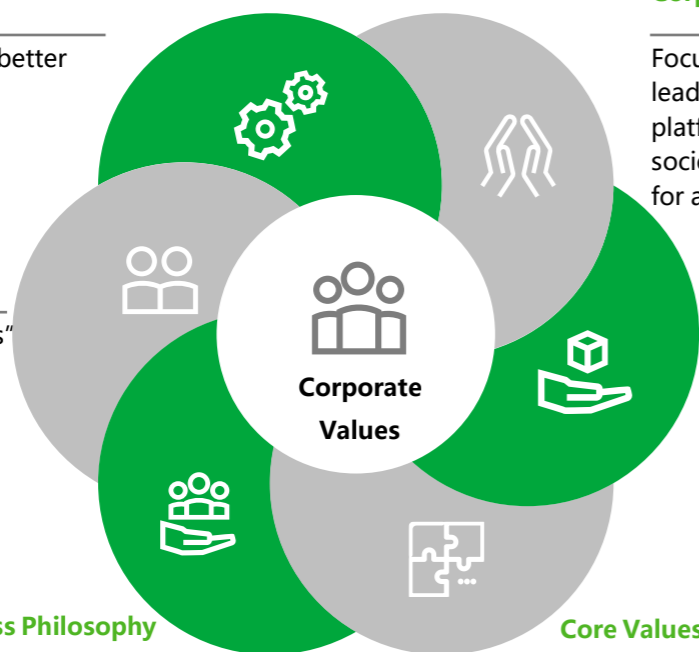
Management Philosophy

Stimulate self-motivation
Cultivate talents in succession
Co-creating and sharing

Business Philosophy

Customer first
Leading product
Sustainable branding

Core Values

Direction and goal setting first; endeavor comes after
Innovating, staying together, all for dreams!
People-driven is the first principle of SMOORE management
Science and technology are the core driving forces for corporate development

Corporate Values

Business Overview

Smmore covers three major technology brands: FEELM focuses on high-end atomization products, providing high-quality closed electronic atomization solutions with the world's leading ceramic heating technology, combined with taste restoration technology and innovative electronic technology; VAPORESSO is committed to building its own high-end consumer brand, upholding the mission of atomization to make life better. The brand is sold well in Europe and North America; METEX provides industry-leading HTP atomization solutions tailored to a diverse range of consumables for customers' brands, offering an unparalleled experience for global customers and end-users with the most satisfactory services.

Important Events in 2023

September 2023

Golden Leaf Award for Innovation for VAPORESSO
Our open brand VAPORESSO won the Gold Leaf Award for Innovation with its product COSS. VAPORESSO is the first open brand in the industry to win the Gold Leaf Award for Innovation, and has been highly recognized by industry peers for continuing to provide users with superior quality atomization products.

June 2023

Industrial Recognition for TOPOWER Electric Cell Technology
We developed the TOPOWER electric cell technology featured with large puffs without charging. The technology made its debut at WORLD VAPES SHOW 2023 and was applied to the large-puff disposable solutions Power Alpha and FEELM Max respectively. With three major technological innovations including large e-liquid capacity vaping without charging, ultimate-low discharge, and ultimate-high energy density, we can use this technology to provide the most cutting-edge and reliable technology solutions, and bring unlimited possibilities to customer brands.

May 2023

A New Era of Compliance Empowered by Disposable Atomization Products
Our brand FEELM launched large-scale commercialization of the newly upgraded FEELM Max, which is the world's first disposable solution of ceramic coil. By adhering to technological innovation and improving consumer experience, we work with global partners to lead the industry into a new era of compliance.

February 2023

Cooperation with The Academy of Arts & Design, Tsinghua University
We conducted university-enterprise collaboration to explore more cutting-edge and innovative concepts. Through our discussions on user research, trend research, ergonomics, and industrial design, we have made constant breakthroughs in design bottlenecks, and added more innovative elements into product design and production, so as to comprehensively promote innovation in our products.

Key Performance in 2023

2023 in Figures

Economic Performance

Total assets (in thousands)

¥ 25,508,284

Total equity (in thousands)

¥ 21,409,609

Profit for the year (in thousands)

¥ 1,645,090

Total revenue (in thousands)

¥ 11,168,422

Environmental Performance

Total greenhouse gas (GHG) emissions

73,656.6

tonnes of CO_2e

Comprehensive energy consumption

126,944.7

kWh in '000s

Green electricity purchases

3,500

kWh in '000s

Equivalent to a reduction of about

1,332.8

Tonnes of CO_2

Social Performance

Total number of employees

13,306 persons

Proportion of employees trained

100%

R&D investment (in thousands)

¥ 1,482,846

Investment in public welfare activities

¥ 8,274,461

Awards & Honors in 2023

ESG Ratings*

Rated as BBB in MSCI ESG Ratings*

MSCI ESG RATINGS   BBB

| CCC | B | BB | BBB | A | AA | AAA |

Scoring 35 points in the S&P Global ESG Ratings

S&P

Scoring B in the CDP Climate Change 2023 Questionnaire, and C in the CDP Water Security 2023 Questionnaire

CDP DISCLOSURE INSIGHT ACTION

Rating at a medium risk level in Sustainalytics ESG Risk Ratings**

SUSTAINALYTICS

Rated as AA in 2023 Wind ESG Rating

AA Wind ESG

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Honors and Awards

Name	Awarding Authority
"Most Honoured Company" in the "2023 Asia Executive Team" selection	Institutional Investor, the authoritative U.S. institutional investor magazine
Outstanding Case of ESG Brand Influence in the First China Fortune "Golden Lion"	WWW.CFBOND.COM
2023 Wind Top 100 of ESG Best Practices for Listed Companies in China	Wind
"Most Valuable Big Consumer Company" in the 8th Zhitong Finance Listed Companies selection	Zhitong Finance
National (Shenzhen) Excellent Enterprises with Foreign Investment — Compliance Promotion (2022-2023)	China Association of Enterprises with Foreign Investment Shenzhen Association of Enterprises with Foreign Investment

| Name	Awarding Authority
UK Vaping Industry Association 's industry-recognized awards for "Most Responsible Vaping Business" and "Best Innovation in the Vaping Industry"	UK Vaping Industry Association (UKVIA)
The "Golden Leaf Award for Innovation" was awarded VAPORESSO COSS, a product of VAPORESSO	Global Tobacco & Nicotine Forum (GTNF)
Smoore Shenzhen Technology Co., Ltd., a subsidiary of Smoore, was on the 2023 list of Green Factories by the Department of Energy Conservation and Resources Utilization	Ministry of Industry and Information Technology
Smoore Shenzhen Technology Co., Ltd., a subsidiary of Smoore, was selected as Guangdong Top 500 Manufacturing Enterprises in 2023 (51st)	Guangdong Manufacturers Association
Smoore Shenzhen Technology Co., Ltd., a subsidiary of Smoore, was selected as 2023 Guangdong Top 500 Enterprises in Shenzhen(116th)	Shenzhen Enterprise Confederation Shenzhen Entrepreneur Association

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Featured Topic:

Climate Action

Declaration: We Actively Take Climate Action Together

In recent years, climate change has led to frequent extreme weather events, posing great risks to the environmental, social and economic development worldwide. We have deeply aware that actively responding to climate risks has become an essential task and responsibility of every enterprise. In this context, the Group has placed the combat against climate change at the core of the Board's decision-making during the reporting period and ensured that management incorporates it into the daily management of its operations. We have taken the initiative to set low-carbon development targets and formulated corresponding strategies and action paths to meet the challenges of climate change. We have enhanced climate-related information disclosures to ensure that investors, stakeholders and the public are fully informed about our efforts to address climate risks. In accordance with the disclosure framework of the Task Force on Climate-related Financial Disclosure (TCFD), we have identified and disclosed in depth the Group's approach and actions to address climate risks from four levels: governance, strategy, risk management and metrics and targets. Our goals are building a sustainable and low-carbon future and creating a better environment for the next generation.
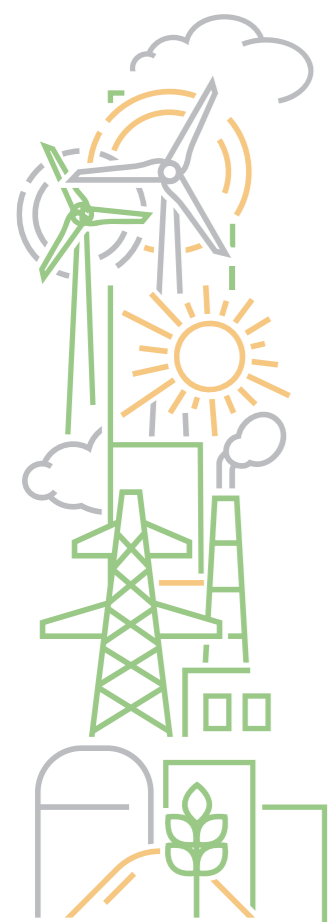
Governance

We have taken active measures to address the impacts and challenges of climate change and have integrated climate management functions into our ESG governance structure. To effectively manage climate change, we have established a climate change management system with the Board as the highest decision-making body. With the system, we can oversee climate-related issues and ensure that management takes effective measures to combat climate change. Meanwhile, we have established an ESG Committee, which is responsible for overseeing climate change issues and managing these issues with the risk management system. This ensures that the Group is able to anticipate, make effective decisions, and take actions to combat climate change. Through this management system with clear hierarchy and functions, we can better address the challenges posed by climate change and provide strong support for the Group's sustainable development.

Strategy

Climate risks and opportunities have uncertain impacts in the short term (1-2 years), medium to long term (3-9 years) and long term (10 years and above). This situation poses a challenge for the development of measures to combat climate change. To comprehensively analyze the climate risks and opportunities that may arise as our business develops, we need to consider factors such as different pathways of global temperature rise, changes in climate policies, and the time horizons of impacts. In 2023, we engaged professional consultants to analyze both low and high emission scenarios using the scenario assumption model and related parameters released by the United Nations Intergovernmental Panel on Climate Change (IPCC). In this way, we can better understand and respond to these risks and opportunities, and to understand their differences. The specific scenarios are as follows:

Scenario	IPCC Climate Scenario Reference Model	Description
Low emission scenario	Climate change forecast model: RCP 2.6 scenario	In this scenario, the global temperature rises by 2.0℃, with rigorous policy regulation, more severe transition risks and greater impacts on enterprises, but physical risks cannot be neglected.
High emission scenario	Climate change forecast model: RCP 8.5 scenario	In this scenario, the global temperature rises by 4.3°C. Policy regulation in this scenario is lax and enterprises are exposed to greater physical risks.

We identify climate change risks according to the TCFD framework and extensive industry survey results. To ensure comprehensive and accurate identification, we categorize risks into physical risks and transition risks and gain insights into possible impacts of each risk category. We then have mapped out a risk matrix according to the Group's actual situation and future development strategy by considering the concerns of internal and external stakeholders. We have identified possible impacts of climate change on our business segments in different time horizons, which provides a good basis for our response strategy. To effectively implement response strategy, we actively communicated with stakeholders and invited internal and external experts to review key risk items. Through brainstorming and in-depth discussions, we have formulated a climate impact response plan, which was included in our climate change response strategy.

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Risk Identification

Risk Category	Climate Risks	Description	Time Horizon	Financial Impacts	Countermeasures
Physical risks	Extreme weather (such as typhoons, floods)	1. Physical damage to physical assets 2. Higher risk of transportation disruption, facility damage, and supply chain disruption 3. Adverse impact on employee health, safety and attendance	Long term	Low emission scenario: 1. Reduced revenue due to lower production capacity 2. Impairment of existing assets 3. Increase in production and operation costs (such as equipment maintenance cost and labor cost of maintenance personnel) High emission scenario: 1. Sharp drop in revenue due to significantly reduced production capacity 2. Significant loss in value of existing assets 3. Significant increase in production and operating costs (such as equipment maintenance cost and labor cost of maintenance personnel), further reducing profits	In construction, we prioritize climate-resilient infrastructure, such as using windproof and floodproof designs. Moreover, we enhance early warning monitoring of extreme weather, develop response plans, and organize regular natural disaster response drills and training. We conduct pre-disaster self-inspection to ensure the safety of facilities and equipment, and prepare emergency supplies in advance. The Safety and Environment Department coordinates to ensure smooth communication and collaboration among all departments. We also promptly adjust our work policy according to the weather conditions, such as short work suspension and working from home, to protect our employees' lives.
	Rising average temperature	1. Increase in electricity consumption of air conditioners and other cooling equipment at premises 2. Shortened service life of production and transportation equipment due to overheating	Long term	Low emission scenario: 1. Reduced revenue due to lower production capacity 2. Increase in production and operation costs (such as electricity consumption cost, equipment maintenance cost, and labor cost of maintenance personnel) High emission scenario: 1. Sharp drop in revenue due to significantly reduced production capacity 2. Significant increase in production and operating costs (such as electricity consumption cost, equipment maintenance cost, and labor cost of maintenance personnel), leading to enormous financial pressure	We establish a high temperature monitoring and early warning system for production equipment, adopt a scientific and efficient cooling solution, and regularly conduct comprehensive inspections on equipment to ensure its stable operation under high-temperature conditions. With these efforts, we can facilitate production while ensuring a comfortable workplace.
	Mosquito reproduction	1. Rising temperatures and increased rainfalls lead to more mosquitoes breeding, which is detrimental to the health and safety of employees.	Long term	Low emission scenario: 1. Increase in production and operation costs (such as sanitation maintenance cost and employee health protection cost) High emission scenario: 1. Significant increase in production and operation costs (such as sanitation maintenance cost and employee health protection cost), leading to some financial pressure	We regularly carry out mosquito prevention and elimination.

Risk Identification

Risk Category	Climate Risks	Description	Time Horizon	Financial Impacts	Countermeasures
Transition risks	Higher carbon pricing	Low emission scenario: 1. Capacity expansion is hindered, leading to increased pressure to safeguard production and operational safety. 2. Equipment with high carbon emissions and low capacity is eliminated. 3. The related costs are transferred to production facilities and energy costs, increasing the Group's operating costs.	Medium to long term	Low emission scenario: 1. Decrease in operating income 2. Impairment of existing assets 3. Increase in production and operating costs (such as procurement cost and operation cost of carbon emission reduction equipment and labor cost of carbon emission reduction technicians) 4. Increase in R&D investment in carbon emission reduction technology	We strengthen carbon asset inventory and management, improve energy efficiency, and increase the proportion of clean energy utilization.
		High emission scenario: 1. Unrestricted emissions cause the Group to purchase large quantities of carbon allowances.		High emission scenario: 1. Increase in production and operating costs (such as purchase cost of carbon allowances)	
	More stringent environmental information disclosure requirements	1. Continuous investment in information disclosure and data management is required, increasing the cost of data monitoring and management. 2. Engaging professionals for optimization is required.	Short term	Low emission scenario: 1. Increase in production and operating costs (such as cost of data monitoring and management and labor cost of professionals) High emission scenario: Low financial impacts	We strengthen the Group's carbon asset inventory and management and improve the digital carbon emission management system.
	Increased concerns of stakeholders	1. Investors require enterprises to provide more abundant and reliable ESG information in their investment evaluation and decision-making processes. 2. Negative ESG events have a negative impact on corporate image.	Medium to long term	Low emission scenario: 1. Lower borrowing limits, higher interest rates and greater difficulty in raising capital 2. Share price decline due to investor divestment. High emission scenario: Low financial impacts	Following ESG rating standards, we improve ESG risk management and keep an eye on domestic and international ESG development trends to learn about hot ESG topics in the capital market. In addition, we actively conduct ESG personnel training and strengthen ESG management within the Group. We also enhance partner communication and participate in ESG seminars to understand the latest trends in the industry.

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⊕ Risk Identification

Risk Category	Climate Risks	Description	Time Horizon	Financial Impacts	Countermeasures
Transition risks	Changing customer behavior	1. Customers' environmental awareness shift, with rising concern and expectations for green and low-carbon products. Failure to promptly meet consumers' increasing demand for environmentally friendly products and to realize industrial transformation will lead to a decline in market share.	Medium to long term	Low emission scenario: 1. Decrease in operating income 2. Increase in production and operating costs (such as procurement cost and operating cost of carbon emission reduction equipment, and labor cost of carbon emission reduction technicians) 3. Increase in R&D investment in energy-saving technology High emission scenario: Low financial impacts	We increase our investment in R&D and innovation of green products to provide more green products. In addition, we actively conduct responsible marketing for these products to establish a green and low-carbon image.
	Tightening policies and regulations	1. The government introduces power rationing policies, which force production departments to reduce or suspend production, replace high energy-consuming equipment, and even influence the upstream suppliers, increasing production costs. 2. The government introduces energy transition and emission reduction policies. Low-emission clean energy substitutes high-emission energy, increasing production costs.	Long term	Low emission scenario: 1. Decrease in operating income 2. Impairment of existing assets 3. Increase in production and operating costs (such as electricity consumption cost, and clean energy utilization cost) 4. Increase in R&D investment in carbon emission reduction technology High emission scenario: Low financial impacts	We strengthen communication with government and regulatory authorities to ensure timely understanding of policy changes and promptly adjust our efforts to adapt to regulatory changes. Moreover, we adopt the mode of regulating production power consumption at peak. We provide backup power supply, establish an independent energy storage system, and utilize clean energy in a larger proportion. We also enhance our carbon emissions supervision & management and compliance inspection to comply with the tightening policies and regulations.

⊕ Opportunity Identification

Climate Opportunities	Description	Time Dimension	Responses
Products and services	Growing public preference for green products and services	Medium to long term	Following market trends, we actively develop green products and climate risk solutions and services to meet market demand and promote sustainable development.
Policy support	Carbon neutrality, clean energy and other related policies issued by the government have positive guidance for the market for green products and services, providing favorable opportunities for the Company to develop new markets and services.	Long term	With policy support, we further promote the development of green products and climate risk solutions and services to meet policy requirements and market demand and promote sustainable development.
Resource efficiency	Clean energy, energy-saving technologies, resource recovery, green power purchases and so on can improve resource and energy efficiency	Medium to long term	We make vigorous efforts to develop clean energy, energy-saving technology, resource recycling technology and other solutions to reduce energy and resource consumption. In 2023, the Company has purchased 3,500 MWh of green power, which is expected to reduce carbon emissions by 1,332.8 tons[1]

[1]The conversion factors are derived from the 2021 baseline emission factors for China's regional power grids for the emission reduction program published by the Ministry of Ecology and Environment of the People's Republic of China.

Risk Management

We are fully aware of the potential impacts that climate-related risks may have on assets, operations, supply chain and brand value. We have established a comprehensive risk management system with relevant policies and procedures that focuses on our overall strategic and business objectives.

We include climate-related risk management into the overall management structure of ESG. The Board is responsible for evaluating and determining the nature and extent of risks acceptable to achieve our strategic climate objectives, and for establishing and maintaining appropriate and effective risk management and internal control systems. The ESG Committee promotes climate-related risk management under the supervision of the Board and provides the Board with climate-related risk management to confirm its effectiveness. The ESG Working Group is responsible for implementing climate-related risk management in various production bases and business departments to follow up upcoming or possible crises or issues in a timely manner, as well as various policies and procedures. The ESG Committee reports to the Board on management results to avoid or mitigate risks.

Risk identification:	We have identified physical and transition risks affecting our business segments by making research on climate change trends, domestic and international industry development and technological changes, benchmarking with peers, collecting stakeholders' opinions, and considering our own operating conditions and business characteristics. And we have developed a climate change risk list to describe these risks.
Risk assessment:	Using both quantitative and qualitative methods, we have comprehensively analyzed the possible impacts of climate change on the Group's procurement, production, operation, sales and other activities in terms of time horizon, impact intensity, and potential financial impacts. We have also ranked the identified climate-related risks in order.
Risk management:	Based on the results of risk identification and assessment, we formulate targeted measures, and regularly assess and monitor their effectiveness. We incorporate climate change risks into the Group's risk management system to promote routine management of climate change risks.
Risk reporting and disclosure:	We regularly report to the Board and the ESG Committee on the results of climate risk identification, assessment and management, and confirm the effectiveness of risk management. The Group prepares a section on climate change in the Environmental, Social and Governance Report of Smoore every year. We conduct information disclosure under the TCFD framework to respond to stakeholders' concerns and expectations, enhance transparency, and strengthen communication and cooperation with all parties.

Metrics and Targets

We aim to achieve carbon neutrality by 2050. We will increasingly use renewable energy in our operations and aim to achieve 50% of our energy consumption from renewable sources by 2030. To make our carbon neutrality plan feasible, we will be aligned with international standards. We are actively involved in relevant international organizations, and submitted our science-based target to the Science-Based Targets Initiative (SBTi).

The Objective Planning of Smoore's Carbon Neutrality

2023
Scope 1 Emission:
218.7 tCO_2e
Scope 2 Emission:
73,437.9 tCO_2e

2030
The emissions of Scopes 1 and 2 decrease by **50%** compared with 2022

2050
Scopes 1 and 2 achieve **carbon neutrality**

For the Group's GHG emissions and energy consumption indicators from 2021 to 2023, please refer to the appendix to the ESG report.

Governance

Declaration: We Consolidate the Foundation for Sustainable Development Together

Adhering to the corporate mission of "atomization makes life better", Smoore integrates sustainable development into daily operations and business decisions. We have established a comprehensive ESG governance structure and corporate management system led by the Board of Directors to boost corporate ESG management and risk management efficiency. We work with our partners to build a sustainable and ethical supply chain and stick to strengthening the corporate information security. In addition, the Group actively maintains good communication with all stakeholders and responds to their demands to promote our ESG management and information disclosure level.

The United Nations Sustainable Development Goals (SDGs) responded in this chapter

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

17 PARTNERSHIPS FOR THE GOALS

ESG Governance

Upholding the concept of sustainable development, the Group maintains both steady operation and ESG management. We keep improving the ESG governance system, incorporate ESG risk into the corporate risk management and control system, and listen to suggestions and expectations of stakeholders on the Group's ESG efforts. By doing so, we consolidate the foundation for our ESG management.

Sustainable Development Strategy

Guided by the corporate sustainable development strategy of "we lead sustainable development with concrete actions", the Group integrates the management concept of "stimulating self-motivation, cultivating talent in succession, co-creating and sharing" with our ESG efforts to continuously advance high-quality development and achieve the common and sustainable development of enterprises, environment and society.

Board Statement

The Board of Directors, as the highest decision-making and monitoring body for ESG management, attaches great importance to the supervision and management of ESG matters. It takes charge of approving ESG management policies and strategies of the Group and integrates ESG consideration into business decision-making. Furthermore, through regular meetings, the Board reviews the progress of ESG objectives and manages ESG risk to ensure that the Group has adequate and effective management in sustainable matters.。

ESG Governance Structure

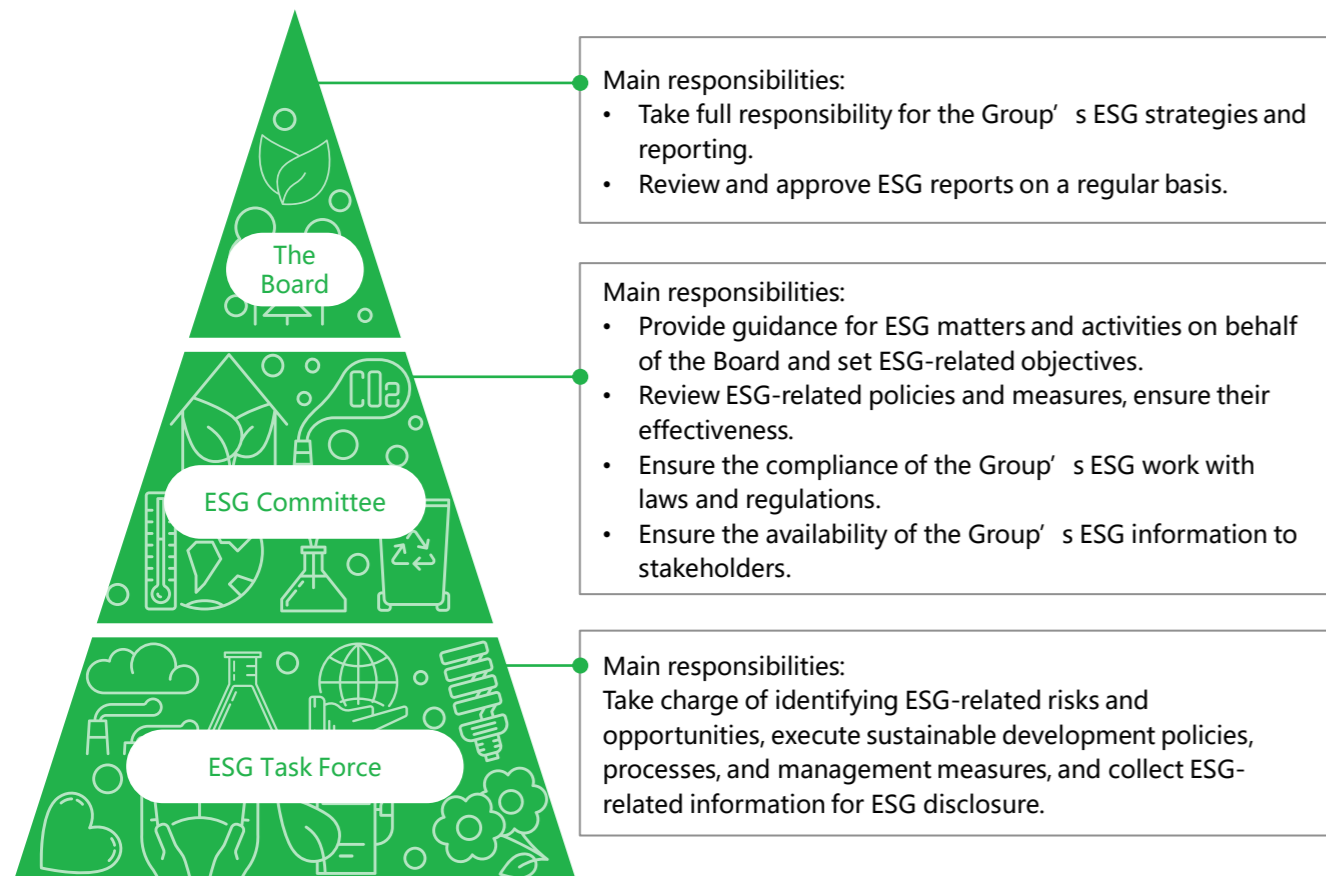ESG Management Policy and Strategy

The Board keeps abreast of the major trends of global ESG. Based on the current corporate development plan, we identify relevant risks and opportunities, and update management policies and strategies when necessary to ensure that our ESG management advances with the times.

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ESG Governance Framework

The Group has established a top-down ESG governance structure with clear separation of power and responsibility to effectively engage all departments in ESG work. The Board, as the highest decision-making body of our ESG work, leads the overall decision-making on ESG management. The ESG Committee, as the supervision and coordination layer, provides suggestions and assistance to the Board on ESG matters, and coordinates the implementation of the Board's decisions to ensure the effective execution of ESG vision, strategy, and governance. As an executive arm under the ESG Committee, the ESG Task Force is responsible for promoting the implementation of ESG management, ESG strategy and work plan to achieve our ESG objectives.

Authorized by the Board, the ESG Committee teams up with the ESG Task Force to improve the ESG governance system, hold regular meetings to report ESG work progress. In this way, we constantly improve our ESG governance efficiency and strengthen the corporate risk management mechanism.

In addition, the Group tries to integrate carbon reduction goals into strategic planning for corporate development and transformation. We incorporate product quality and safety, chemical safety, labor management, and other ESG work performance into our assessment elements to promote the orderly implementation of ESG work.

The Board

Main responsibilities:
- Take full responsibility for the Group's ESG strategies and reporting.
- Review and approve ESG reports on a regular basis.

ESG Committee

Main responsibilities:
- Provide guidance for ESG matters and activities on behalf of the Board and set ESG-related objectives.
- Review ESG-related policies and measures, ensure their effectiveness.
- Ensure the compliance of the Group's ESG work with laws and regulations.
- Ensure the availability of the Group's ESG information to stakeholders.

ESG Task Force

Main responsibilities:
Take charge of identifying ESG-related risks and opportunities, execute sustainable development policies, processes, and management measures, and collect ESG-related information for ESG disclosure.

ESG Risk Management

The Group attaches great importance to ESG risk management. Based on the international COSO guideline and industry practice, we incorporate ESG risks (including climate change risks) into the corporate risk management system. Furthermore, the Board takes charge of managing significant ESG-related risks. To combat climate change, we identify climate-related risks and opportunities in alignment with the Task Force on Climate-Related Financial Disclosure. We also formulate solutions to enhance corporate capability to resist climate-related risks. For details, please refer to the "Combat Climate Change" section in this report.

ESG Key Actions

The Group adheres to the business philosophy of "customer first, leading product, sustainable branding". Based on our sustainable development strategy, we actively respond to the United Nations Sustainable Development Goals (SDGs) and facilitate harmonious development of the economy, environment, and society through operations and value creation. In line with the SDGs highly associated with our business development, we set ESG goals applicable to the Group and take active actions to implement ESG-related matters. With these efforts, we continuously boost the Group's sustainable development.

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Section	Declaration	Goals	Response to SDGs	Our Key Actions
Featured Topic: Combat Climate Change	We Combat Climate Change Together	• Committed to reaching net-zero emissions by 2050	7 AFFORDABLE AND CLEAN ENERGY; 13 CLIMATE ACTION	• Identify climate risks and opportunities based on the Task Force on Climate-related Financial Disclosures framework, and formulate response measures
Governance	We Consolidate the Foundation for Sustainable Development Together	• Abide by relevant applicable laws and regulations strictly and operate in compliance • Abide by business ethics strictly and eradicate corruption • Build sustainable supply chains to help suppliers improve their sustainability	16 PEACE, JUSTICE AND STRONG INSTITUTIONS; 17 PARTNERSHIPS FOR THE GOALS	• Improve ESG governance structure • Strengthen supplier life cycle management, and comprehensively assess supplier ESG performance • Conduct audits on all major business lines and strengthen risk management capability • Update and review own ethical standards regularly, and establish an effective supervision mechanism
Products	We Explore a Better Life Together	• Promote the use of safe materials and reduce hazardous chemicals • Adhere to responsible marketing • Build world-leading atomization technology platforms	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	• Continuously promote patent protection with a total of 3,867 invention patents have been applied for • Continuously increase investment in R&D with a year-on-year growth • Provide responsible marketing training for employees in key positions, such as sales, administration, quality, and production quality control
Environment	We Protect Lucid Waters and Lush Mountains Together	• Strengthen the sustainable management and the efficient utilization of natural resources • Promote recovery and reuse to reduce wastes	6 CLEAN WATER AND SANITATION; 7 AFFORDABLE AND CLEAN ENERGY; 13 CLIMATE ACTION; 14 LIFE BELOW WATER; 15 LIFE ON LAND	• Establish a complete environmental management system and define an execution body for environmental management strategy and performance • Renew ISO 14001 system certifications of some factories, and win the title of "Green Factory" by the Ministry of Industry and Information Technology of the People's Republic of China. • Adopt new low-carbon environment-friendly packing materials to promote the use of plastic-free and reduction of packaging materials • Investigate water conservation across the supply chain and urge suppliers to conduct special water resource conservation activities • Implement VAPORESSO CARE·2023 ECO GO GREEN global carbon neutral program • Ensure 100% compliance management of discharge of the "Three Wastes" • Some factories obtained ISO 50001 system certifications
Society	We Build a More Harmonious Society Together	• Provide employees with stable job opportunities, good working environment, competitive salary and benefits • No child labor or forced labor • No discrimination of sex, region, religion and nationality • Create value for the society	3 GOOD HEALTH AND WELL-BEING; 4 QUALITY EDUCATION; 8 DECENT WORK AND ECONOMIC GROWTH; 10 REDUCED INEQUALITIES	• Achieve 100% labor contract signing rate • Provide attractive compensation system and comprehensive benefit plan • Build "dual promotion channels" comprising management and profession and regulate promotion standards • Won KNX X AWARDS — "Best Practice in Corporate Culture" • Senior management sign work safety responsibility agreements with all branches and subsidiaries

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Materiality Assessment

Stakeholder Engagement

Trust and support of stakeholders are our confidence to embark on the journey of sustainable development. The Group keeps improving the mechanism to engage with our stakeholders through internal interviews, daily communication, and daily information collection and management. We promptly understand and respond to the expectations and requirements of stakeholders. Based on this, we constantly optimize our sustainable development strategy and planning to consolidating our good relationship with stakeholders and achieving win-win development.

In 2023, the Group collected the expectations and requirements of stakeholders, and our responses are set out below:

Stakeholders	Expectations and Requirements	Communication Methods and Channels
Employees	• Protect the basic rights and interests of employees • Provide employees with career development opportunities • Care for employees' physical, mental, and occupational health and safety	• Employee interview • Employee training • Corporate cultural activities • Performance appraisal • Staff forums
Customers	• Protect the rights and interests of consumers • Abide by business ethics • Ensure product quality and safety • Provide high-quality after-sales service • Protect data and privacy	• Customer complaint • Customer satisfaction investigation • Product exhibition • The Group's website • Social media (such as WeChat official account)
Suppliers and partners	• Maintain good and stable partnership • Regular communications	• Supplier assessment • Bidding procurement • On-site inspection

Stakeholders	Expectations and Requirements	Communication Methods and Channels
Shareholders and investors	• Compliance marketing • Disclose information promptly and accurately • Ensure product quality and safety	• Investor conference • Regular information disclosure • Media publicity • Interview, telephone, and electronic information
Government and non-governmental organizations	• Pay tax in accordance with law • Comply with applicable laws and regulations • Promote regional economic development • Protect minors	• Regular communication and report • Qualification assessment • Policy Publicity and Implementation • Supervision and inspection
Community	• Focus on the impact of production and operation on local areas • Promote local economic development • Protect environment	• Charitable activities • Promote green and low-carbon development • Social media (such as WeChat official account)

The Group attaches great importance to our ESG work performance and pays earnest attention to the expectations and requirements of stakeholders. We conduct a questionnaire survey on stakeholders to collect and know their opinions and comments. We identify and assess the most material ESG issues and disclose them in the report to enhance the materiality of our ESG report. The ESG Committee supervises the identification of material issues and reviews and approves the matrix of material issues.

Assessment Process

In 2023, the steps for assessment of our ESG important issues were as follows:

1
Identification of Material Issues

- Based on the Group's business characteristics, and taking into account industry characteristics as well as the requirements of the *ESG Reporting Guide* issued by HKSE, regulatory documents, standards, and rating requirements such as SDGs, GRI, SASB, and MSCI, we have identified 27 material issues that are most pertinent to us.

2
Screening of Material Issues

- Through internal interview, expert consultation and material issues questionnaire survey on stakeholders, we screen and prioritise various material issues from the perspective of "materiality to Smoore ESG development" and "materiality to stakeholders".

3
Recognition of Material Issues

- Management determine the priority and matrix of ESG important issues based on the understanding of expectations and requirements of stakeholders, in alignment with the business performance of the Group and the key points and trends of ESG work of peer enterprises.

4
Response to Material Issues

- The Group recognizes key points disclosed in this report based on opinions of stakeholders and result of materiality analysis, and responds accordingly in the report.

Assessment Results

The assessment results of ESG important issues in 2023 were as follows:

Matrix of Important Issues
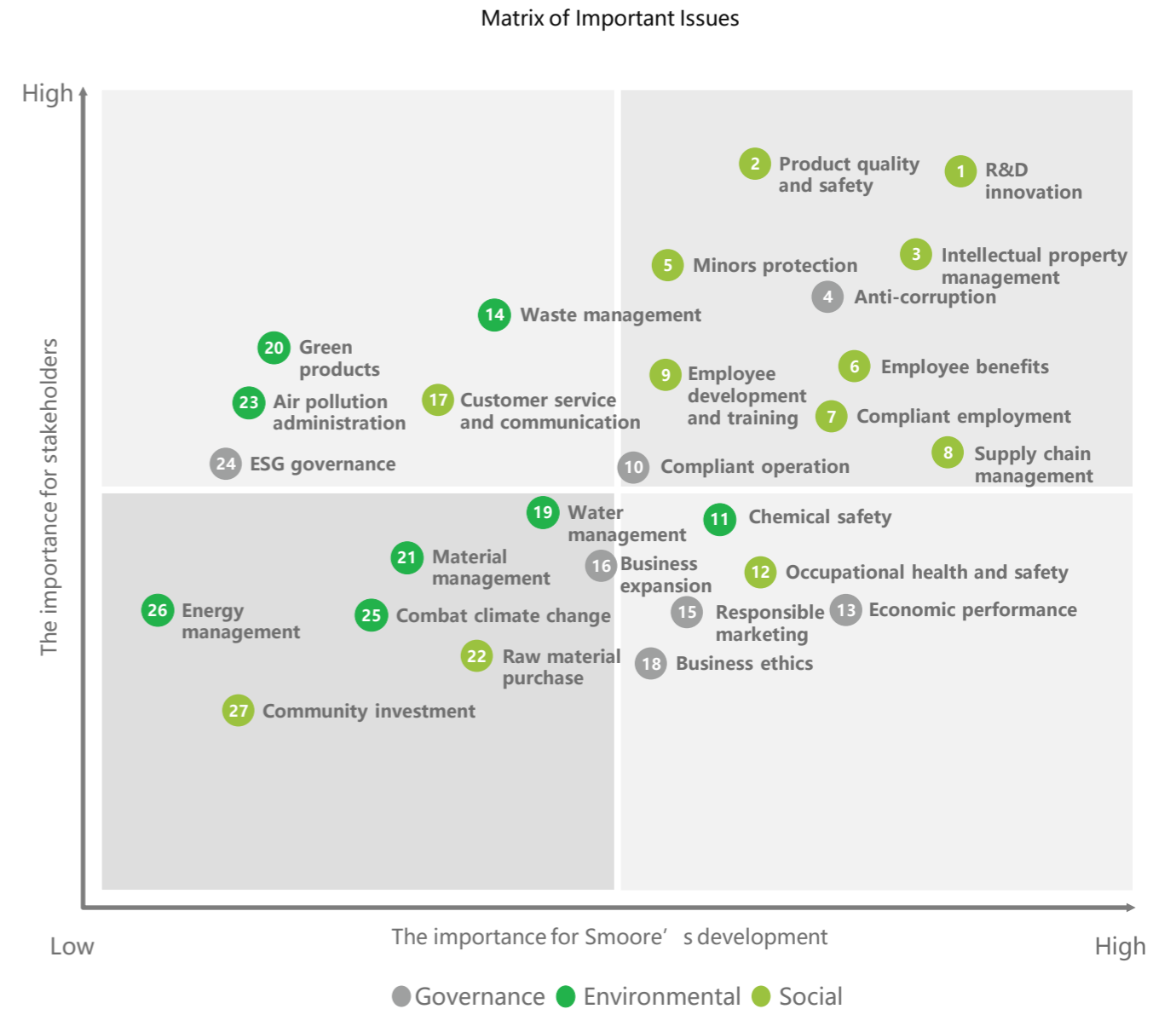
The assessment results of ESG important issues in the year indicated that stakeholders were concerned about issues such as R&D and innovation, product quality and safety, intellectual property management, anti-corruption, minors protection, employee benefits, and supply chain management. This report presents in detail the annual work progress of the Group on important issues, and effectively responds to the expectations and requirements of all stakeholders.

Corporate Governance

Sound corporate governance is the cornerstone for advancing steady corporate development. The Group strictly abides by business ethics by continuously enhancing the corporate governance system, improving internal compliance management standards, and consolidating risk management and internal control system to establish a high-integrity and responsible corporate brand. In addition, we integrate integrity into all sections of our business operation and strive to establish a responsible supply chain system, aiming to foster an honest and clean business environment.

Corporate Governance Structure

Smoore is committed to establishing a comprehensive internal control system. We step up efforts to strengthen our governance to safeguard the long-term sustainable development of the Group. The Group has established a governance structure that is composed of the General Meeting of Shareholders, the Board of Directors, and special committees. The governance structure takes charge of supervising and inspecting the Group's affairs in specific areas and determining special matters within the scope authorized by the Board of Directors. We have established a comprehensive work system and rules of procedures for all departments. Furthermore, we have formed a division and restriction system with a clear separation of power and responsibility and standardized operation.

General Meeting

The Board

Audit Committee | Nomination Committee | Remuneration Committee | ESG Committee

Senior Management
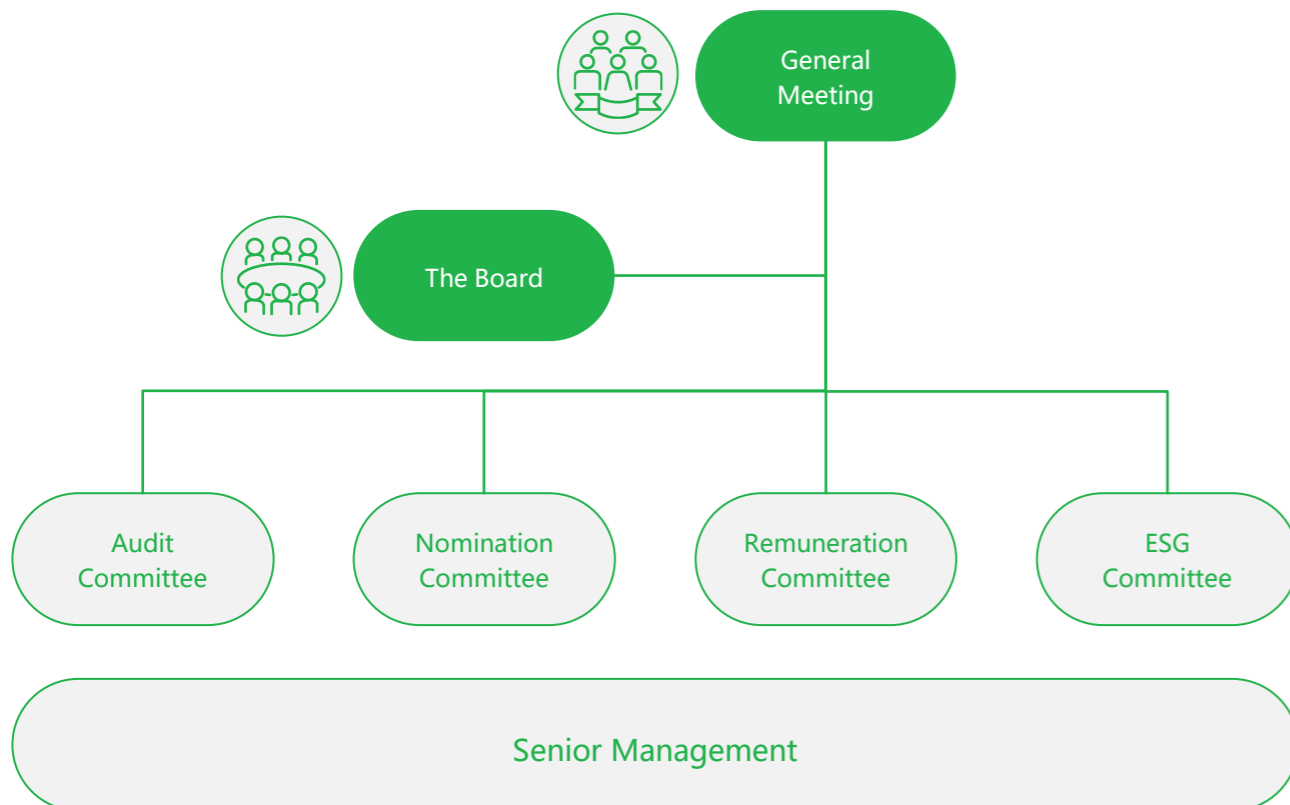
Performance of Special Committees of the Board of Directors

Audit Committee — The Audit Committee comprehensively supervises, inspect, and evaluates internal control, financial information and internal audit of the Group regularly, takes charge of business ethics and anti-corruption work, and gives full play to the role of audit and supervision. This aims to constantly enhance our internal control.

Nomination Committee — The Nomination Committee assesses, reviews, and proposes professional advice on the selection criteria and selection and appointment mechanism of directors to build a diverse and professional Board of Directors.

Remuneration Committee — The Remuneration Committee assists the Board of Directors to formulate and review remuneration mechanism of directors and senior management, improves the remuneration system of directors and senior management.

Environmental, Social and Governance (ESG) Committee — The Board of Directors takes charge of supervising and guiding the Group's sustainable development strategy. The ESG Committee reports the implementation and situation of matters about sustainable development to the Board of Directors (For detailed duties of ESG Committee, please refer to the "ESG Governance Structure" section of this report).

Board Diversity

Committed to actively promoting the diversity of members of the Board in terms of gender, culture, professional skills, and other aspects, Smoore has formulated and implemented the Board Diversity Policy to strengthen the diversity and comprehensiveness of the Board. The Nomination Committee takes charge of reviewing the Board Diversity Policy regularly. In addition, we review the structure of the Board every year based on our development strategy to ensure that a diverse and balanced structure is maintained. At the same time, the Board will also set measurable objectives and take in-depth measures to implement the Board Diversity Policy and review the achievement of objectives.

As of the end of the reporting period, the Board of Directors had 2 female directors, accounting for 25%, 3 independent non-executive directors, accounting for 37.5%, and 1 director with doctor degree. Members of the Board have rich and diverse industry experience and professional capabilities in marketing, materials management, law, finance, and other fields, providing solid support for our development.

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Risk Management

Smoore has established an effective internal control and risk management system, aiming to strengthen and standardize internal operation management and continuously improve risk prevention and response, to ensure a long-term steady development. Against various risks encountered in operation and development, the Group has conducted comprehensive identification and assessment, defined responses to reduce potential operation risk.

The Board has established an Audit Committee to specially supervise, inspect, and assess financial information, risk management and internal audits of the Group objectively and comprehensively. Furthermore, the Audit Committee reports to the Board regarding the progress of internal audits, major risk issues and other issues on a regular basis. Guided by the Board and the Audit Committee, the Internal Control and Audit Center of the Group takes charge of implementing risk control and internal audits to continuously strengthen internal control and compliance management.

To effectively prevent potential risks arising from the internal and external environments, the Group has established an internal control management framework based on its operation features and external industry practices. Under the framework with emphasis on six elements such as control environment, risk assessment, control activities, supervision, senior management, information, and communication. We identify and evaluate various risks and define key tasks to strengthen our risk management system.

Against different types and levels of risks, the Internal Control and Audit Center convenes annual plan meetings regularly. In addition, annual audit plans are formulated based on risk assessment results, audit frequency requirements, and management concerns to define the scope of audit projects and promote the implementation of internal audits. The Group conducts audits on all major business lines and special audits in key risk areas such as productive procurement, non-productive procurement, and infrastructure decoration covering multiple business areas including disposable electronic vaping products production and procurement, vaping product development, procurement of electronic material, labor outsourcing, plant decoration, and other business sectors. We follow up and control the special audit projects in the whole course, and develop a holistic management mode for pre-project deliberation, mid-term review, and post-project rectification and review.
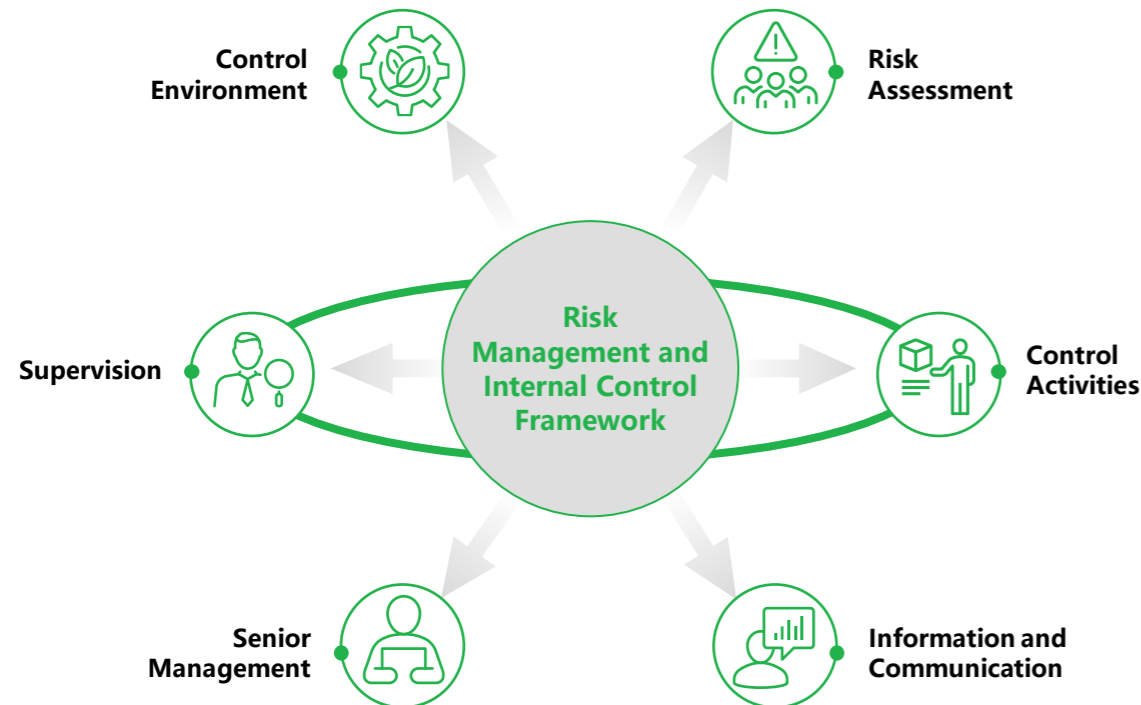
Business Ethics Development

The Group adheres to an integrity culture and compliance operation, stringently abides by applicable laws, regulations, and standards of anti-corruption, anti-fraud, anti-monopoly, and anti-illegitimate competition in the jurisdiction where it operates. To form comprehensive compliance constraints on behaviors of employees, suppliers, and other related parties, we continuously implement internal policies and codes of conduct such as the *Anti-fraud and Reporting Management System, the Anti-money Laundering Regulations*, the *Management System for Conflicts of Interest* and the *Smoore Code of Business Conduct for Employees*.

Under the business ethics and compliance management framework, the Board of Directors takes charge of supervision and review and has set the Audit Committee as the deliberation and decision-making body for business ethics and compliance business management. Guided by the Audit Committee, the Internal Audit Department and other relevant departments constitute the line of defense for compliance management. The Internal Audit Committee takes charge of supervising the implementation of business ethics in the daily operation and directly reporting to the Audit Committee on matters about business ethics and anti-corruption. In addition, the Internal Audit Department updates and reviews its ethical standards and anti-corruption compliance policies regularly as appropriate and conducts audits on the execution of policies and the internal supervision system. At the same time, we also consider the compliance of personnel with business ethical standards during audits and internal control evaluation to ensure legal and compliant implementation and efficient operation of the system.

Anti-corruption

Committed to integrating the concept of integrity and self-discipline into each management segment, Smoore maintains zero-tolerance for corruption, bribery, money laundering, and other violations. We have established a mechanism to regulate all the employees to learn the *Smoore Code of Business Conduct for Employees* and sign an integrity agreement. Additionally, for employees in key positions, we provide training sessions and examinations on relevant policies such as *the Code of Conduct for Procurement Staff*, aiming to regulate their conduct during the cooperation with suppliers.

To pursue legal and compliant cooperation, the Group also requires suppliers and relevant partners to sign the *Integrity Commitment* before cooperation, which clearly defines compliance standards. During the year, the percentage of signing the *Integrity Commitment* for the Group's suppliers was 83%.

In terms of anti-corruption and anti-fraud training, the Group regards education and promotion of anti-corruption and integrity as the core of the development of corporate integrity culture and regularly provides anti-corruption training for employees. We step up efforts to enrich integrity education courses and models to further enhance employees' awareness of compliance and anti-corruption and consolidate their ability to resist corruption. During the year, Smoore conducted 14 anti-corruption training programs for employees, totaling 600 hours of training.

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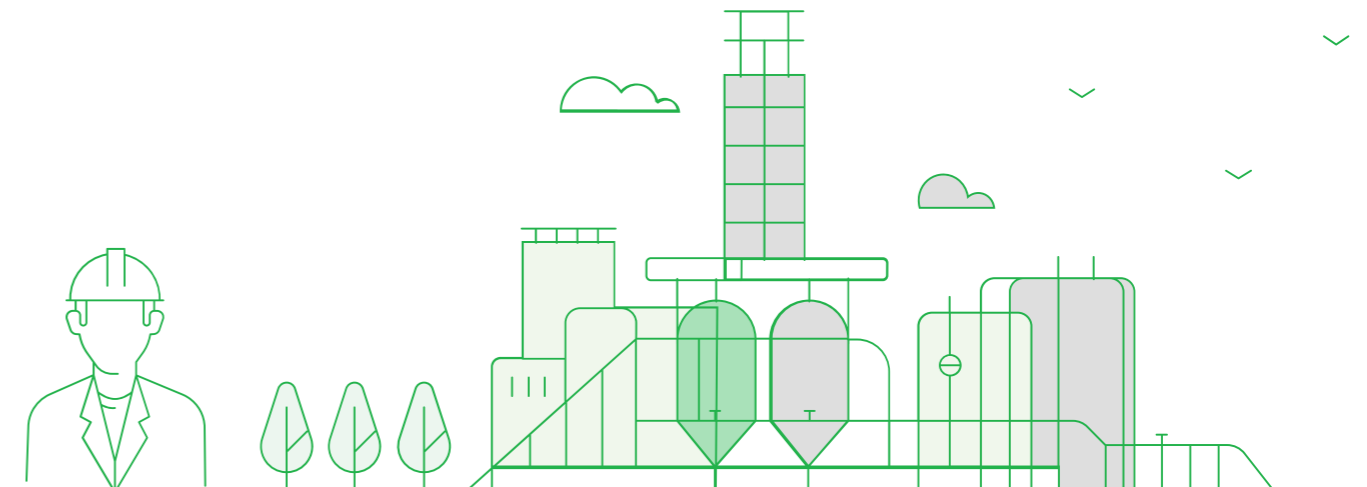
Case: Integrity Training for New Joiners — "Stick to the Professional Bottom Line, Adhere to Work Integrity"

In 2023, the Group provided anti-corruption training on "Stick to the professional bottom line, Adhere to work integrity". By explaining and sharing typical corruption cases as well as internal and external laws and regulations on the prohibited rules of corruption, we help new employees understand the Group's attitude towards corruption, clearly identify conduct boundaries, and foster correct view of life, values, and view of integrity practice. As of the end of the reporting period, the Group organized 10 anti-corruption training sessions for new employees, with 362 participants.

Training on Integrity

10
anti-corruption training sessions for new employees, with

362 participants

Whistleblower Protection

The Group attaches great importance to keeping the internal and external monitoring, reporting, and complaint channels unblocked and smooth. We have set various reporting channels, including reporting email, reporting telephone, online reporting platform, audit finding, and case transfer to other leaders. This aims to encourage our employees, suppliers, and other stakeholders to report any violations of laws and regulations in the Group or violations of the Group's business ethics system in a public or anonymous manner. The Internal Control and Audit Center, as the major anti-fraud body, also takes charge of the acceptance, registration, storage, and investigation of reports and complaints, and direct reporting to the Chairman. This aims to ensure the independence and objectiveness of report acceptance and supervision.

The Group takes firm measures to protect the legal rights and interests of whistleblowers. We have formulated the Anti-fraud and Reporting Management System, which clearly defines the complaint reporting mechanism, reporting channels, and subsequent handling process. Furthermore, we provide a confidentiality and protection mechanism for whistleblowers to keep their information and reporting material as well as the reporting process confidential. For the leakage of whistleblower's information, the Group will take punitive measures such as warning, dismissal and referral to the judicial authorities based on the severity of the case.

Complaint Reporting Channel

Tel.: 18123940661

Email: antifraud@smooretech.com

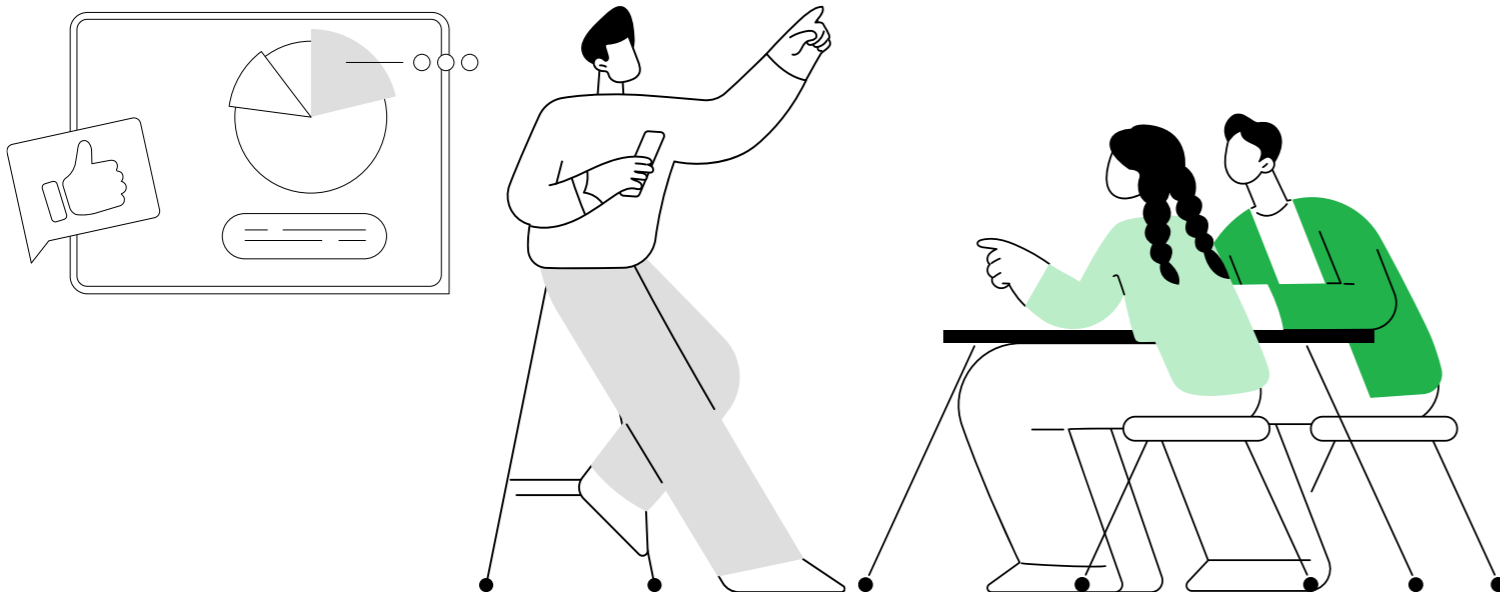Address: Internal Control and Audit Center, Smoore Shenzhen Technology Co., Ltd., No. 16, Dongcai Industrial Zone, Xixiang Street, Bao'an District, Shenzhen
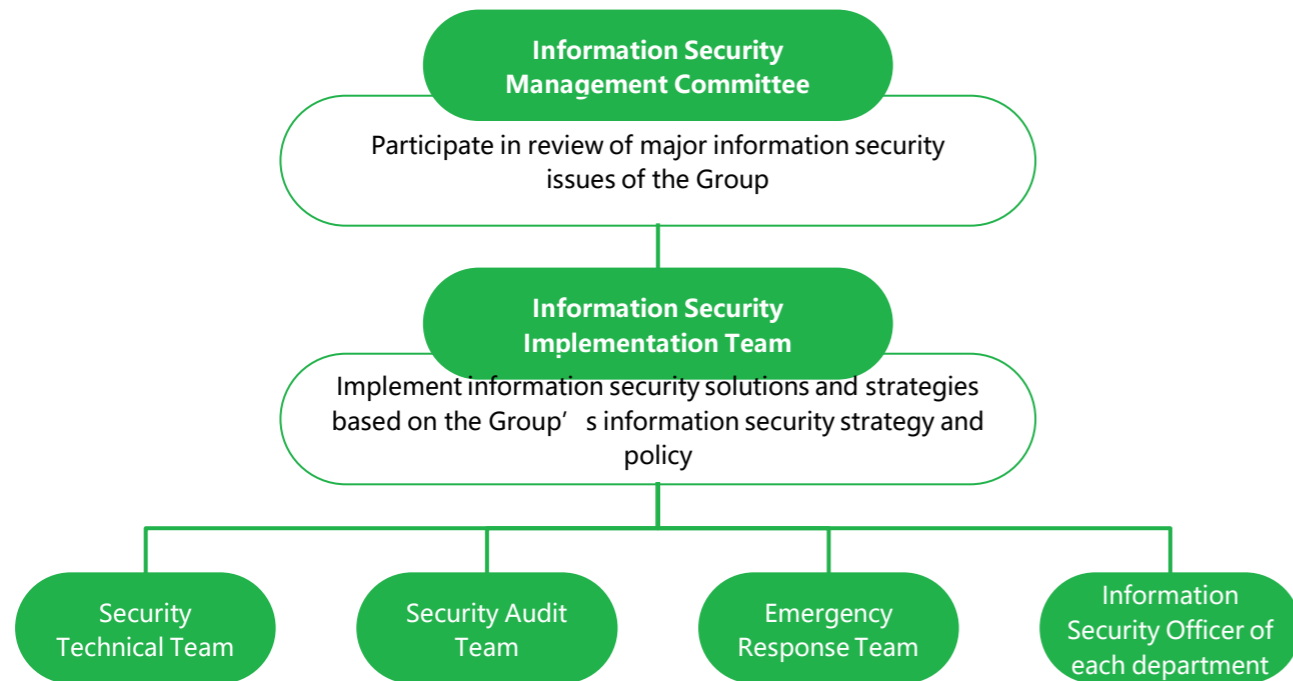
The Group's Official Reporting Platform: https://bpm.smooretech.com/portal/apps/com.awspaas.user.apps.smoorecig.online.inform.platform/html/home.html

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Information Security Management

Smoore attaches great importance to customer information and privacy data security protection. We strictly abides by relevant laws and regulations of the places where it operates at home and abroad, including the *Data Security Law of the People's Republic of China* and the *Cybersecurity Law of the People's Republic of China*. In addition, we have formulated internal control policies such as the *Information Security Management Manual* and the *Administrative Measures for Information Security Supervision and Inspection* and established the Information Security Management Committee to enhance the policy-based management system. We also take comprehensive information management measures and advanced information security technology and require all the employees to sign the *Commitment of Employee to Information Security*. These efforts aim to safeguard data and privacy security. In 2023, the Group had no major information security incidents or information leakage events of customers, employees and partners.

The Group has established an Information Security Management Committee with the Chairman as the general director to control information security strategy and participate in the review of the Group's major information security matters. In addition, the Information Security Implementation Team under the Committee is mainly responsible for supervising matters about the Group's information security and coordinating relevant departments to implement daily data security and information protection tasks. These efforts aim to further define responsibility and authority of different roles in maintaining information security. All departments perform respective functions and mutually cooperate to jointly safeguard information security for our customers and the Group.

Information Security Management Committee
Participate in review of major information security issues of the Group

Information Security Implementation Team
Implement information security solutions and strategies based on the Group's information security strategy and policy

- Security Technical Team
- Security Audit Team
- Emergency Response Team
- Information Security Officer of each department

The Group takes various measures for information security and privacy protection to consolidate data security from all aspects. Our information security management system has passed ISO 27001 information security management system certification and operates in strict compliance with the system management requirements. To against data risk, we constantly carry out information risk management by conducting several rounds of special risk assessment and continuous closed-loop risk handling. We also take effective measures to avoid, reduce, transfer, and accept risks. Furthermore, we strengthen information security in aspects of information security classification requirements, network boundary, physical security, system platform and performance management from the dimensions of information management and technologies to ensure business stability and security.

Information Security Classification
Implement information security classification requirements, update classification table and put document tagging in place

Network Boundary Setting
Separate power and responsibility, and strengthen hierarchical management and endpoint encryption

Physical Security Technology
Reduce information leakage risk through physical security technologies such as red and blue partition management, camera film and printing terminal control

Comprehensive System Platform
Continuously optimize information system platform, and enhance log data input, backup, data tracing, information warning, vulnerability scanning and so on

Employee Performance Management
Implement information security performance appraisal on departments and excellence selection of information security specialists to strengthen relevant personnel's awareness of information security

In terms of information security management audit, we conduct regular security drills on information security attack and defense, data recovery and backup and network anomaly recovery to prevent any issues before occurrence. We also promptly fix vulnerabilities identified in the drills to consolidate our defense against data security risk. In 2023, the Group conducted several rounds of information security audits, covering information security inspection on departments, IT special audit, and resignation audit to identify problems in the construction and operation of the information security system. On this basis, we can provide risk warnings for subsequent development of information security system to keep business continuity and security.

In the information security field, we understand employees act as the first line of defense for the organization. The Group not only focuses on technical security measures, but also emphasizes fostering employees' awareness and responsibility of information security. All the new employees are required to attend information security training upon joining the company. Regular information security training for all staff can help strengthen employees' awareness of network threats and educate them to identify and respond to potential security threats. At the same time, we encourage employees to actively report any suspicious activities or acts in routine duties to safeguard the information security of the Group.

1 Organizational Operation
- Issue the operation mechanism of the information security organization to help carry out information security work.
- Hold **12** monthly information security meetings with over 90% of dedicated personnel participating. Each unit holds a monthly security meeting.

2 Publicity and Training
- Organize an online information security training for all employees, and conduct an exam for assessment, with a pass rate of **100%.**
- Special publicity: Promote information security towards all employees through email and Enterprise WeChat.

3 Inspection & Audit
- Arrange **4** information security self-inspections in each unit.
- Conduct **3** inspections on key projects (information security incident reporting, information security incident clues, and resignation audit).

Products

Declaration: We Explore a Better Life Together

Since its establishment, Smoore has always adhered to the mission of "atomization makes life better", and continuously explored the boundary between atomization technology innovation and application. To reinforce the principal position of enterprise in innovation and sustain brand vitality, we take R&D and innovation as the first driving force, and attach importance to technology R&D and commercialization of research findings. At the same time, we develop different technical solutions to meet the diverse harm reduction needs of consumers. On the basis of R&D and innovation, we insist on independent development to further enhance our automation and intelligence capabilities in manufacturing. With the industry-leading "intelligent manufacturing power", we are committed to becoming a global leader in offering atomization technology solutions.

The United Nations Sustainable Development Goals (SDGs) responded in this chapter

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Innovation-Driven Development

Acknowledging that innovation in scientific research and technology is the key driving force for the sustainable development of the Group, we focus on the strategy of R&D, and continuously refine our R&D management system. In particular, we adhere to the market- and product-oriented R&D strategy to constantly improve our innovation and R&D capabilities, and promote high-quality patent protection to build the Group's lasting competitiveness in R&D and innovation. In addition, by widely applying our atomization technology in multiple fields, we seek to satisfy the human pursuit of health and better life.

R&D System

At Smoore, a continuously refined R&D and innovation system has been established based on its own operation features. Guided by market- and product-oriented strategy, we further upgrade the electronic atomization technology in a more efficient manner to accelerate our R&D projects with high quality, and therefore systematically provide the Group with sustainable driving force for innovation. The Group has enhanced the effect of cooperation among Research Centers, Technology Center and functional departments concerning product development, marketing and so on, which makes the R&D projects more compliant, reliable and innovative. Empowered by R&D and innovation capabilities through coordinated development, we continue to provide products that can meet customer needs and market trends. Meanwhile, we accelerate the launch of new products and improve product competitiveness, thereby supporting our strategic business development goals.

Research Centers
Explore basic research

Technology Industrial Center
R&D of key materials industrialization and automation equipment

Technology Center
Overall management of R&D projects

Product Development Team
Mass production

A number of Research Centers have been established to focus on basic research in new materials, innovative atomization technology, medical research, atomization mechanism and other fields.

The Technology Industrial Center focuses on the industrialization research on key materials and devices such as ceramic heating elements and the research and development of intelligent manufacturing equipment.

The Technology Center is responsible for the full lifecycle management of R&D projects and the platform-based technology innovation.

Each product business unit has established its own Product Development Team, which leverages basic research results to create competitive products for customers based on market trends and customer demands.

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For a long time, Smoore has continued to further enhance its R&D and innovation capabilities. Guided by our core technology team, the Group has built a complete comprehensive electronic atomization R&D technology platform, which enables the application of the atomization technology in more scenarios. Furthermore, the Group diversifies the layout of R&D and innovation with respect to fields such as electronic atomization products, heat-not-burn products, atomization products for special purpose, and inhalation therapy.

Core Atomization Technology/Atomization Mechanism
- Mass and heat transfer
- Aerosol science
- Surface and coating technology
- Safety and health assessment
- ......

→

Design and Manufacturing of Core Products
- Advanced materials
- Advanced manufacturing
- Coating/electronic packaging technology and process
- ......

→

Core Fields of Application
- Electronic nicotine delivery systems (including electronic vaping products and heat-not-burn products)
- Atomization products for special purpose
- Inhalation therapy

R&D Investment

Smoore strives to make breakthroughs in the most cutting-edge core technology of electronic atomization. To spur the creativity of the R&D team and provide the Group with sustainable driving force for innovation, we continue to enlarge resource investment in R&D, and have formulated a series of internal policies, such as the *Innovation Empowerment Management Measures of SMOORE Group*, the *Innovation and Entrepreneurship Platform Management System*, the *Project Innovation Incentive Management System*, the *Implementation and Incentive System of Commercialization of Research Findings* and the *Incentive Measures for Patent Proposals of Company Employees*. In 2023, with 1,480 R&D personnel, the Group invested RMB 1,482,846,000 in R&D.

R&D investment in 2023:
1,482,846,000 RMB

Year-on-year growth in proportion of R&D investment in 2023:
8.1%

Technological Innovation

The Group has gained in-depth insights into consumer needs and, relying on its strong R&D team, continues to provide differentiated products of innovation and competitiveness. Focusing on technological innovation, we strive to promote the atomization efficiency of our products, lead the industry with excellent solutions and continuously improve customer experience. During the year, we further enlarged investment in research on atomization technology, and made breakthroughs in multiple core technologies concerning new heating element, electronic atomization efficiency and battery cell design.

This year, Smoore continued to dive into the innovation of electronic atomization technology, and focused on improving the atomization efficiency of its products, in a bid to provide better consumer experience and influential industry solutions. For the purpose of atomization efficiency promotion, the Group carried out in-depth research from various dimensions such as the optimization of vape coil heating and battery technologies, and continuously broke through technical bottlenecks to lead the industry in innovation and development.

Innovation of Vape Coil Technology

Ceramic coil heating technology: This year, Smoore further upgraded the new generation ceramic coil technology platform FEELM MAX, which enabled disposable products to provide more puffs and better taste under standard conditions. This makes our products more differentiated and competitive, and improves consumer experience.

FEELM MAX

COREX cotton coil heating technology: We launched a new leakage prevention technology and upgraded the heating element solution to effectively improve the utilization rate of atomized liquid. This year, at an international exhibition, the Group released the Power Alpha, a brand-new solution for disposable products. With the application of the COREX cotton coil technology, the solution significantly improved the conductivity and absorptivity of atomized liquid, and the atomization efficiency.

COREX WORLD'S MOST ADVANCED

Upgrading Battery Technology

By upgrading our battery technology, we solved the problems of short battery life and frequent charging for disposable products with large number of puffs, and therefore improved consumer experience. This year, the Group's TOPOWER battery technology was unveiled overseas, demonstrating three major technological innovations, namely, disposable products can realize large e-liquid capacity vaping "without charging, ultimate-low discharge, ultimate-high energy density". The technology can provide users with disposable solutions with truly long battery life without charging.

TOPOWER™ WORLD'S HIGHEST

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Industry Innovation Exchanges

As industry collaborations are crucial for the Group's innovation and R&D, the Group constantly develops wide and close partnership with a number of universities, scientific research institutions and enterprises around the world. In various ways, we communicate and collaborate with our partners with regard to scientific research cooperation, talent exchange, basic research and product design to explore the cutting-edge technologies and expertise of the industry, aiming to achieve complementary advantages, resource sharing and win-win cooperation.

Case: Technology Center Keeps up with Academic Frontiers for Leading Technologies

From November 17 to November 19, 2023, the Group sent a Technology Center team to participate in the 2023 CSET Heat and Mass Transfer Conference, which was hosted by the Chinese Society of Engineering Thermophysics, co-organized by the China Aerodynamics Research and Development Center, Southwest Jiaotong University and so on, and supported by the National Natural Science Foundation of China. Through this academic exchange conference, our Technology Center team had in-depth exchanges with experts and scholars on site, and fully discussed the cutting-edge issues and research hotspots in the field of heat and mass transfer at home and abroad. This is of positive significance to advance the Group's research in the heating and atomization mechanism and attract relevant professional talents.

In a multi-level and diversified manner, the Group also exchanges and cooperates with well-known scientific research institutions in the industry. Since March 2023, our Technology Center has organized a series of innovation exchange activities, such as "A Visit to Smoore", "Innovation Study and Exchange Conference", "Innovation Resource Exchange Conference". Taking the initiative to expand external business development, we have carried out in-depth study and exchange with famous scientific research institutions, innovative enterprises and benchmark enterprises in the industry, and introduced science and technology achievements from outside. Through various forms of cooperation and exchange activities, we have not only established a number of substantial cooperation programs (such as temperature field simulation, AI-assisted design), but also stocked up a wealth of resources (new materials, product design and so on). Additionally, we have made a number of cutting-edge scientific and technological achievements (new type of atomization, slow-release of flavorings and so on), which have energized our innovation and R&D activities.

A Series of Innovation Exchange Activities

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Intellectual Property Protection

On the way of pursuing a leading position in technological innovation, Smoore is always committed to building a global intellectual property system, and sticks to the right path with a heart of innovation. We continue to consolidate the intellectual property defense for our core technologies, raise the awareness of intellectual property protection among our employees, and strengthen the protection of our product and technology brands, so as to build up our competitive advantages in the industry and enhance the foundation for sustainable development. To carry out innovation activities legally, the Group strictly adheres to the Patent Law of the People's Republic of China, the Trademark Law of the People's Republic of China and other laws, regulations and standards in the places where it operates, and has formulated and implemented various internal policies and guidelines such as the Measures on the Method Selection for First Patent Application and the Review of Overseas Patents, and the Specifications on Full-process Management of Patents.

Besides, taking active part in formulating standards related to intellectual property in the industry, Smoore plays a leading and demonstrating role in intellectual property management, and contributes to the development of the industry. This year, the Group participated in the formulation of the Compliance Management Regulations for Overseas Intellectual Properties of Enterprises, an association standard initiated by the China Intellectual Property Society. The Regulations aimed to guide enterprises to enhance the compliance management of intellectual property related to overseas operations, so as to effectively prevent and control overseas intellectual property risks and ensure that enterprises can conduct overseas operations in a compliant, orderly and sustainable manner.

In terms of creating and protecting our intellectual properties, we closely integrate the patent protection into innovation, and involve our intellectual property department to actively engage in property patent mining in product and technology innovation. Through lifecycle patent management system, we strive to deliver high-quality patent portfolios. In addition, we actively safeguard our patents against any form of infringement to maintain our business operation and competitiveness. As of December 31, 2023, the Group has applied for 7,695 patents in the PRC and beyond, including 3,867 invention patents, 1,932 utility model patents and 1,896 appearance design patents. A total of 3,389 domestic and foreign patents were granted, including 490 invention patents, 1,528 utility model patents and 1,371 appearance design patents.

To create a favorable innovation ecology, the Group encourages all researchers to invent and create, and enhances the awareness of intellectual property protection among employees. We provide regular training on intellectual property for employees involved in activities related to intellectual property. This year, we provided 24 sessions of training on intellectual property protection, covering multiple fields such as patent, trademark, software compliance and contract IP risk. The training sessions focused on a number of topics, including patent drafting, patent avoidance, patent invalidation, risk identification and Freedom to Operate (FTO) analysis, research on the patent systems in China, the United States and Europe, and pharmaceutical patent issues. The training sessions involved more than 700 participants, and significantly improved the patent protection capabilities of employees related to intellectual property.

A total of

3,389

domestic and foreign patents were granted

including

490

invention patents

1,528

utility model patents

1,371

appearance design patents
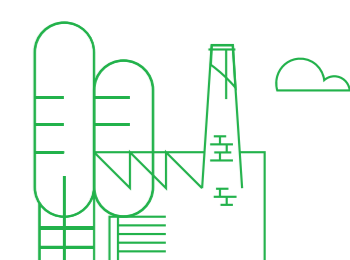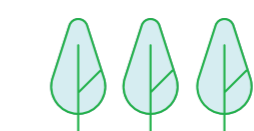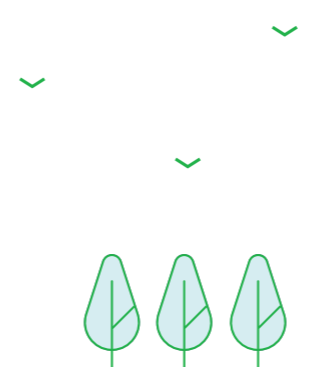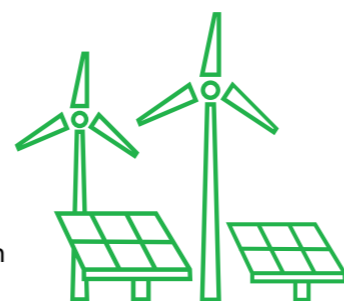
Responsible Manufacturing

In pursuit of excellence, it is a top priority of the Group to manufacture responsible products. While ensuring that our products and services comply with legal and regulatory requirements in the whole process including R&D, production and sales, the Group continues to optimize product manufacturing through technological innovation and introduction of intelligent technologies. To continuously create quality product experience for our customers, we adhere to the bottom line of integrity management and responsible marketing, and provide responsible products and services.

High-Quality Products

It is the foundation for our building of brand reputation to provide customers with high performance and quality products. In 2023, the Group continued to increase its investment in innovation and R&D of product performance in taste, flavor, atomization efficiency and battery life. To deliver better experience to our users around the world, we continued to develop more eco-friendly, efficient, stable and safe products and technologies, and constantly improved our product quality control system.

Star Products

Strictly adhering to laws and regulations such as the Regulation on the Implementation of the Law of the People's Republic of China on Tobacco Monopoly and the Measures for the Administration of E-Cigarettes, the Group continuously innovate product design and practicability according to the needs of customers, and stringently control the quality and safety of products, so as to provide customers with reliable and high-quality electronic atomization devices.

As of December 31, 2023, our products were sold to many countries and regions, including the United States, Europe and Japan. We have launched a variety of products, including closed system electronic atomization devices and self-branded open system VAPORESSO. By having an edge on independently developing and integrating innovative technologies, we are able to maintain high quality requirements from product design to technical application in a view to provide clients with high quality electronic atomization devices.

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FEELM MAX

increase puffs by
30%

decrease impurities by
78%

In 2023, the Group continued to make upgrades to its ceramic coil disposable solution, FEELM MAX, and made breakthroughs in ceramic coil heating element, electronic control technology, and structure and material application. With the application of cotton wick-free design, less impurity ceramic coil, constant power energy management system, and transparent tank design, the solution was enabled to increase puffs by 30% and decrease impurities by 78%. This successfully resolved the problems of oral residue, non-reducibility and non-smoothness of mouthfeel, and oil anxiety, thereby providing global customers with the best experience wherein the taste and number of puffs were optimally balanced under relevant standards.

VAPORESSO ECO

6mL
large-capacity open POD

VAPORESSO ECO is the Group's first 6 mL large-capacity open POD that is more environmentally friendly and has a higher economic value. With the patented COREX heating technology, the product has a larger single-tube usage time and a longer product life. At the same time, the use of kraft paper packaging materials further reduces plastic pollution and further enhances the environmental performance of the product. Generally, the product is more user-friendly as it significantly reduces the cost of daily use for the customer.

VAPORESSO ECO

VAPORESSO COSS

won the
"Golden Leaf Award" at the Global Tobacco and Nicotine Forum 2023 (GTNF).

As the Group's customer end vape brand with international influence, VAPORESSO endeavors to meet the diversified needs of consumers with innovative, reliable and fashionable user-end products. In 2023, VAPORESSO released VAPORESSO COSS, the first smart E-liquid supply system in the world. The compact and intuitive design with a 7.5 mL tank and 1,500 mAh battery makes the product more user-friendly and allows for easier operation, smarter liquid supply, automatic injection and recharging, and one-week long battery life. At the same time, a system separating the heat element and the liquid as well as a vacuum-sealed tank are applied to the product to effectively prevent the liquid from contact with air to reduce leakage and contamination properly, so as to ensure fresh and consistent taste. In September 2023, VAPORESSO COSS won the "Golden Leaf Award" at the Global Tobacco and Nicotine Forum 2023 (GTNF).

VAPORESSO COSS

VAPORESSO COSS
Won the Golden Leaf Award

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Product Quality Control

The Group always upholds the spirit of striving for excellence, and continuously improves product quality with craftsmanship. The Group strictly abides by laws and regulations such as the *Law of the People's Republic of China on Tobacco Monopoly* and the *Measures for the Administration of E-Cigarettes*, and has formulated various internal policies and procedures, such as the *Quality Plan Control Procedures*, the *Key Position Control Points* and the *Regulations on Product Recall Management*. The Group improves the quality management system that cover the whole process including materials control, design, quality inspection and after-sales service, and regularly carries out comprehensive internal audit of the quality system, striving to provide customers with high-quality products with "zero-defect". We have been certified by ISO 9001:2015, GMP system and other quality certification systems.

ISO 9001 Certification (Selected)

GMP Certification (Selected)

Product Quality Control Objectives

We set product quality management objectives at the Group level, and regularly monitor and track the key performance indicators of product quality control. To further improve our product quality management, we timely review the substandard items, and formulate effective rectification measures.

01 **1** or less annual major customer complaint per plant

02 Incoming material batch inspection pass rate greater than **99%**

Quality Control Objectives

04 Production process yield target greater than **99%**

03 **100%** pass rate for third-party and customer audits on system development and maintenance
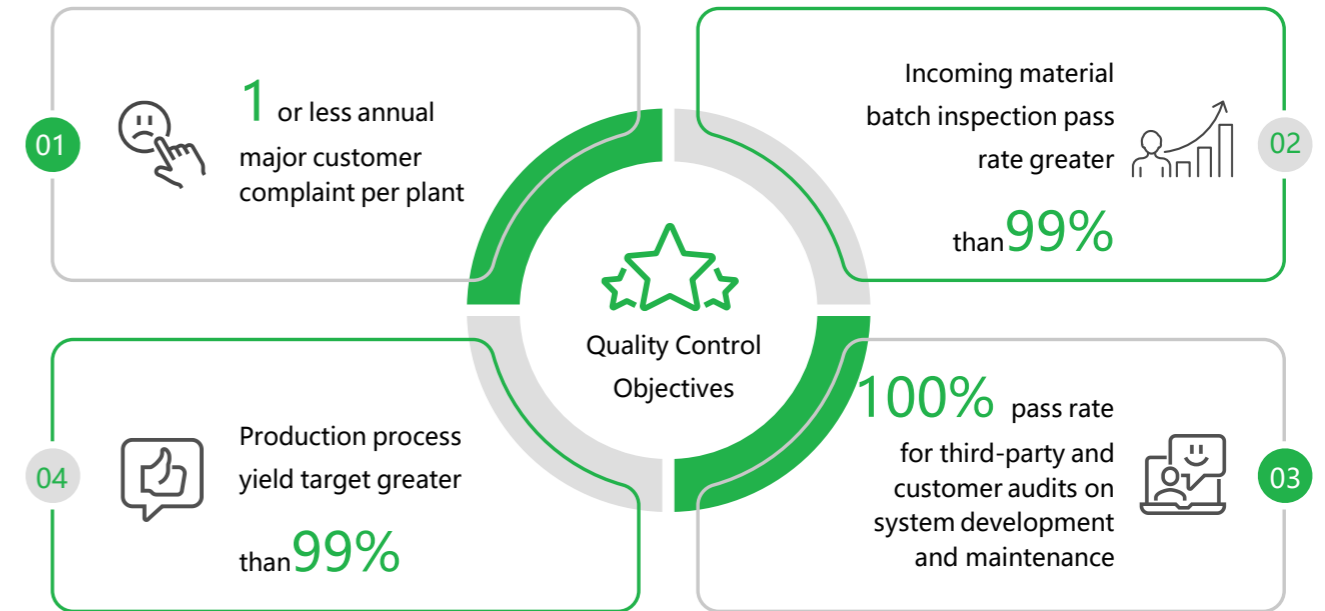
Product Quality Control Process

The Group has set up a professional quality control team to implement strict product quality control at all stages of product design, raw material control, quality inspection and after-sales service, and formulated management procedures and inspection standards for all stages. At the same time, the Group has set up a special audit team to carry out special audits on site to enhance compliance with standards and procedures, and improve on-site management capability. Through various measures, we endeavor to ensure the high quality of our products.

Product Design

The Group gives priority to safe and environmentally friendly materials at the product design stage to provide customers with more user-friendly, safe and convenient quality products. We incorporate the philosophy of green and eco-friendly development into the product design stage. To further mitigate the environmental impact of our products throughout their lifecycle, we fully consider the potential environmental impact of our products, conduct full life-cycle carbon footprint assessment on key products, and actively apply post-consumer recycled materials and other environmentally friendly materials.

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Raw Material Control

We regularly assess raw material suppliers and conduct random safety testing on each batch of incoming materials (including analysis on the structure, composition, and toxicity of the materials) on a sampling basis, to ensure the safety and quality of raw materials for our products.

We have a testing center equipped with professional testing and analytical equipment, including environmental laboratories, ESD laboratories and other quality and performance testing laboratories. With the certification of China National Accreditation Service for Conformity Assessment (CNAS), the UL8139 certification and other certifications, the testing center can provide credible test data and results to prove the quality and safety of raw materials, and therefore ensures the quality and safety of the products. The testing center can conduct tests for 5 major testing fields and 454 testing items, among which 179 items have been approved by CNAS.

CNAS (ISO/IEC 17025) Certification

UL8139 Certification

IEC 60335 CTF Certification

Quality Inspection

We have formulated and implemented internal systems such as the *MSA Measurement System Analysis Procedures*, the *Operation Standards for ORT Reliability Test* and the *Process Monitoring and Measurement Control Procedures*, and strictly track the production lots of all products to enhance the reliability of product quality traceability. To ensure the safety of our products, we conduct multiple tests on all finished products with respect to chemical composition analysis, safety assessment, electrical performance testing and material characterization, and require that all parameters are qualified before delivery. When abnormal product quality test results are found, we promptly analyze the causes of abnormalities in respect of the management system, operation, complaints, and environment involved in the production process in accordance with the *Control Procedures for Corrective and Preventive Measures*, and take corrective and preventive measures in a timely manner to ensure that the quality of the products is qualified.

Meanwhile, the Group enforces the requirements for product labelling and traceability in accordance with internal systems such as the Product Labelling and Traceability Control Procedures. Dedicated personnel are assigned for inspections during the entire process of procurement, storage, production, warehousing and delivery. With the establishment of ledger for finished products, we aim to ensure the accuracy and completeness of information on the flow of products, improve the traceability of products, and reduce the risk of product quality abnormalities, so as to better safeguard the rights and interests of our customers.

After-sales Guarantee

In response to the feedback from the sales department and customers on after-sales product defective anomalies found in the market, the factory quality team will organize investigation and analysis, and put forward temporary measures and long-term improvement plan. Furthermore, the team will handle the batch of finished products with abnormalities accordingly, and track the improvement effect of the improved products after delivery.

The Group formulates and implements internal systems such as the *Regulations on Product Recall Management*, to standardize the management process and work steps for the recall of sold products, and clarify the circumstances under which the products need to be recalled and the relevant responsible departments. For products that need to be recalled, the responsible person in the sales department should, within 24 hours, contact the customer to return the products. This ensures that we do not sell any products with quality problems in the market, and therefore comprehensively safeguard the rights and interests of our customers.

Chemical Safety

We strictly abide by the chemical management laws and regulations in the regions involved in our business, such as the *Regulations on the Safety Management of Hazardous Chemicals*. Meanwhile, we have formulated and implemented internal policies such as the *Procedures for Safety Management of Chemicals*, to specify unified management requirements for chemicals regarding the stages of procurement, storage, use, disposal and emergency treatment. We require all materials to meet the environmental protection requirements, and continuously standardize the management of hazardous substances in the processes of raw material procurement, product R&D, production and manufacturing, packaging, storage and operation to ensure that the products do not contain banned hazardous substances.

During the procurement, we require chemical suppliers to provide qualified MSDS reports and other test reports from authorized third-party testing organizations as required by the Company. We screen the applied chemicals according to *the List of Hazardous Chemicals of the People's Republic of China* to avoid the use of hazardous chemicals in our operations. In the production stage, the chemicals we use include alcohol, food-grade flavoring and food-grade E-liquid and other chemical substances. No harmful substances like hazardous chemicals or substances of very high concern (SVHC) are used in the entire production process. The chemicals involved in the use of our products are mainly aerosols formed by the heating and atomization of E-liquid. The main ingredients of E-liquid are food-grade glycerine, propylene glycol, flavorings and nicotine. Atomization device consists of metal/plastic shell, vaping coil, electric core, battery, heater, coil resistor and so on.

In addition, to comprehensively improve employees' awareness of chemical safety and strengthen the chemical management of the Company, we provide employees with special training sessions, such as chemical leakage emergency response training, chemical safety knowledge training, and QC080000 system standard/internal auditor training.

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Product Harm Reduction

The Group strictly abides by laws and regulations such as the *Regulation on the Implementation of the Law of the People's Republic of China on Tobacco Monopoly* and *the Measures for the Administration of E-Cigarettes*. In terms of product harm reduction, we conduct in-depth studies on product safety enhancement solutions mainly through basic research and technological innovation, in a bid to further promote product harm reduction.

Compared to other consumer products, electronic atomization products have special characteristics. We take active part in basic research on the feasibility of nicotine replacement substances, so as to provide customers with high-quality experience and, at the same time, reduce the potential impact of nicotine on customers.

We are involved in the research on a healthy E-liquid development technology, which aims to take biological measures to satisfy consumers' vaping needs with lower concentration of nicotine and edible flavorings. As the technology has passed the biosafety test, it has been used in electronic atomization devices with low or zero nicotine concentration.

During the year, we participated in a nicotine pharmacokinetic study to conduct comparative evaluation on new-generation products and traditional cigarettes. The study showed that the new types of products can satisfy smokers' needs for nicotine, and may help smokers relieve their addiction to smoking or even quit smoking, which provides us with clues for researching healthier and safer products. At the same time, we published the relevant research paper on the official website of Cooperation Centre for Scientific Research Relative to Tobacco (CORESTA).

Case: Public Welfare Campaign of Vapril Harm Reduction Month in the UK

In April 2023, the Group hosted a free distribution of smoking cessation equipment campaign in London in support of the Vapril program of the UKVIA. The campaign aimed to encourage smokers to discontinue the use of traditional cigarettes and switch to healthier and safer alternatives, as well as to communicate to the public the potential of vaping in tobacco harm reduction. During the campaign, the Group distributed FEELM MAX disposable kit products free of charge to more than 500 consumers, aiming to provide smokers with the opportunity to experience alternatives to traditional tobacco products and encourage local smokers to choose a healthier lifestyle.

Public Welfare Campaign of Vapril Harm Reduction Month in the UK

Work Safety

In terms of safety and environment, the Group adheres to the vision of "enabling all Smoore people to live a safe and healthy life". We strictly comply with laws and regulations, including the *Production Safety Law of the People's Republic of China*. We have developed and implemented internal policies such as Environment, Health and Safety Procedures and Hazard Identification and Risk Assessment Procedures. We have established an organizational structure with safety responsibilities at all levels clearly defined. We set goals and standard management workflows for work safety. We regularly identify safety risks and hazards and take corrective measures to ensure safe operations. Besides, the Group has obtained ISO 45001 certification of occupational health and safety management system.

Work Safety Committee — Formulating the Group's safety and environmental policies, goals and indicators, and supervises, guides and evaluates the Group's safety production practices.

Safety and Environment Department — Assisting the Work Safety Committee in managing and supervising the work safety activities of the Group and subsidiaries.

All departments — Implementing work safety requirements.
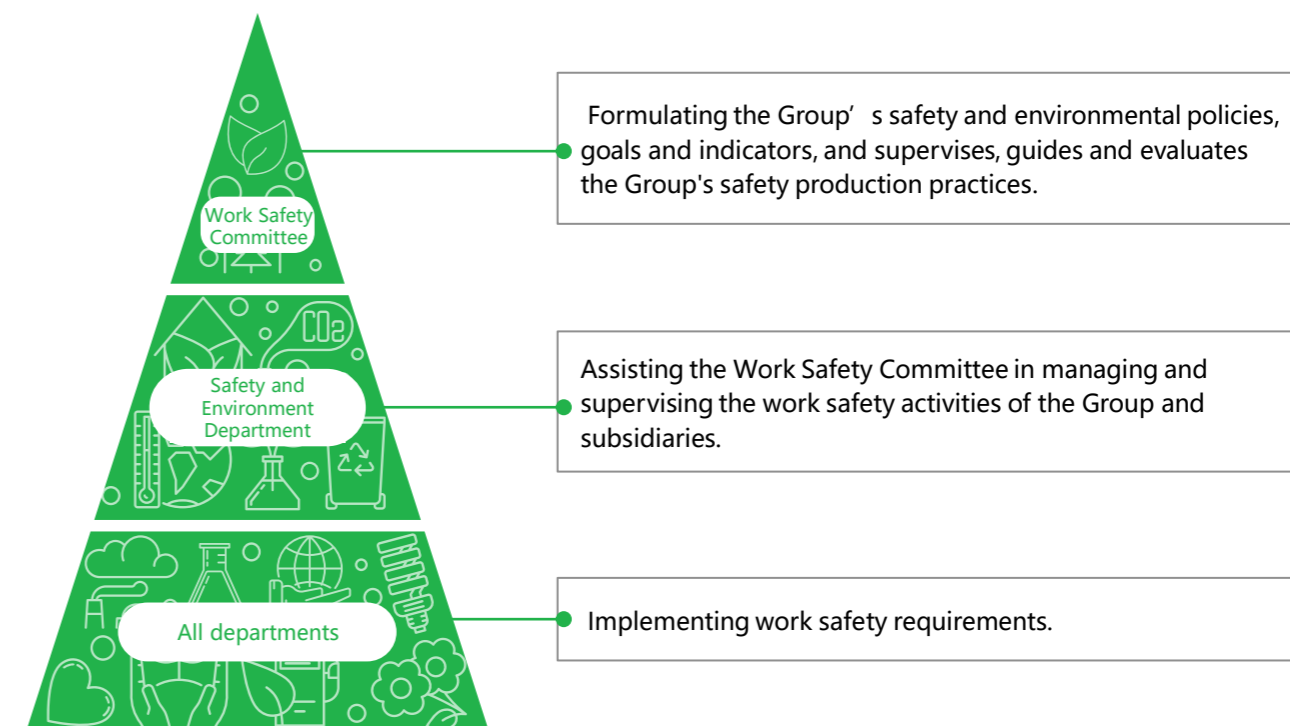
Work Safety Management Objectives of the Group

Work-related fatalities, serious injuries and fire incidents: **0**

Rectification rate of hazards: **90%**

Accident rate per thousand people: **2.5%**

Work Safety Committee meeting: **Once a quarter**

Accident reporting rate: **100%**

Leader-led safety inspection: **Once a month**

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Following the principle of "putting safety and prevention first, and governing in a comprehensive manner", the Group places a high priority on work safety and applies a work safety responsibility system at all levels. The Chairman and senior managers are required to sign work safety responsibility agreements, which clearly outline the responsibilities at each senior level for work safety supervision. In the meanwhile, we carry out regular safety inspections, including risk assessments and hazard identification, with an emphasis on the equipment condition, process flow, working environment and staff operational standards. We comprehensively identify safety risks at the operation bases and promptly formulate targeted prevention and control measures to guarantee workplace safety.

ISO45001 Occupational Health and Safety Management System Certification (Selected)

Industry 4.0

Taking the lead in the industry's digital transformation and advancement while actively engaging in Industry 4.0 (the Fourth Industrial Revolution) represents the present-day opportunity that awaits us. The Group is still exploring the full possibilities of digitally intelligent operation management, as well as automated production and manufacturing. The Group achieves comprehensive improvements in production efficiency and quality by integrating information technologies, enabling us to become a leader in the industry's transformation of digital intelligence. This is achieved through the application of intelligent manufacturing systems, the introduction of intelligent robots and other equipment and tools, and the integration of lean production concepts.

Intelligent Factory

We actively implement the layout of intelligent factories, constantly promote intelligent transformation, and widely apply industrial Internet, artificial intelligence, big data, Internet of Things and other technologies. With the help of ERP, MES, WMS and other systems and self-developed SCADA data collection system platform, we can optimize the whole business process. All these technologies and systems can facilitate data decision analysis and business visual management for key links like R&D, production, quality and after-sales. All of these help us ensure timely delivery, improve production efficiency and optimize operating expenses, and achieve the improvement of core business competitiveness.

Certificate of Maturity Model of Intelligent Manufacturing Capability

Case: MES-WMS System is Applied at some Factories to Improve Manufacturing Informatization

In 2023, some factories of the Group implemented the MS-WMS system to develop a manufacturing information management platform and electronic dashboards through the integration of MES, SCADA, ERP, WMS, OA and other systems. This enables the achievement of several goals, including fine material control, transparent production, integrated equipment information, paperless production and traceability of whole process. It also improves the production process control and efficiency, increases the accuracy of production and quality reports to 100%, and reduces the monthly error rate of warehousing operations to 0.

Lean Production

We integrate the lean production concept in the production process. We apply lean production tools, set lean production goals, optimize production processes, and upgrade facilities and equipment with intelligent technologies. With these efforts, we are able to reduce unnecessary cost, enhance production flexibility and response ability, and continuously promote the improvement of production efficiency.

Overall Goal of Lean Production

- Cut indirect personnel, increase the self-owned factories utilization rate, and reduce the proportion of manufacturing expenses.

- Introduce automation (low-cost) to implement lean improvement, set up a dashboard mechanism and benchmark review, and reduce the direct labor cost rate.

Main Measures for Lean Production

1 Production Equipment Renovation and Upgrading

Renovate and improve the idle packaging machinery in the closed packaging automation process, and use it for mass production to save cost

2 Exchange Experience Between Factories

Plan regular cross-factory exchange activities and share experience about excellent projects respectively

3 Process Standardization

Optimize the procedures for products with similar processes, standardize the key operations to further improve production efficiency

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Responsible Marketing

The Group strictly adheres to the laws and regulations such as the *Advertising Law of the People's Republic of China,* the *Regulation on the Implementation of the Law of the People's Republic of China on Tobacco Monopoly,* the *Measures for the Administration of E-Cigarettes.* At the same time, we have established standardized product marketing process and advertising promotion policies in accordance with the laws and regulations in customers' regions. With such process and policies in place, we aim to ensure that packaging labels of products provide accurate descriptions of their nature and characteristics, all marketing information is precise, and all marketing channels are legal. In addition, we highly care about how our products will affect society and actively follow policy requirements. We strive to take all actions to prevent minors from contacting, buying or using our vaping products for their healthy development.

There was no major impact caused by violating relevant laws and regulations in the Group during the reporting period.

Major Steps to Protect Minors

1

Health Warnings on the Packaging

Product packaging is consistently labelled with "18+", "Danger", "Nicotine Addiction", and others to remind consumers the product's harmfulness and target audience

2

Child Lock Function

To prevent misuse by children, the product has child lock features like requiring users to press the power button five times before starting the program of the device

3

Age Limit for Browsing

The Group has set the browsing age restriction on the homepage of the official website of our brands. Those under the legal age will not be able to browse the pages of the website, preventing any minors from obtaining any information about vaping products.

We actively train key personnel in sales, quality, production quality control, human resources and administration in responsible marketing, thereby further improving employees' awareness and the management of internal responsible marketing. This year, we conducted training on the *FDA Tobacco Product Manufacturing Practice (the "TPMP")* in responsible marketing. The training is designed to further improve employees' understanding of compliance product marketing by introducing the background, purpose, focus and scope of application, terms and content, implementation and execution suggestions.

AGE VERIFICATION

To use the VAPORESSO website you must be aged 21 years or over. Please verify your age before entering the site. We use cookies to improve our website and your experience browsing it. By continuing to browse our website you accept our Cookie Policy.

under 21   21+

WARNING:
This product contains nicotine. Nicotine is an addictive chemical.
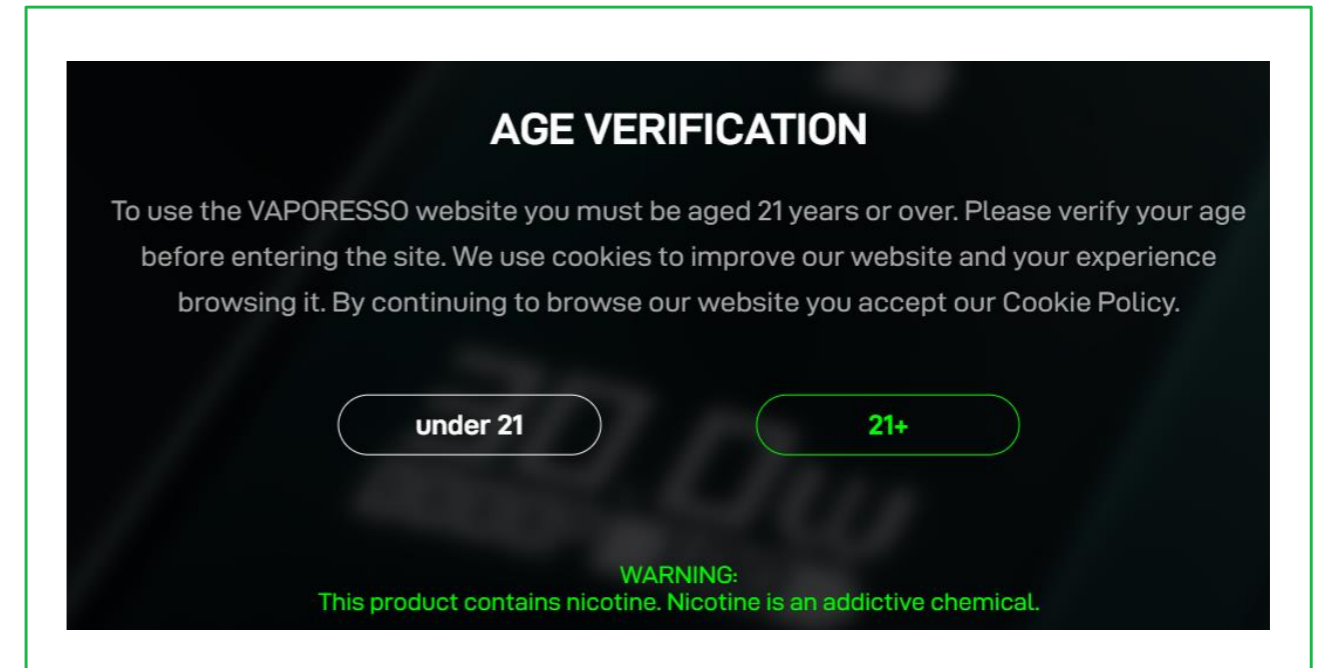
Set an Age Limit on the Official Website

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Excellent Service

Adhering to the customer-centric philosophy, the Group continuously improves the service quality from customer relationship management, customer satisfaction management, customer demand identification to provide customers with excellent services. We have developed and implemented internal policies such as the *Customer Feedback Management Control Procedure* and the *Customer Satisfaction Survey Procedure*, specifying requirements and management processes for product complaints and product recalls. We also carry out regular customer satisfaction surveys and regular meetings to understand and address customer needs in time, and actively cultivate a good relationship with customers. We will offer customers worldwide high-quality after-sales service, actively listen to their opinions and feedback, and work to consistently raise the quality of our products and services.

We provide customers with product warranty services. We have developed and implemented internal policies such as the Customer Complaint Handling Procedures, and have established a comprehensive process for customer complaint handling. Customer complaints regarding our products, services, and quality are received via phone, fax, mail, and other channels. We are required to address complaints within 24 hours and to promptly attend to the demands of our customers.

Complaint Handling 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

At the end of 2023, a satisfaction survey was conducted with over 100 participants among our customers. The survey results showed that customers truly recognize us, with an overall evaluation of "excellent" and a year-on-year increase of 6 points.

During the reporting period, the Group did not receive any material complaints regarding product quality and services, nor did we recall any products for safety and health reasons.

Supply Chain Management

The quality, resilience and sustainability of the supply chain are crucial for Smoore's production and operation. Smoore actively builds a fair, transparent, green, low-carbon and responsible purchasing business environment. We work with supply chain partners to achieve sustainable development and build an innovative, cooperative, sa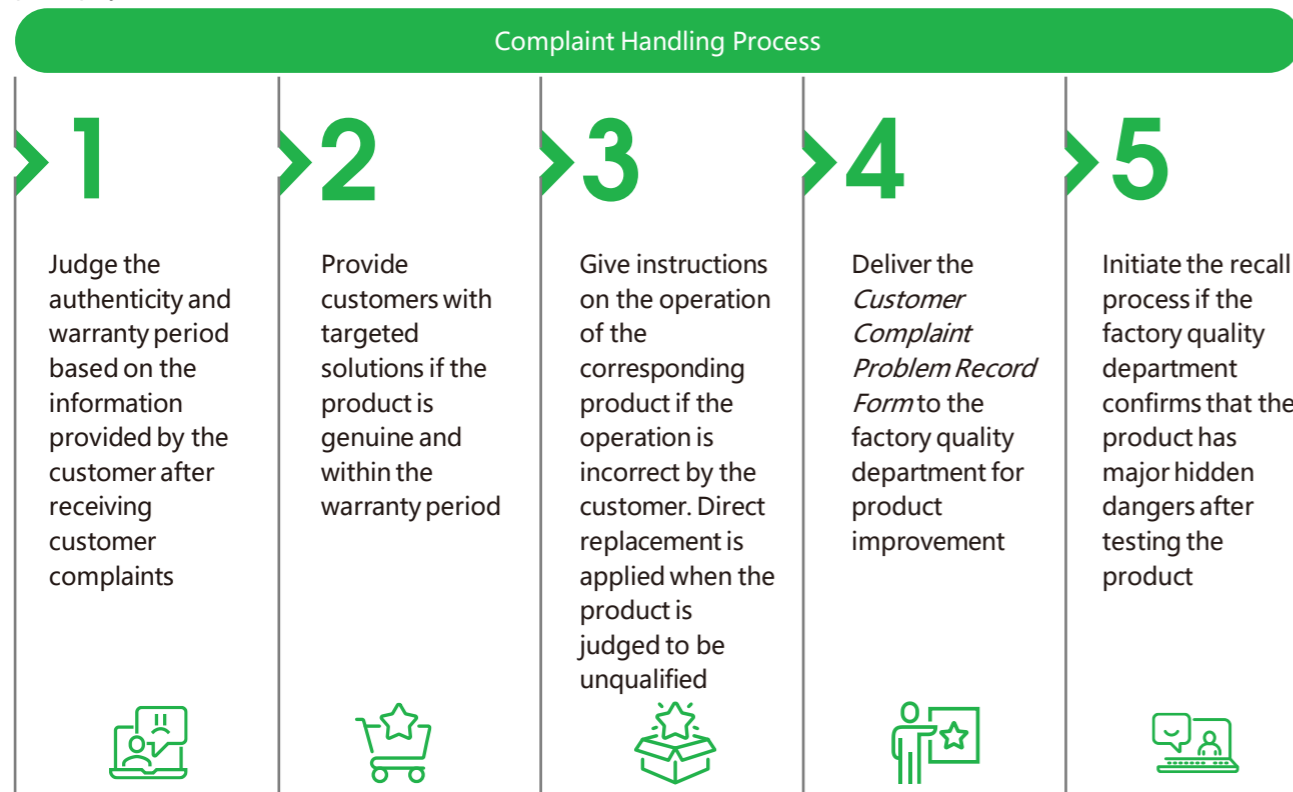fe and effective supply chain system. The Group has formulated and implemented the *Supplier Management Standard, the Procurement Control Procedures,* and other policies to monitor the entire lifecycle of suppliers. This approach aims to optimize the workflow of procurement processes, continuously strengthen supplier compliance management, and lessen the potential impact of suppliers on society and the environment. Additionally, the Group is committed to fostering mutually beneficial cooperative relationships with suppliers.

Supplier Qualification and Access

The Group places significant emphasis on business growth and strategic partnerships. Adhering to the principles of fairness, justice, and scientific rigor, the Group signs the *Procurement (Quality Assurance) Agreement* and other instruments with suppliers to guarantee standardized procurement management. We have formulated the *Supplier Management Standard* and built the procurement collaborative management across several functional departments, including Purchase, Quality, Research and Development, and Engineering, in order to continually optimize internal decision-making management. This allows for an improved decision-making management around supplier access, selection, evaluation, and elimination. We have clearly defined roles and responsibilities in procurement management. By doing so, we are able to effectively integrate fundamental elements such as environmental safety, reasonable price and quality assurance into the supplier access evaluation system.

When selecting potential suppliers, the Group's Purchase Department conducts a preliminary evaluation either through written assessments or on-site investigation regarding the suppliers' qualifications, production capacities, quality systems technical expertise and other factors. The department then fills out the *Supplier Questionnaire* based on the collected information. After the preliminary evaluation, the Purchase Department will review the potential suppliers with relevant departments such as R&D and Quality based on actual condition. A review team is set up to conduct a comprehensive on-site inspection of suppliers taking into account the evaluation criteria listed in the *Supplier Audit Checklist*.

Supplier Access Process

1 Supplier search

2 Supplier questionnaire filling

3 Candidate supplier determination

4 Information entry of qualified suppliers

5 Daily review and management

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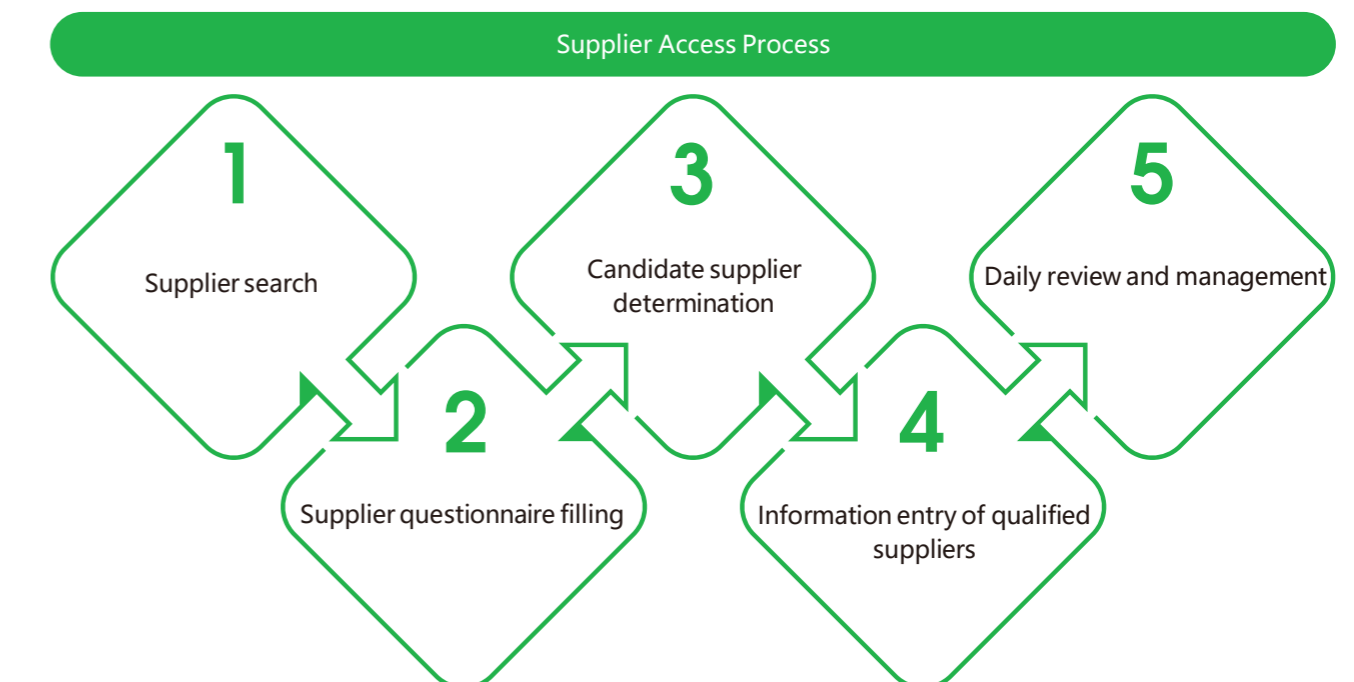
Smoore

Supplier Evaluation and Management

Smoore's supplier audit focuses on new supplier introduction, annual review and regular review. Based on the *Supplier Audit Checklist,* we thoroughly review suppliers around 16 evaluation criteria, such as quality management system investigation, procurement and incoming material control, process control, and environmental protection control.

The Group implements tiered classification management for suppliers, performs annual audits for different types of suppliers, and strictly implements corresponding evaluation and management standards. We classify suppliers into Class A suppliers, Class B suppliers and Class C suppliers based on the importance of materials and the complexity of the purchasing market. For key Class A and Class B suppliers, the Group develops an annual supplier review plan that covers management elements such as quality control, product design, reliability and other management factors. At the same time, we review core suppliers at least once a year and conduct daily evaluation for other suppliers based on actual situation and business demands. Through top-down inquiry and key element review, we address any issues identified during the review by implementing corrective actions, providing guidance and conducting secondary inspections. We also regularly review and identify supplier weaknesses, and constantly improve the high-level quality capabilities of the supply chain.

In order to promote the resilience of sustainable development of our supply chain, we completely incorporate ESG-related elements into the supplier search and review process. This allows us to evaluate and manage suppliers' ESG performance at all levels. We have put forward additional review and evaluation requirements for our suppliers regarding their chemical safety, environmental benefits, social responsibility, and employee occupational health and safety, along with on-site reviews. By doing so, we not only ensure the high quality of our products, but also strengthen our supply chain advantages and competitiveness in a number of areas. Furthermore, we can lower potential risks to the environment and society posed by changes in policy, climate change, industrial transformation, and market consumption patterns in the supply chain.

Supplier Introduction and Review

All new suppliers must be reviewed, and only eligible suppliers can be introduced. A total of 70 suppliers were introduced this year.

Annual Review

This year, we performed annual review for 60 suppliers, with all suppliers met the qualification criteria.

Regular Review

We conduct daily supplier reviews to ensure consistent supply quality based on the business needs of the Group.

Sustainable Procurement

Smoore effectively implements the concept of responsible procurement, actively explores the field of green and low-carbon procurement practices, and selects safe and environmentally friendly materials. We require suppliers to comply with *Material Safety Data Sheet (MSDS)* requirements. We ensure that purchased raw materials comply with environmental regulations such as *Restriction of Hazardous Substances* (RoHS), and that purchased raw materials do not contain restricted substances. The Group also constantly makes sure that environmental aspects are taken into account when making purchase decisions. We work on projects including using environmentally friendly plastic materials, de-plasticizing containers, and removing films. We conduct in-depth research and build a reliable and sustainable material library. At the same time, we buy eco-friendly materials, like biodegradable materials, taking into account the practical application of the items.

For the use of mineral resources such as gold, tantalum, tin and tungsten metals that may be involved in production and operation, the Group adheres to ethical procurement practices, promises not to use mineral resources from conflict areas, and requires suppliers to sign *a Letter of Commitment for Non-Use of Conflict Minerals.* At the same time, we further require suppliers to commit to developing relevant management systems and policies to effectively identify and trace raw materials sources, ensure the legality of raw material sources, and prevent the use of conflict minerals. The Group signed the *Letter of Commitment for Non-Use of Conflict Minerals* with 12 important suppliers during the year, further promoting the development of a responsible supply chain.

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Environment

Declaration: We Protect Lucid Waters and Lush Mountains Together

Following the environmental protection philosophy that "lucid waters and lush mountains are invaluable assets", Smoore takes the initiative in undertaking corporate environmental responsibility. We continue to improve the environmental management system, take measures to manage the "Three Waste" in compliance, and has acquired national "Green Factory" certification. At the same time, we have been strengthening resource management, with a focus on ecological protection, to practice a green and sustainable development model.

The United Nations Sustainable Development Goals (SDGs) responded in this chapter

6 CLEAN WATER AND SANITATION

7 AFFORDABLE AND CLEAN ENERGY

13 CLIMATE ACTION

14 LIFE BELOW WATER

15 LIFE ON LAND

Green Operation

With the prevalence of ESG concepts, green transformation enjoys great popularity in the society. We also attach great importance to the construction of ecological civilization, formulate and strictly implement the environmental management strategies, rectify potential issues, and actively carry out trainings on environmental protection; we have raised our green standards for project construction, manufacturing processes, and product packaging, continue to explore a model of conducting business practices in a more environmentally friendly way with less carbon emissions. Meanwhile, we have strengthened water resource management and water conservation to reduce resource waste and lead the industry in green development.

Environmental Management System

We have established an environmental management system in line with ISO 14001 International Standards. We strictly abide by laws and regulations related to environmental protection such as the *Environmental Protection Law of the People's Republic of China*, the *Environmental Impact Assessment Law of the People's Republic of China*, and the *Regulations on the Administration of Construction Project Environmental Protection*. Based on these, we have formulated environmental management policies such as *the Procedure for Identification and Evaluation of Environmental Aspects*, the *Control Procedure for Environmental Monitoring and Measurement*, the *Environmental Emergency Response Procedure*, and the *Regulations for the Management of Environmental Related Facilities* to practice environmental management under the guidance of relevant strategies, systems and standards.

We have established specialized functional departments with flat management structures to coordinate environmental management. The Group's Safety and Environment Department is responsible for establishing and promoting the environmental management system, with a focus on supervising the implementation of environmental management systems. It also assists branches and subsidiaries in implementing the "three simultaneous" policy, which requires the facilities for pollution prevention and control to be designed, constructed and put into use simultaneously with the main work of the project. The department also works to ensure "Three Waste" is treated and disposed of appropriately, and identify and control environmental aspects.

Organizational Structure and Principal Operations of the Safety and Environment Department

Director of the Safety and Environment Department

Executive Director

Department of Environmental Protection and Energy	Safety Supervision Department	Comprehensive Management Department	Property Leasing Department
The principle of "Three Simultaneous" for environmental protection, hazardous waste treatment, "Three Waste" testing and disposal, energy management, construction safety, hazardous chemical management, finance-led support for ESG work	Fire protection and emergency, volunteer firefighting teams, EHS compliance, potential hazard elimination, accident management, mechanical and electrical safety, occupational health	Establishment of EHS systems and standards, safety culture, education and training, meetings and relevant affairs, legal person affairs, administrative affairs, team building, budget management	Property leasing

Information security |

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With environmental protection compliance as the bottom line, the Group's Safety and Environment Department actively conducts EHS internal audits, carries out safety hazard investigation and rectification, organizes environmental protection trainings and cultural promotion activities, in a bid to improve the green environmental protection level of the Group.

	Identification and Evaluation of Environmental Aspects	Control the process of identifying and evaluating environmental aspects each year, and determine environmental aspects that can be controlled or influenced.
	EHS Internal Audit	Led by the Group's Safety and Environment Department, and consist of 9 projects, 36 elements, and 194 audit points, fully covering safety and environmental management.
	Environmental Monitoring and Measurement	Routinely monitor and manage operations and activities that may have significant environmental impacts to effectively control the impacts.
	Potential Hazard Investigation and Rectification	Rectify issues based on the list of potential hazards generated from the EHS internal audit, with all issues rectified.
	Environmental Emergency Management	Formulate emergency response measures in case of accidents, regularly conduct environmental emergency drills, summarize related issues, and implement improvement measures.
	Environmental Protection Trainings	Promote EHS culture in all kinds of ways, both online and offline, and organize activities such as "Environment Day" to cultivate EHS culture.

To effectively enhance the Group's environmental management capabilities and optimize environmental management strategies and systems, we invite external instructors to conduct EHS series trainings for employees. In September 2023, 40 employees from various branches and subsidiaries of the Group participated in the EHS series training on "ISO 45001 and ISO 50001 System Internal Auditor". Instructors elaborated on the two systems, topics of internal audits, and auditing techniques with practical audit cases. At the end of the training, all trainees took an examination on site, and obtained ISO 45001 and ISO 50001 internal auditor certifications.

In addition, to enhance employees' awareness of environmental protection, we have organized multiple internal trainings on environmental protection. The contents of these trainings cover environmental incident alerts, sources of pollutants, hazards and treatments, laws and regulations related to environmental protection, specialized topics in waste gas management, and hazardous waste treatment for functional departments such as production, administration, and engineering equipment. At the end of the training, all trainees participated in written and practical tests.

We strictly implement environmental management. In 2023, we renewed the ISO 14001 environmental management system certifications of some factories, and some of them won the title of "Green Factory" by the Ministry of Industry and Information Technology of the People's Republic of China. In the year, the Group's investment in environmental protection reached RMB 2,024.8 thousand, including investment in areas such as environmental impact assessment, environment emergency plans, environmental protection acceptance, disposal and testing of "Three Waste", construction of environmental protection facilities and environment system certification.

EHS Series Training

Internal Training on Environmental Protection

ISO 14001 Environmental Management System Certification

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"Three Waste" Management and Control

We focus on controlling the source of pollutant emissions, continue to optimize systems and control processes with the goal of "Three Waste" treatment in compliance, and apply clean production technologies to reduce the generation of pollutants, including the classification and treatment of wastewater, the use of environmentally friendly glues, and waste reduction and so on. As of December 31, 2023, the Group's wastewater, waste gas and solid waste were all discharged in compliance with relevant standards, and there was no serious violation of laws and regulations related to environmental protection, and the Group did not receive any major complaints related to environmental protection.

Wastewater Management and Control

The Group has formulated *the Regulations on Wastewater Management* in accordance with the *Law of the People's Republic of China on the Prevention and Control of Water Pollution* to regulate the management of industrial wastewater, domestic sewage and rainwater on the ground. Meanwhile, we carried out regular maintenance of water treatment facilities and pipelines, made the sewage discharge declaration in compliance with relevant regulations, and regularly invited third-party testing organizations to test on industrial and domestic sewage, thus effectively preventing water pollution.

Wastewater Classification	Source of Wastewater	Major Categories	Processing Method
Industrial wastewater	Cleaning process wastewater, cleaning wastewater from laboratories	Dirty oil, waste chemical reagents and so on	Collect them centrally as hazardous wastes and entrust qualified hazardous waste processors for transportation and treatment. Please refer to "Solid Waste - Disposal Methods" for specific requirements.
Domestic sewage	Office and daily life	Biochemical oxygen demand (BOD), ammonia nitrogen, total phosphorus, suspended solids (SS) and so on	After being treated in the oil separation tank and septic tank, the domestic sewage is discharged into the local sewage treatment plant through municipal sewage pipe networks for further treatment.
Rainwater on the ground	Rainfall	SS, Chemical oxygen demand (COD), sulfide and so on	Implement rainwater and sewage diversion. Then, rainwater is filtered and disinfected by ultraviolet ray before being used for watering green belts and cleaning road.

Solid Waste Management and Control

The Group has formulated the Regulations on *the Safe Management of Hazardous Wastes* in strict accordance with the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste*, the *Measures on the Management of Hazardous Waste Manifests,* the *Soil Pollution Prevention and Control Law of the People's Republic of China* and other relevant laws and regulations. We have conducted compliant classification, collection, storage, and disposal of solid wastes while striving to promote the reduction, recycling and resource utilization of solid wastes.

To reduce solid wastes, we strive to improve product qualified rates and reduce scrap rates, thereby decreasing waste generation. Additionally, we focus on promoting environmentally friendly pod-based atomized products, and continuously increase the number of puffs of disposable atomized products by innovating technologies, to effectively extend product life cycle and then reduce wastes.

With regard to the recycling and resource utilization of solid wastes, we recycle ceramic coil residues for reuse in production, collect recyclable general solid wastes, and hand them over to qualified third-party organizations for waste treatment and resource utilization. We also actively design a solution for the disassembly of atomized products, establish and improve a system for the disassembly, recycling and reuse of atomized products.

Solid Waste Classification	Source of Solid Waste	Major Categories	Processing Method
Hazardous solid waste	Production of atomized products	Waste smoke oil, smoke pipes and atomizers	Establish hazardous waste storage rooms, take anti-leakage measures, post hazardous waste labels, and entrust third-party professional organizations qualified for hazardous waste treatment to ensure absolutely compliant treatment of hazardous wastes. Execute the process of making declaration of hazardous waste generation, storage, transfer and acceptance by treatment parties according to requirements of relevant laws and regulations.
General solid waste	Production of atomized products, office, daily life	Recyclable production residuals, metal, paper shells, cardboard boxes and so on	Reused for production or sort and categorize before handing them over to qualified parties for recycling and treatment.
		Non-recyclable industrial wastes, food wastes and other domestic wastes	Collect them centrally, and hand them over to local city appearance and environmental sanitation administrative department for transportation and treatment.

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Waste Gas Management and Control

The Group has formulated the *Regulations on Waste Gas Management* in strict accordance with the *Law of the People's Republic of China on the Prevention and Control of Air Pollution and the Emission Standard of Odor Pollutants*. In our production activities and daily living, we have established waste gas treatment facilities that comply with relevant standards for all processes that generate waste gas. We conduct regular inspections annually to ensure absolutely compliant emission of waste gas. In addition, we use environmentally friendly glues that do not generate volatile organic compounds (VOCs) and replace alcohol solvents with water-based solvents to reduce the emission of waste gas during production.

Waste gas Classification	Source of Waste Gas	Major Categories	Processing Method
Waste gas from production activities	Production of atomised products, laboratories	Particulate matters, VOCs, non-methane hydrocarbon (NMHC)	Collect centrally and discharge them through 15-meter waste gas pipe after UV photolysis, activated carbon adsorption, treatment in water scrubber and other waste gas treatment facilities.
Waste gas from daily living	Canteens	Oil fume	Collect centrally, and discharge them after treatment by canteens' oil fume purifiers.
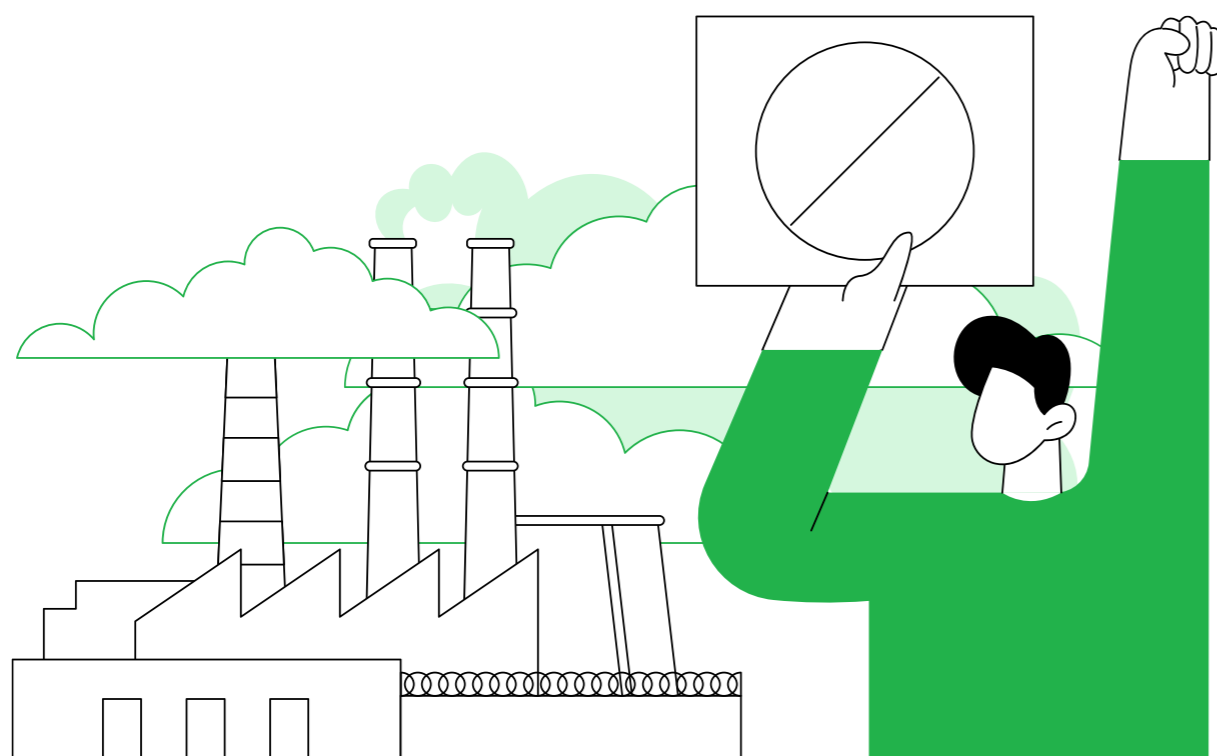
Resource Management

Following the concept and principle of conservation and efficient utilization of resources, we have taken multiple measures to strengthen the management of materials and packaging, energy and water resources simultaneously, and continuously explore and apply green building materials, green product design and production processes, and environmentally friendly packaging materials. We have applied for ISO 50001 energy management system certification, taken measures to save energy and transform technology, emphasized water conservation in operations, and been engaged in water management throughout the supply chain. Additionally, we have conducted charity activities to protect ecological resources, promote the low-carbon transformation in the society and sustainable development.

Materials and Packaging Management

We have formulated the *Management Regulations for Saving Resources* with the goal of conserving and using green and environmentally friendly production materials and packaging. We have implemented a series of material management measures to improve the utilization efficiency of materials in various aspects such as construction of office buildings, production, design and processes, and product packaging, enhancing resource recycling. Meanwhile, we increase the use of more environmentally friendly materials with low carbon emissions, make progress in the innovation of green product packaging. We aim to create a plastic-free future, reduce the consumption and waste of natural resources, become a pioneer of low-carbon products in the industry, and enhance the sustainability of our business.

Green Building Materials

Environmentally friendly building materials: We carry out project construction in accordance with the requirements of National Green Certified Building in China and the requirements of US LEED (Leadership in Energy and Environmental Design) certification. The green building materials selected for the Smoore Technology Building project have passed the certification of the green building evaluation label (GBEL) in accordance with the *Guidelines for the Evaluation Label of Green Building Materials* enacted by the Ministry of Housing and Urban-Rural Development of the People's Republic of China and the Ministry of Industry and Information Technology of the People's Republic of China. The green building materials used in the project, such as coating materials, waterproofing materials, tiles, wood products, and paper products, meet the requirements of the current national green product evaluation standards on the limits of hazardous substances.

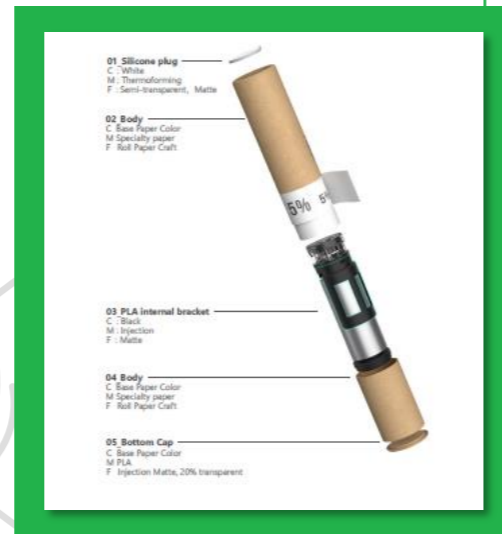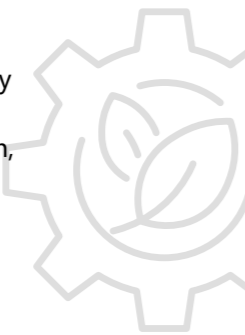**Recyclable waste building materials:** Except for considering the usage performance of materials, we also recommend using recyclable and reusable materials. For example, we encourage the use of waste concretes and the production of recycled aggregate concretes; we also promote the utilization of industrial wastes, agricultural straws and construction wastes to make cements, concretes or wall materials.

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Green Design Process

Disassemble products: Pushed by the new EU batteries regulation, we have been actively developing product designs with disassemble batteries, and has started making patent layouts for disassemble batteries. Considering the different characteristics of batteries, we have designed various structure solutions that facilitate the removal of batteries in products. For example, we have adopted new forms of batteries, and adjusted the outer packaging of batteries to make them better match product installation. After use, users can easily remove the batteries from the products through simple operations and classify them for proper disposal. This design also creates possibilities for unified battery recycling and reuse in the future. By implementing the disassemble design, we avoid environmental damage at the end of product's life cycle and further contribute to reducing resource consumption in society.

- FEELM's disposable product utilizes PLA biodegradable materials and incorporates a design that facilitates battery removal. Users can easily remove the battery from the product by gently breaking along the pre-reserved fine conduit, which lays a foundation for the classification and recycling of disposable products, and helps achieve the subsequent degradation, recycling, and reuse of major components.

01 Silicone plug
C : White
M : Thermoforming
F : Semi-transparent , Matte

02 Body
C. Base Paper Color
M Specialty paper
F Roll Paper Craft

03 PLA internal bracket
C : Black
M : Injection
F : Matte

04 Body
C. Base Paper Color
M Specialty paper
F Roll Paper Craft

05 Bottom Cap
C Base Paper Color
M PLA
F Injection Matte, 20% transparent

Reduction of auxiliary materials: We utilize auxiliary materials such as medical alcohols in the production process of atomized products. In order to improve the utilization efficiency of medical alcohols that are used in large quantities during production, we conducted a special improvement project in 2023. The project team analyzed and optimized the usage procedures and methods of medical alcohols in the production process. After conducting numerous experiments, we concluded the optimal cleaning process, which contributes to both product quality and alcohol consumption. After the special improvement project, the improved cleaning process became a standard operating method and was promoted across all product lines, which helped reduce the alcohol consumption by 65.2% per unit of product and significantly saved production costs.

Refined management: With the implementation of digital production systems such as WMS, MES, SCADA, we have achieved real-time control and precise material feeding to reduce material waste. Additionally, in case of any abnormalities at the production site, the digital production systems can issue warnings and adjust the material systems in a timely manner to reduce material losses caused by abnormalities.
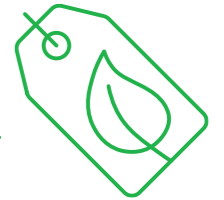
Green Packaging Materials

New environmentally friendly packaging materials: We actively explore new recyclable or biodegradable environmentally friendly materials to create sustainable products. We have set up a product ESG material library to select and validate PCR (post-consumer recycled) plastics and bio-based materials based on the premise that the functional requirements of the products are met, which supports the subsequent application of new environmentally friendly packaging materials and reduces the product's carbon footprint. This effort showcases our commitment to green and low-carbon transformation.

- FEELM has currently validated over 20 new environmentally friendly materials, of which two PCR materials have passed the material tests on safety and reliability. After their subsequent application in actual products, they are expected to reduce carbon emissions by 6.28% and 31.13% respectively.

- VAPORESSO, the Group's own brand, has created the *ECO GO GREEN* ecological series products by exploring and innovatively applying new environmentally friendly packaging materials such as ocean-friendly post-consumer recycled materials, biodegradable PLA coffee grounds materials, biodegradable organic sugarcane composite materials and limestone-based inorganic composite materials.

Ocean-friendly post-consumer recycled material: This material is crafted from waste reclaimed from the ocean, undergoing a sophisticated process of multiple composite recycling to yield recycled ocean plastic. Through its secondary use, it significantly diminishes the adverse impact of marine litter and mitigates the harm caused by oceanic debris.

This product helps reduce carbon emissions to

60% compared with conventional products.

ECO NANO-OCEANGLINT

"OCEANGLINT" is the industry's first concept product utilizing recyclable ocean waste, which completely renovates traditional processes by recycling, with an aim to minimize carbon footprint and effectively protect the marine environment. This product helps reduce carbon emissions to 60% compared with conventional products.

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Green Packaging Materials

Biodegradable PLA coffee grounds material:
This material uses cutting-edge biodegradable polylactic acid, boosted with upcycled coffee grounds from recycling. It creates a futuristic bio-based composite that is highly biodegradable and effectively reduces carbon dioxide emissions.

This product helps reduce carbon emissions to

44% compared with conventional products.

ECO NANO-CAFFEEFORM

"CAFFEEFORM" pioneers the change for low-carbon biodegradables. It is the industry's first biodegradable PLA coffee grounds concept product and leads the industry in achieving carbon neutrality. This product helps reduce carbon emissions to 44% compared with conventional products.

Biodegradable organic sugarcane composite material: This material, made from a mix of sugarcane leftovers and Petrochemical-Based Aliphatic-Aromatic Copolyester (PBAT included), creates an advanced low-carbon composite. Uniquely positioned as a highly biodegradable material, it offers a feasible solution to the environmental issues caused by regular plastics.

This product helps reduce carbon emissions to

75% compared with conventional products.

ECO NANO-OGBAGASSE

"OGBAGASSE" utilizes biodegradable composite materials. It is the industry's first biodegradable sugarcane bagasse concept product and reduces carbon emissions to 75% compared with conventional products.

Green Packaging Materials

Limestone-based inorganic composite material: This material is a blend of inorganic substances, primarily calcium carbonate, and thermoplastic resins like polypropylene, with a calcium carbonate content surpassing 50%. Such composition significantly reduces dependence on petroleum-based plastics, utilizes minimal water resources, and causes the least impact on forests.

This product helps reduce carbon emissions to

43% compared with conventional products.

ECO NANO-VLIMEX

"VLIMEX" is the industry's first limestone inorganic eco-revolutionary concept product. It lays the foundation for pioneering the low-carbon products in the industry by exploring sustainable plastic alternatives. This product helps reduce carbon emissions to 43% compared with conventional products.

Plastic-free and reduction of packaging materials: We minimize the use of plastic packaging as much as possible, continue to increase the use of eco-friendly paper alternatives and reduce materials used in product packaging to facilitate the recycling of packaging materials. We are committed to continuously reducing the carbon footprint of our products and the consumption of environmental resources, with an aim to achieve a low-carbon and circular business and economic model.

- We use recyclable and reusable kraft paper as an alternative to ordinary cardboard for VAPORESSO ECO product packaging. Kraft paper, made from wood pulp, can be rapidly decomposed by bacteria into fertilizer in natural environments, thereby reducing the product's carbon footprint. Additionally, kraft paper can be recycled multiple times and become recycled pulp and recycled paper undergoing multiple processes, which is conducive to reducing the consumption of limited resources.

Green Packaging Materials

- We have implemented a plastic-free and coating-free optimization project targeting VAPORESSO LUXE and XROS series product packaging. In the project, we replace the thermo-formed plastic inner trays with integrated pulp-molded trays, and adopt the traditional coating processes with water-based reverse processes for the carton to replace traditional coating processes.

  – The thermo-formed plastic inner tray is replaced with integrated pulp-molded tray: The polystyrene plastic materials are replaced with pulp-molded materials to make LUXE series products. The pulp-molded materials are made of natural plant fiber or waste papers, and can be self-degraded and recycled, which is totally green and environmentally friendly. At the same time, the product packaging adopts a streamlined and innovative design, and uses an integrated pulp-molded design to replace the plastic tray, which reduces the material usage and simplifies the product assembly process. It also reduces the consumption of limited resources and the impact of plastics on the environment.

  – Traditional coating process is replaced with water-based reverse process: XROS series products cancelled the polypropylene anti-scratch matte film on the smoke bomb consumables box to simplify the unnecessary use of plastic materials. Furthermore, a more environmentally friendly water-based reverse ink is used to replace UV ink. Additionally, paper with water-based ink can undergo deinking process to achieve recycling in a more environmentally friendly way, which helps save non-renewable resources, reduce the impact of production waste on the environment, and lower product carbon emissions.
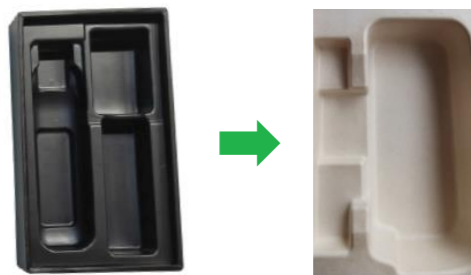
Bottom box + thermo-formed plastic

Integrated paper plastic

UV + surface coating

Water-based replacer oil
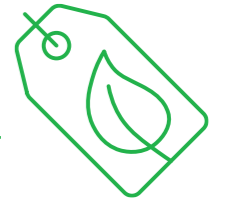
Green Packaging Materials

- FEELM actively plans for carbon reduction and environmental optimization in product packaging. For example, FEELM has adopted environmentally friendly paper packaging, selected more eco-friendly surface treatment processes with lower carbon emissions for packaging materials, and implemented a design that helps save packaging materials.

  – The environmentally friendly packaging combination of "kraft paper box + kraft paper tray" is used to replace traditional packaging materials that are non-degradable and unrecyclable, achieving a 100% plastic-free ratio in packaging. Additionally, plastic tapes used for sealing kraft paper boxes during transportation have been replaced with paper tapes, resulting in a carbon reduction of more than 10 tonnes per month.

100%
plastic-free ratio

  – The surface of the paper packaging utilizes a biodegradable and pollution-free plant-based ink coating process to reduce environmental pollution caused by harmful substances in traditional inks. Meanwhile, the utilization of polypropylene plastic films (bopp or opp films) is reduced. All these efforts help reduce carbon emissions by 80%. Moreover, we avoid using chemical bleaching agents or dyes on the inner surface of the paper packaging as much as possible to ensure natural degradation of the packaging materials. For instance, Vuse Go products adopt recycled paper for their outer packaging, stop using opp films on the paper surface and avoid using bleaching agents and fluorescent agents on the inner surface of the paper packaging.

All these efforts help reduce carbon emissions by **80%**

  – Following the concept of "product as packaging", we implement a packaging design that reduces the use of plastic candy bags and paper boxes. We also reduce the use of paper outer packaging materials.

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Energy Management

The Group's energy consumption mainly includes purchased electricity, and fuel for equipment and vehicles. We have established a sound energy management system, continuously improved requirements and standards for energy consumption to enhance employees' awareness of energy conservation in production. We have also taken optimization measures. We have formulated policies related to energy management, including *the Management Procedures for Energy Conservation and Emission Reduction*, set indicators and targets for energy conservation and consumption reduction, taken measures to improve the energy-saving technologies. Meanwhile, we have established an energy-saving and emission-reduction table to execute internal inspections and assessments. Additionally, we have introduced an energy management system to achieve refined energy management and improve the efficiency of energy consumption. We have strengthened daily energy management to further reduce energy waste, and ensure the effectiveness of energy conservation and emission reduction efforts. This year, some factories have obtained ISO 50001 energy management system certifications.

In terms of energy-saving measures and technological transformation, we continuously seek opportunities to save energy, and make efforts to optimize processes or equipment, which includes but is not limited to the following: the control of chilled water flow rates to save energy, the optimization of ice storage technology to save electricity, the use of transformers to save energy, addition of sensing and timing devices to dormitory corridor lights, and optimization of power supply voltages in plants.

ISO 50001 Energy Management System Certification

Control of Chilled Water Flow Rates

In 2023, we adjusted the operating strategy of the existing chilled water pumps in four factory areas, which was originally two pumps in use and one pump as backup, and now is one in use and two as backup. By installing electric valves and controllers in the pipelines, we increased the switch pumps for the chilled water pumps to control water flow rates in the pipelines, which helps reduce the load in the pipeline, lower the operating frequency of pumps, and reduce the number of operating pumps, finally achieving energy savings. This year, we have saved up to RMB 700 thousand in electricity costs after the control of chilled water flow rates.

Optimization of Ice Storage System

In 2023, we improved the operating strategy of the ice storage system in our factory areas in Jiangmen, Guangdong. By analyzing the operating loads of the ice storage system during peak, off-peak, and valley periods of power consumption, we optimized the operating strategies for each time period. We adjusted the number of operating devices in different time periods, and the operation of these devices alternates with that of the base-loaded cooling unit for cooling, finally achieving energy saving. This year, we have saved about RMB 637 thousand in cooling costs after improving the operating strategy of the ice storage system.

We have saved about

RMB **637** thousand

in cooling costs.

In terms of energy management, we have taken effective management measures for energy consumption in both production and daily office life.

Energy consumption in production:	At our FEELM factory, we monitor the energy consumption in each process with the energy management system. This system automatically adjusts equipment operating parameters based on production conditions to improve energy efficiency and maximize equipment performance. It also allows us to promptly identify, trace, analyze and address issues related to excessive energy consumption or abnormal fluctuations, ensuring stable energy consumption in production and reducing unnecessary energy waste.
Energy consumption in daily office life:	We control the temperature of air-conditioners and dormitory water heaters. We set fixed cooling temperatures for air conditioners in the summer and adjust the water temperature of dormitory water heaters according to seasonal changes to avoid excessive energy consumption and waste. Additionally, we conduct energy-saving campaigns and trainings, including posting energy-saving signs like "Turn off the lights when you leave" and promoting energy-saving actions among employees, to enhance employees' energy-saving consciousness.

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Water Resources Management

The production activities of the Group's atomised products are not water-intensive and do not involve large water consumption. Our water resource consumption mainly comes from office, living, as well as some parts of production processes. To reasonably regulate the management of water resources, we have formulated the *Water Management System* based on the *Water Law of the People's Republic of China*. With the goal of water conservation and the reduction of water resources waste, we have taken water-saving measures to ensure the effective consumption of water resources.

Water Withdrawal

- Water source: The water provided for the Group's operating sites is from the local municipal water supply system, so there is no difficulty in obtaining suitable water sources for us.

Water Consumption

- Equipment and processes: Use water-saving equipment such as production equipment or sanitary appliances with higher water use efficiency, and optimize water use processes;
- Routine maintenance and inspection: Regularly inspect and maintain water pipelines and water treatment facilities to reduce water leakage;
- Water-consumption measurement: Install steam flow meters, water meters and other equipment for measuring water consumption during production, set up special ledger, regularly track and analyze the water consumption during production, formulate water consumption targets and improve action plans;
- Rainwater utilization: Integrate the concept of sponge city into project construction, establish a comprehensive rainwater utilization system to collect and purify rainwater for landscaping and road flushing.

Water Recycling

- Collect cleaning wastewater during production for reuse after treatment by "carbon filtration + sand filtration";
- Some factory areas adopt a water recycling system for their landscape;

Water-saving Operation Highlight Cases

- Jiangmen Smoore Technology adopts an automatic-timed irrigation system for its outdoor green belts, which saved over 500 tonnes of water a year, with a water-saving rate of approximately 50%, compared to traditional irrigation systems;
- Jiangmen Smoore Technology adopts a water recycling system for its landscape ponds, which saved over 100 tonnes of water a year, with a water-saving rate of around 30%;
- The Group optimizes and adjusts water pressures and water flow rates of faucets in all restrooms, which saved over 20 tonnes of water a year, with a water-saving rate of over 3%.

In addition, we have also carried out supply chain water management to promote water conservation actions among our suppliers and encourage them to apply water-saving and water recycling processes in their daily operations. This year, we conducted a survey on the implementation of the water management system among our suppliers. We collected detailed water-saving targets, daily water resource management regulations, and the improvement effect after the implementation of water conservation special action from key suppliers to ensure that our suppliers effectively carry out water resource management and conservation. We are keen on the development of an environmentally friendly and sustainable supply chain. In the future, we will continue to strengthen supervision of suppliers on the completion of water-saving targets, expand the survey scope of water resource management among suppliers, promote water conservation among suppliers to create more benefits in water conservation along our supply chain.

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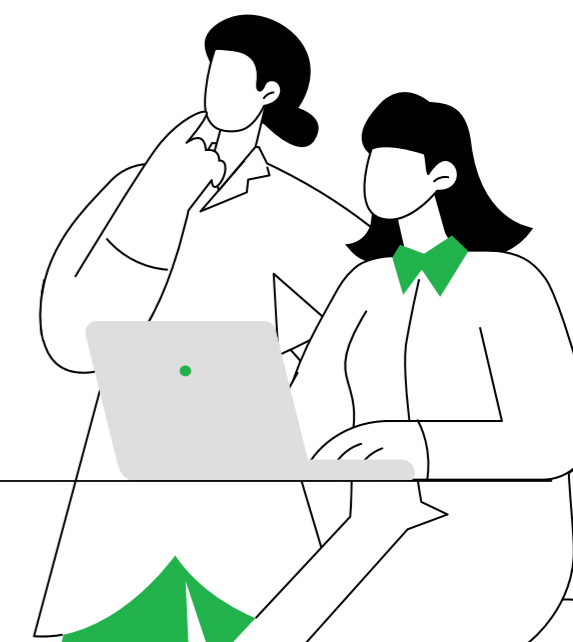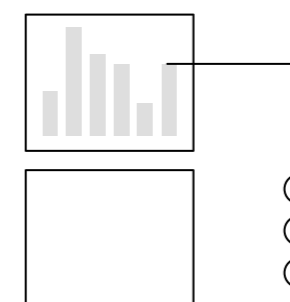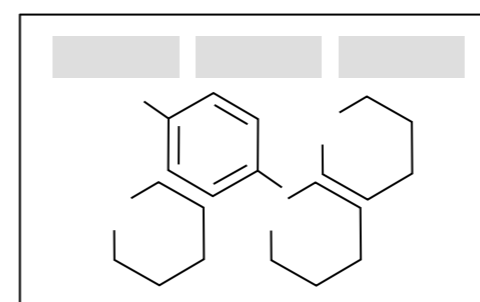
Ecological Resource Protection

We insist on the green development path with emphasis on ecological protection, especially on forest resource protection. We implement ecological protection public welfare projects to help maintain ecosystem balance, support low-carbon transformation to respond to climate change, and actively practice sustainable development.

> **VAPORESSO CARE·2023 ECO GO GREEN Global Carbon Neutral Program**

The Group's own brands have actively launched the "VAPORESSO CARE·2023 ECO GO GREEN" global carbon neutral program. They innovate products, adopt green packaging, plant trees for carbon reduction, advocate public participation in carbon reduction efforts, as well as make collaborations on environmental protection to promote low-carbon emission reduction and ecological protection.

- **Green packaging:** Through material innovation and breakthroughs in production technology, we have introduced four ecological series products to promote transformation in product sustainability. We strive to achieve harmonious development between our business and the environment. Please refer to "Materials and Packaging Management - Green Packaging" for more details.
- **Afforestation:** In response to climate change and to support carbon reduction, we have initiated the "VAPORESSO CARE" afforestation for carbon reduction program in multiple regions worldwide, with an aim to offset CO2 emissions through forestation, thereby maintaining a green and environmentally friendly ecosystem. At present, this program has achieved significant success in carbon reduction.

Cities	Trees	Tons per year
600 + Covered 6 continents of the world	**6,000 +** Strive for more carbon sink	**60 +** Carbon dioxide estimated to sequester

- **"UNITE TO PLANT" Challenge:** We encourage public participation in the "VAPORESSO CARE" program on the official website of VAPORESSO. We set up an online quiz - "UNITE TO PLANT" Challenge to give green points to program participants, that is, every time a participant completes the quiz, he/she will get one green point and get a chance to win a lucky draw. We will plant a tree for every 4 green points accumulated on VAPORESSO and publish the progress of tree planting on the official website at the same time. A maximum of 1,200 trees will be planted in the program.
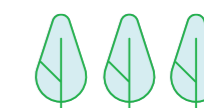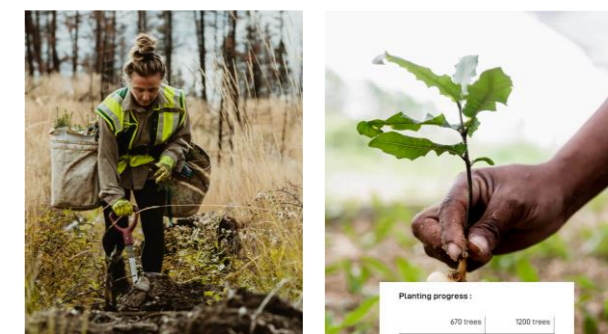
- **Collaboration on environmental protection:** VAPORESSO CARE has teamed up with the globally renowned non-profit environmental organizations - ONE TREE PLANTED and China Green Foundation to support the global low-carbon transition. We have established cooperative ties with them to jointly carry out afforestation activities, actively build a low-carbon society, and promote sustainable development. Furthermore, we have united with numerous VAPORESSO partners worldwide to advance the development of the VAPORESSO CARE-ECO GO GREEN program, and strive to create a better future in cooperation with green partners.

ONE TREE PLANTED is a well-known non-profit organization committed to global reforestation efforts and recognized for its contributions to environmental restoration. Recently, they reached the milestone of 100 million trees planted since 2014. Collaborating with ONE TREE PLANTED, we are making our planet greener with impactful tree-planting projects worldwide.

CHINA GREEN FOUNDATION is a leading non-profit organization that plays a dominant role in the course of afforestation in China, renowned for facilitating community involvement in organizing and carrying out reforestation projects. Thanks to their contributions, our collaboration makes a positive impact in creating a more sustainable world and realizing the global mission of reducing carbon emissions.

Honourable Global Green Partners

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Declaration: We Build a More Harmonious Society Together

Smoore believes that talent development and community prosperity go hand in hand. Talent needs a supportive environment to grow, while the community needs the combined strengths of all involved to thrive. Our commitment to talent includes respecting the rights and interests of employees, building a talent development system, and caring for the physical and mental well-being of employees. Our responsibility to society includes participating in industry exchanges and supporting community activities.

The United Nations Sustainable Development Goals (SDGs) responded in this chapter

3 GOOD HEALTH AND WELL-BEING

4 QUALITY EDUCATION

8 DECENT WORK AND ECONOMIC GROWTH

10 REDUCED INEQUALITIES

Shaping Talent and Building Dreams

As an enterprise focusing on talent development, Smoore regards talent as the core of the Group. By upholding and wholeheartedly practicing the corporate vision of "bringing happiness for all SMOORE people", Smoore ensures that the legitimate rights and interests of employees are effectively protected, actively creates a positive corporate culture, and provides employees with opportunities for development. Smoore takes care of the physical and mental health of its employees and is growing along with its employees.

Employee Rights and Interests Protection

Smoore is always committed to protecting the rights and interests of its employees and fulfilling its social responsibilities. We comply with relevant laws and regulations to ensure that the legitimate rights and interests of employees are effectively protected and provide fair compensation and benefits to attract and retain outstanding talent.

Compliant Employment

Always adhering to the people-oriented approach, Smoore respects every employee and actively protects the rights and interests of every employee. In strict compliance with the Labor Law of the People's Republic of China, the Law of the People's Republic of China on Employment Contracts, the Provisions on the Prohibition of Using Child Labor and other local laws and regulations, we have formulated and implemented talent management policies such as the Employee Handbook and the Recruitment Channels Management Policy. We adhere to the principles of fairness, impartiality and openness, and strictly manage the selection, recruitment and confirmation processes to protect the rights and interests of employees. We insist on employment in accordance with the law and regulations and provide equal opportunities for our employees.

We adopt a variety of channels, including campus recruitment, social recruitment and internal recommendation, to attract and recruit outstanding talent.

Recruitment Channels

01 Social Recruitment

We attract experienced professionals to join us by posting positions through job boards, social media and industry trade shows.

02 Campus Recruitment

We actively cooperate with universities and participate in campus recruitments and career development seminars to provide employment opportunities for fresh graduates. This year, we continued to implement the "Bachelor and Master Recruitment Program" and the "Doctoral Recruitment Program" (known as the "Graduates Trainee Program"), which aim to select outstanding graduates from universities and colleges worldwide to cultivate business leaders and technology leaders for Smoore.

03 Internal Recommendation

We encourage our employees to exert their own influence to recommend talents to join us. To encourage internal recommendation, we have set up a corresponding incentive mechanism to reward employees for successful recommendation.

In terms of employee management, the Group always follows the principles of fairness and impartiality and has a zero-tolerance attitude towards any discrimination based on factors such as race, color, religious beliefs, gender, age, disability, family status and nationality. We boycott the use of child labor and require applicants to provide proof of identity in recruitment, and strictly verify whether applicants are of working age, aiming to eliminate illegal child labor. We strictly manage employment contracts and ensure that written contracts or internship agreements are signed legally with employees on an equal, voluntary and consensual basis. We firmly prohibit forced labor and specify the information about location, working hours, remuneration, working overtime and other relevant provisions in the contract. We also provide appropriate allowances for working overtime to avoid forced labor.

During the year, the Group's labor contract signing rate was 100% and there were no cases of child labor or forced labor.

During the year, the Group's labor contract signing rate was

100%

There were no cases of child labor or forced labor.

Number of employees by age

Age 20 and under	Ages 21 to 41
4.07%	81.12%

Ages 41 to 50	Age 51 or older
13.77%	1.04%
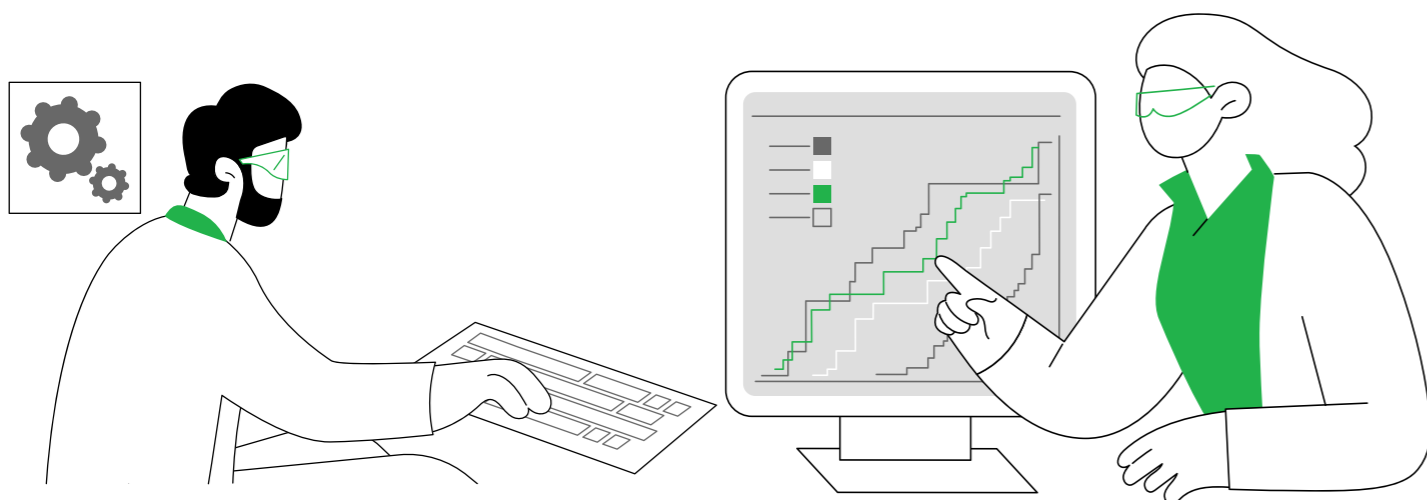
Remuneration and Benefits

We continuously benchmark against the market, refine our remuneration strategies and are committed to providing competitive remuneration and benefits to our employees. The Group formulates and implements internal policies such as the Employee Handbook and the Welfare Management Policy. We limit and protect in written that employees are legally entitled to receive their labor remuneration, as well as statutory social insurance, annual leave and public holidays, festival benefits, and additional commercial insurance, among other legal rights and interests. We also offer our employees a wide range of benefits. We respect employees' life and work needs and offer reasonable leave arrangements. In this way, we can ensure our employees' work-life balance, good working conditions and physical and mental health.

We are committed to fair, impartial and transparent remuneration and performance policies. To this end, we apply scientific remuneration management based on the principle of distribution according to work combined with employee performance assessment. In terms of remuneration, the Group pays its employees basic salaries and cash allowances. The Group awards performance bonuses and special bonuses to employees, considering factors such as job level, the group's and organizational operational results, individual value contribution, and performance. Moreover, the Group has established a long-term incentive scheme to motivate and reward outstanding employees. In terms of performance management, we strictly regulate performance evaluation ratings and standards for employee tenure, remuneration and development. Smoore inspires enthusiasm and creativity in its employees and promotes the mutual growth of the Group and its employees through sound performance management.

Corporate Culture and Talent Development

Adhering to the talent cultivation and corporate development philosophy of "people-driven strategy, stimulating motivation, creating values together and sharing returns", Smoore regards corporate culture as the cornerstone and long-term requisite for business development. What's more, Smoore builds a career promotion mechanism that emphasizes employees' skills while strengthening the development of an internal training system and constantly activating internal talent. In addition, Smoore continues to build an excellent talent development team to enhance organizational capabilities and support the Group's business development.

Career Promotion

The Group supports employee development and emphasizes career planning, and has created a dual promotion path for employees in management and professional roles. The Group also categorizes a number of promotion types based on employee categories and sets promotion standards accordingly. Furthermore, the Group is committed to providing an open, equal and high-quality promotion environment and development opportunities to achieve a win-win result for the development of the Group and its employees.

Professional channel
Scientist
Professional director/ Professional engineer
Professional manager/ Senior engineer
Professional supervisor/ engineer
Specialist/ Assistant engineer

A dual-channel development system (professional & management channel)

Management channel
General manager
Director
Manager
Supervisor

The promotion for the career development of all employees (excluding R&D/staff and staffs from the Graduates Trainee Program) is conducted once a year, taking into account the different forms and requirements of job levels and categories. The evaluation is carried out in accordance with the standards set in the annual promotion plan.

For staffs from the Graduates Trainee Program, in the first three years of their employment, a special promotion and development channel is established to provide more promotion opportunities for them. The promotion is conducted once a year. This channel is exclusive to employees from campus recruitment and allocated certain proportion to other types of promotion without taking up their quotas. The assessment is conducted based on the criteria of "common pursuit + win-win cooperation + adequate capabilities", which provides a fast-growing platform for outstanding staffs from the Graduates Trainee Program.
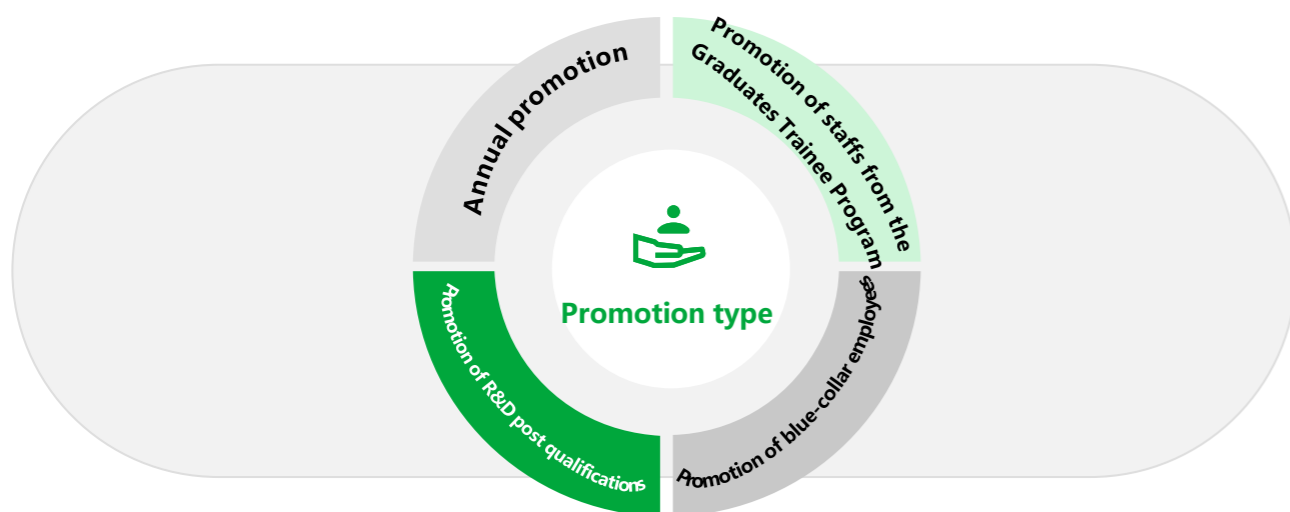
A special promotion channel is set up for R&D personnel, and relevant evaluation is conducted once a year based on the T-series qualification standards. We introduce a R&D qualification system to establish a clear development path and channel for R&D personnel and motivate them to achieve self-improvement. To stimulate organizational vitality, we establish a scientific and standardized R&D talent certification mechanism to provide recognition, support, and encouragement to outstanding employees.

A promotion channel specifically designed for the career development of blue-collar employees is conducted twice a year based on the performance of operational staff. The assessment is carried out according to the J-series promotion standards. The promotion system for bule-collar employees establishes a clear development path for employees in operational positions and enhance their productivity through promotion incentive policies.

In terms of promotion assessment, the Group's assessment framework consists of cultural assessment and performance assessment. We regard cultural assessment as a prerequisite and the "Three Yellow and Eight Red Lines" business ethics standard as criteria for evaluation. During the year, we added "cultural leadership" assessment item and test questions on cultural behavior description, and differentiated the difficulty level of the assessment for directors and above. The Group combines employee self-assessments and superior ratings to produce the final results of the personal culture assessment. Under the same conditions, the Group gives priority to promote employees with cultural contributions.

"Three Yellow and Eight Red Lines" at Smoore

Three Yellow Lines

- Habitually complaining instead of finding ways
- Passing the buck rather than constructively discussing solutions to problems
- To cater to superiors, often not telling the truth

Eight Red Lines

- Falsification
- Clique
- Abusing one's power for personal gains
- Embezzlement, bribery and theft
- Defamation of the Company's reputation and image
- Causing substantial damage and malfeasance
- Telling trade secrets (technology, financial data, customer information and so on)
- Rough treatment of customers, partners, and colleagues

In terms of performance assessment, the Group focuses on employees' innovative breakthroughs, accountability and outstanding results. We prioritize promotion opportunities for high value creators, those who have overcome difficult challenges and those who have completed strategic assignments, such as achieving major breakthroughs in technology, products, customers or management. Meanwhile, the Group introduced a matrix-based performance evaluation system and included a new assessment component for employee-related parties during the year. The Group seeks to increase the objectivity of the assessment by consulting with non-supervisors who are closely engaged in the employee's work to gain a more accurate understanding of the employee's actual performance.

Talent Cultivation

Adhering to the principle of "creating greatness together with culture as the root", the Group attaches great importance to the "culture first" management policy in talent development. The Group places great emphasis on developing corporate culture for its employees. We have developed a five-year culture evolution plan, from the extraction of corporate culture concepts to their implementation. The Group is actively leading its employees to embark on a cultural journey to become "caring dream chasers". In 2023, the Group focused on building cultural leadership and cultural themes.

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The 5-year Corporate Culture Process of SMOORE

Five Year Process of Cultural Implementation (2020-2024)

Culture is the root
Creating great achievements together

2024 Cultural Organization Strength

Main purpose: Achieving preliminary systematization of cultural implementation

2023 Cultural Leadership

Main purpose: Focusing on cadres as role models and using culture to promote business progress

2022 Cultural Penetration

Main purpose: Preliminarily utilizing culture to drive business, building a core team for cultural construction, and deepening the penetration of culture among all staff

2021 The First Year of Culture

Main purpose: Releasing cultural guidelines and preliminarily implementing the "521" project

2020 Cultural Extraction

Main purpose: "Consolidating cohesion", exploring and extracting SMOORE's enterprise level thought and successful business management logic & basic principles since its establishment

2020 – 2024

Building cultural leadership:

We created a "culture pilot group" and shaped the team's cultural behaviors with the leadership of cadres. Empowered by cultural leadership, we have initially enhanced the capabilities of the Group's cadres in using the ideological construction to build teams and to leveraging culture to solve business problems. We enable more employees to develop an awareness of using cultural leadership to solve business problems, and to acquire cultural leadership.

Building Cultural Leadership

Building cultural theme:

Based on practical business problems, we continually probe underlying causes and use ideological construction to drive work progress and business development. We insight into the business to find problems and probe underlying causes. We support business development by leading a core cadre team to reach consensus on action plans and solve problems. We have also improved the ability of some cadres to use culture to support business development through the ongoing application of the D-CAR (Definition→ Consensus→ Action→ Review) model. We promptly diagnose team problems and assist the team in addressing them, thereby continuously improving the organizational culture.

Building Cultural Theme

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During the year, the Group was honored to receive the X Awards for "Best Practice in Corporate Culture" at the KNX Annual Summit, the most authoritative think-tank in human capital management, for its excellent work in building corporate culture. Meanwhile, our corporate culture work was highly recognized by the Organizing Committee.

The KNX Organizing Committee's evaluation on Smoore's corporate culture work: "The integrity and systematicity of corporate culture theory combined with practice, and the practical value of being feasible and replicable."

Smoore's Award for Best Practice in Corporate Culture

The Group also attaches great importance to developing the skills of its employees and has formulated the Training Management Policy and established the SMOORE Academy as the Group's internal training solutions provider. In this way, the Group can more efficiently meet talent development needs of each department to achieve business objectives. SMOORE Academy focuses on internal training services. It is responsible for delivering various types of basic training programs, developing training platforms, providing professional training support and building training resources for the Group as a whole.

Training Programs

1. Newcomer Training Program
2. Graduates Trainee Program
3. Management training program (supervisor, manager, director)
4. Business theme training (marketing, project, product)

Platform Construction

1. Open Learning Platform (SMOORE Grand Lecture, Innovation Salon)
2. Online Learning Platform

Professional Support

1. Training cost control
2. Internal Faculty Coordination
3. External Faculty Sourcing

Resource Building

1. Training Product Development
2. Business Course Resource Development
3. Management Course Resource Building
4. External Faculty Pool Construction

SMOORE Academy has prioritized 10 training products covering leadership training, new employee training and general skills development. In addition, SMOORE Academy has built 3 training platforms to effectively integrate external and internal training resources and strengthen the management of learning operations.

One position

SMOORE Internal Training Solution Provider

Ten products

Director Leadership Enhancement Product Package	Managerial Enhancement Product Package	Graduates Trainee Program Cultivation Products	Project Management Capability Enhancement Product Kit	Lean manufacturing Capability Enhancement Products	Marketing Capability Enhancement Products	Product Capability Enhancement Products

Training Solutions Products	New Employee Integration Products	General Capability Enhancement Products

Three platforms

External resources platform	Internal resource platform	Learning Operations Platform
1. Build a training supplier pool 2. Undertake external training procurement requirements 3. Carry out the whole process of management of outsourcing courses	1. Accumulate knowledge and experience within the organization 2. Respond to departmental expertise accumulation and training 3. Operate internal sharing platform 4. Operate internal course resources	1. Online and offline training management 2. Operate the learning platform to carry out all-employee learning 3. Support training needs survey and training organization and implementation services

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In addition to the basic training program, the Group offers five types of talent development programs. The Group has formulated targeted course training programs according to the work needs of employees at different levels to effectively improve the professional skills of employees in different positions. In addition, the Group comprehensively builds high-quality and efficient business teams, thereby enhancing the Group's business competitiveness and realizing the long-term goal of the Group's people-driven, high-quality development.

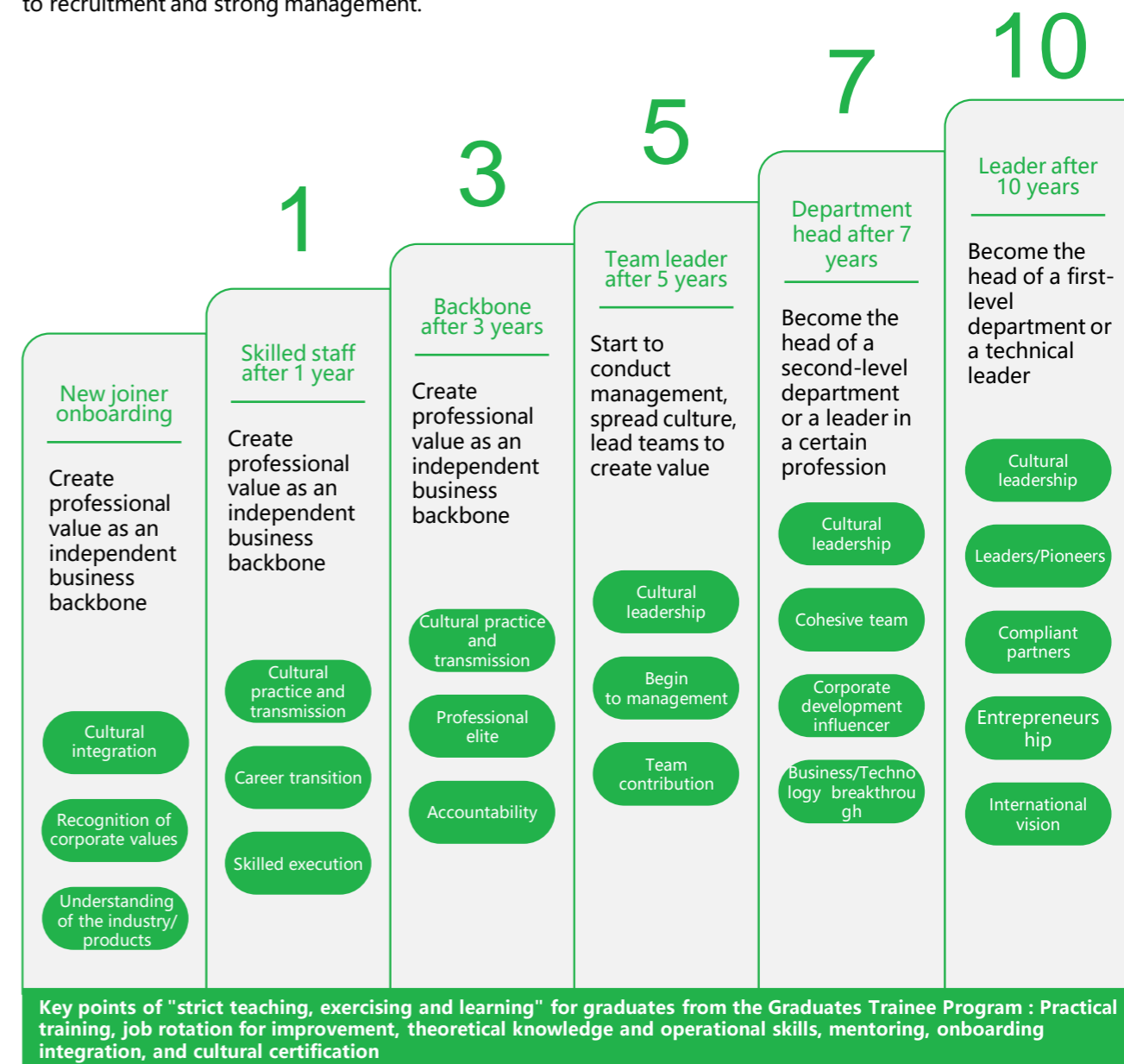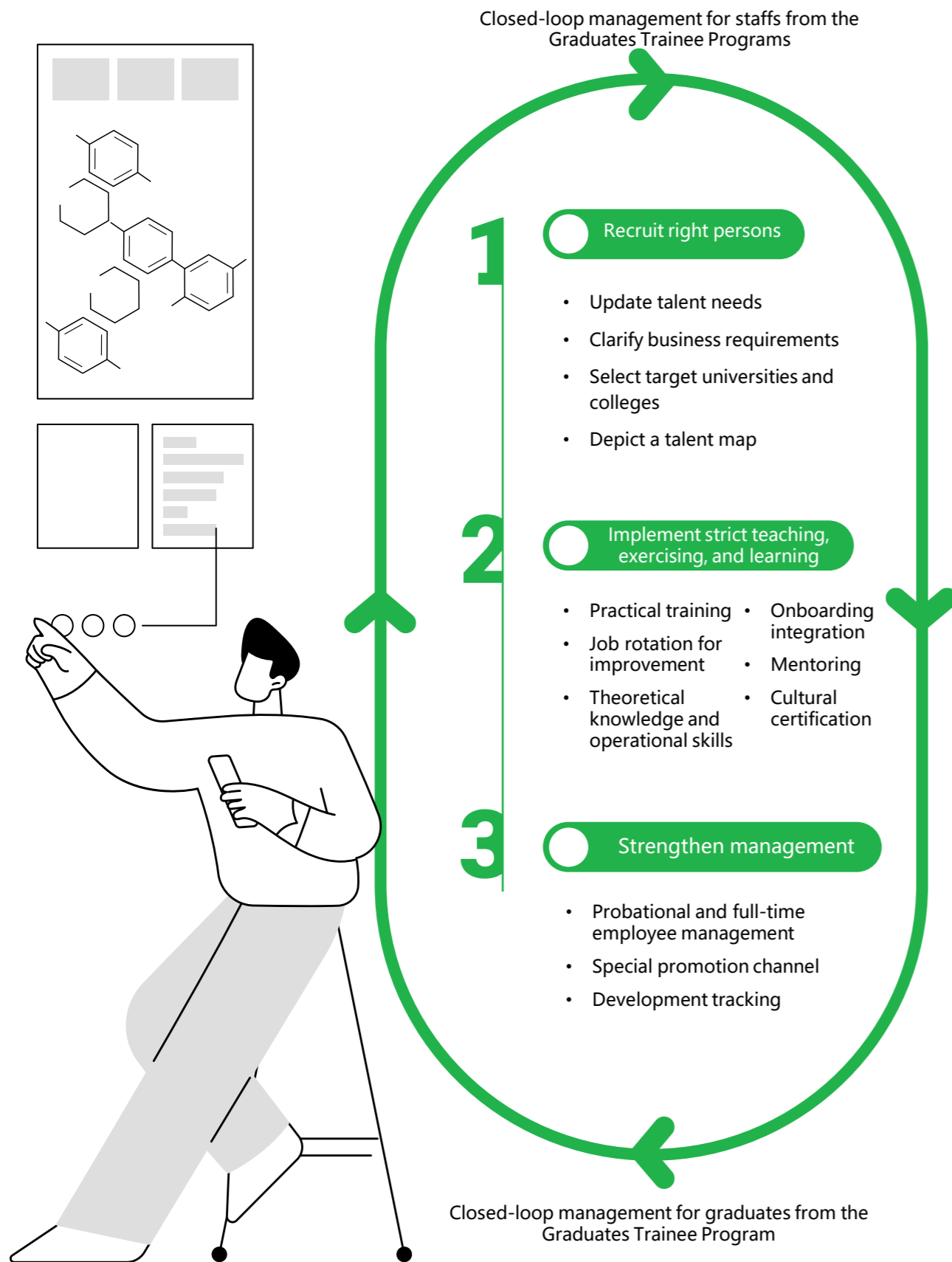| Program Name	Program Object	Core Courses
Hongyi Scheme	Director-level employees (including equivalent)	Middle Leadership, Management Psychology, Project Management, Performance Management, Becoming a Person who Understands Finance, Application of Four-dimensional Analysis in Financial Strategy
Zhenyu Scheme	Manager-level and supervisor-level employees (including equivalent)	Common Sense of Management, Time Management for Managers, Efficient Execution, Management Communication, Human Resource Management for Non-HR Managers, Performance Management and Organization Management
Intensive Training for Newly Recruited Key Talent	Newly recruited employees at director level (including equivalent) and above	Corporate Culture, Industry Introduction, Company Introduction, Product Introduction, Basis of Law, Intellectual Property Rights, Financial Management, Human Resource Management and Production Line Visit
Regular Intensive Training for New Employees	Newly recruited employees at manager level (including equivalent) and below	Corporate Culture, Industry Introduction, Company Introduction, Product Introduction, Basis of Law, Intellectual Property Rights, Financial Management, Human Resource Management and Production Line Visit
2023 Intensive Training for Bachelors and Masters	Newly recruited employees from campus recruitment	Corporate Culture, Industry Introduction, Company Introduction, Product Introduction, Basis of Law, Intellectual Property Rights, Financial Management, Human Resource Management, Business Department Introduction, Professional Development, Structured Thinking, PPT Making, Efficient Execution and Team Development

The Group provides an online learning platform for all employees, with features such as online learning, live broadcasting and testing. The platform supports independent learning at any time and in any place, helping students to improve their skills. At present, the online learning platform has launched 1,020 internal and external online courses, covering Corporate Culture, Management, Innovation, Technology Research and Development, Safety Knowledge, Human Resources, Leadership, Finance, Marketing, Personnel Management and Workplace Efficiency. In 2023, the platform login times was 191,592. The platform published 177 exams, covering 7,548 individuals, with a pass rate of 79%.

The Group has established an internal training instructor system, implemented the "Creating courses while cultivating teachers" working model. Every year, the Group synchronizes course development and instructor certification through the "Cornerstone Project". The "Cornerstone Project" is launched in February every year. SMOORE Academy communicates with each department to confirm the annual course development plan and responds to departmental needs for TTT empowerment. In 2023, a total of 4 sessions of "Course Development and Teaching" empowerment program were conducted, reaching 66 individuals. Once the course development is completed, SMOORE Academy coordinates with the business department to complete the course certification. If the certification is obtained, the course developer is certified as an internal trainer. In 2023, the Group certified 69 new internal trainers, with a total of 665 existing internal trainers.

During the year, we focused on developing a "1-3-5-7-10" growth and development strategy for graduates from the Graduates Trainee Program to manage the entire cycle of their growth. By clarifying the roles and growth targets of graduates from the Graduates Trainee Program at each stage, and taking "strict teaching, exercising, and learning" as the main line, we have developed a unique development strategy for graduates from the Graduates Trainee Program with the characteristics of Smoore, which includes a closed-loop approach to recruitment and strong management.

1 — New joiner onboarding
Create professional value as an independent business backbone
- Cultural integration
- Recognition of corporate values
- Understanding of the industry/products

3 — Skilled staff after 1 year
Create professional value as an independent business backbone
- Cultural practice and transmission
- Career transition
- Skilled execution

5 — Backbone after 3 years
Create professional value as an independent business backbone
- Cultural practice and transmission
- Professional elite
- Accountability

7 — Team leader after 5 years
Start to conduct management, spread culture, lead teams to create value
- Cultural leadership
- Begin to management
- Team contribution

10 — Department head after 7 years
Become the head of a second-level department or a leader in a certain profession
- Cultural leadership
- Cohesive team
- Corporate development influencer
- Business/Technology breakthrough

Leader after 10 years
Become the head of a first-level department or a technical leader
- Cultural leadership
- Leaders/Pioneers
- Compliant partners
- Entrepreneurship
- International vision

Key points of "strict teaching, exercising and learning" for graduates from the Graduates Trainee Program : Practical training, job rotation for improvement, theoretical knowledge and operational skills, mentoring, onboarding integration, and cultural certification

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Closed-loop management for staffs from the Graduates Trainee Programs

1 Recruit right persons

- Update talent needs
- Clarify business requirements
- Select target universities and colleges
- Depict a talent map

2 Implement strict teaching, exercising, and learning

- Practical training
- Job rotation for improvement
- Theoretical knowledge and operational skills
- Onboarding integration
- Mentoring
- Cultural certification

3 Strengthen management

- Probational and full-time employee management
- Special promotion channel
- Development tracking

Closed-loop management for graduates from the Graduates Trainee Program

Employee Care

Smoore guides employees towards a better, healthy and sustainable life. We value democratic communication channels and protect our employees' occupational health and safety. Meanwhile, we care about the physical and mental well-being of our employees and support the concept of "work and rest".

Democratic communication

We firmly believe that democratic communication is not only fundamental to managing our internal operations, but also essential to building trust and achieving common development with our stakeholders. We listen to employees' opinions and ideas and make improvements in a timely manner through employee conferences, one-on-one conversations and regular satisfaction surveys. All departments of the Group organize cultural theme events. They also adopt an open and inclusive attitude to listen widely to the opinions of employees, and reach consensus on the direction of business development.

Case: Listening to the Opinions of Graduates from the Graduates Trainee Program

During the year, we established an effective communication channel with staffs from the Graduates Trainee Program through a forum. In doing so, we understood their work difficulties and suggestions for improvement, promoted effective communication between the Company and staffs from the Graduates Trainee Program, and strengthened their sense of belonging to the Group.

Forums for staffs from the Graduates Trainee Program

Occupational Health and Safety

We strictly abide by the Law of the People's Republic of China on Prevention and Control of Occupational Diseases, the Law of the People's Republic of China on Work Safety and other laws and regulations, and have formulated and implemented internal policies such as the Management Regulations on Safety Education and Training. Furthermore, we actively carry out safety education and training to raise the employees' awareness on occupational health and safety. We continuously improve and optimize our safety management system, increase the safety awareness and competence of our employees to create a safe and healthy working environment.

During the year, we held one safety leadership training session and three safety committee meetings. We require branches and subsidiaries to include health and safety training in their annual work plan, strictly implement the system of "training before taking up posts", and establish sound health and safety training records. In addition, the Group regularly organizes "Safety Month", "Fire-fighting Month" and "Safety and Environment Cup" activities, and conducts three-level safety education and training, on-the-job safety training and safety emergency drills every year. During the reporting period, the Group recorded a total of 146 lost working days due to work injury, and there were no work-related fatalities occurred in the past three years (including the reporting year).

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Case: "Safety Leadership" Training to Improve the Performance and Capabilities of Safety and Environment Department

In June 2023, the Group engaged senior external instructors to provide safety leadership training to leaders at all levels and those responsible for safety and environment. The training analyzed in-depth external safety and environmental management experience, aiming to create a culture of safety and environmental management within the Group and strengthen the leadership of safety and environmental management personnel at all levels. A total of 58 colleagues attended the training. The training promoted in-depth internal exchanges on safety and environment management and gave us new ideas on the direction of safety and environment development and working methods.

"Safety Leadership Training" Site

Case: Building a Volunteer Firefighting Team to Keep Smoore Safe

During the year, we formed a volunteer firefighting team consisting of 252 employees. We also provided the team with theoretical and practical training to enhance their professional firefighting skills. In the event of an emergency, the volunteer firefighting team will act quickly to provide timely and professional rescue services to ensure the Company's fire safety.

Volunteer Firefighting Team Practice Site

In addition, we provide employees with labor protection appliance that meets our health and safety standards to ensure that they are properly protected at work. We are constantly concerned about the health of our employees and provide regular annual medical checkups to help them manage their health. Meanwhile, we offer employees free health lectures, traditional Chinese medicine physiotherapy and other health activities during the year to further protect their occupational health.

Free Shoulder and Neck Therapy

Employee Concern

We are constantly striving to create a positive and caring working environment where our employees feel a sense of belonging and fulfilment at Smoore. In 2023, taking employee care as the starting point, the Group carried out sports competitions, holiday greetings, birthday celebrations and other activities from the dimensions of employee happiness, fulfilment and sense of value. As a result, the Group promotes work-life balance for its employees and fosters an active and friendly working environment.

Employee Holiday Activity Site

Case: "Rise to the Challenge" - SMOORE's First Basketball Competition

From September to October 2023, the Group organized the "SMOORE's First Basketball Competition". A total of 14 teams from 17 departments with nearly 200 employees participated in the competition. The competition was conducted in an orderly manner with a lively atmosphere, which encouraged cross-departmental communication and further strengthened team cohesion.

Basketball Competition Site

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Collaborate and Thrive Together

The Group firmly believes that good business development is inseparable from friendly exchanges between industries and broad participation from all walks of life. We pay attention to industry trends and keep abreast of the latest industry news, actively participate in global forums and exhibitions. Meanwhile, we share the latest technology, gather cutting-edge product design ideas, broaden our horizons, and drive product innovation. At the same time, as a responsible enterprise, we actively participate in various public welfare activities. We create a harmonious community atmosphere, paint a beautiful picture of society, business, and life, and collaborate with other partners to work towards a new future.

Industry Exchange and Cooperation

We are deeply aware of the importance of establishing friendly communication relationships within the industry. As the world's leading supplier of electronic atomization product solutions, we actively communicate and cooperate with universities and industry associations to discuss the prospects for green development, conduct technical exchanges, respond to regulatory requirements, and contribute to environmental protection. With these efforts, we can promote sustainable and high-quality development of the industry.

Case: Smoore Teams up with the Academy of Arts and Design, Tsinghua University to Explore Innovations in Electronic Atomization Design

In February 2023, Smoore teamed up with the Academy of Arts and Design, Tsinghua University once again for a collaborative exchange session to discuss innovations in electronic atomization product design and related concepts. They had an in-depth discussion on how to pay more attention to the user experience when using electronic atomization products. Through this cooperation, Smoore paid more attention to the industrial design of its products, incorporated more innovative ideas from a user's perspective, and brought more high-quality products to its customers.

Scene of the Cooperation and Exchange between Smoore and Academy of Arts and Design, Tsinghua University

Case: Smoore Invited to UKVIA Forum to Explore Green Industry Development

During the year, the Group was invited to participate in an online forum on the "Sustainable Green Electronic Atomization Industry" organized by the UK Vaping Industry Association (UKVIA). At the conference, we discussed the theme "Innovating and investing in green electronic atomization to maximize recyclability and reuse". We also shared the eco-friendly disposable electronic atomization solution introduced by FEELM. In this way, we can provide eco-friendly and low-carbon solutions for the industry and our customers, promoting the sustainable development of the industry.

Case: Smoore Invited to the 2023 GTNF Global Forum

In 2023, the Group was invited to participate in the 2023 Global Tobacco and Nicotine Forum (GTNF) in Seoul, South Korea to discuss the challenges facing the industry. At the conference, we had a lively discussion focusing on atomization efficiency, compliance, and user experience, and shared the results of our basic scientific research with colleagues in attendance. Our research strength, market performance, and corporate responsibility shared at this event were all recognized by the industry.

Community Co-building

The Group attaches great importance to fulfilling corporate social responsibility and actively contributes to the local communities. In 2023, we were actively involved in a range of public service activities, including participation in earthquake relief, support for youth development, community care, and rural revitalization. Through these activities, we spread love and warmth, promote talent development, enable companies to communicate well with the community, and contribute to the harmonious development of society.

In 2023, we contributed a total of RMB 8,274,461 to the community. We also organized 38 employees to participate in various types of community service activities, totaling 207 hours, and participated in a total of 11 activities in poverty alleviation and public welfare activities.

we contributed a total of RMB

8,274,461

to the community

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Case: Donation of RMB 3 million to the Disaster Areas in Gansu for Earthquake Relief

In December 2023, a 6.2 magnitude earthquake struck Jieshishan County, Gansu. The Group promptly donated RMB 3 million to the Red Cross Society of China Gansu Branch for emergency relief, procurement of materials, and resettlement of affected people in the earthquake-hit areas, contributing our efforts to society.

Donation Certificate

Case: Setting up "Smoore Scholarship" with South-Central Minzu University

The Group and South-Central Minzu University jointly established the "Natural Products Atomization Health Research Center". At the same time, we set up the "Smoore Scholarship", which aims to reward and support students of academic excellence and those from economically disadvantaged families. Through these efforts, the Group supports youth development and contributes to the cultivation of talent.
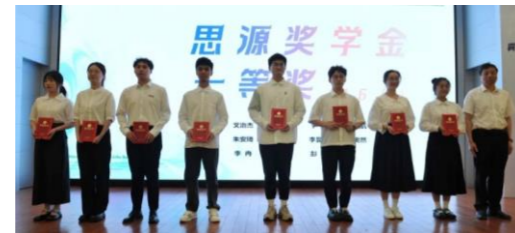
"Smoore Scholarship"
Awarding Ceremony

Case: Activity of Caring for Front-line Traffic Police Assistants During the Spring Festival

In January 2023, the Group presented a New Year's gift package with a total value of RMB 95,920 to the front-line traffic police assistants in Bao'an District and Longgang District, Shenzhen. Through this activity, we pay our respects to the front-line workers who serve the people and send our New Year greetings.

Activity Scene of Caring for Front-line
Traffic Police Assistants During the Spring Festival

Case: Participating in the Learning from Lei Feng Activity Organized by the Youth League Working Committee of Gusu Community in the Bao'an District of Shenzhen

In March 2023, the Group's Youth League Working Committee participated in the learning from Lei Feng activity organized by the Gushu Community in the Bao'an District of Shenzhen. Under the activity, the Committee organized employees to take part in public litter picking along the Xiwan mangrove forests to make the city cleaner and better.

Learning from Lei Feng Activity Organized by the Youth League Working
Committee of Gusu Community

Case: Pairing Support Project in Du'an Yao Autonomous County, Guangxi Province

In July 2023, the Group provided pairing support to Du'an Yao Autonomous County, Guangxi Province. The Group provided funding of RMB 25,000 to the Government's project team to support local poverty alleviation efforts in matters such as employment of personnel, business start-up and guidance, and infrastructure development. In doing so, the Group helped to revitalize the villages in the recipient areas and contributed to the development of the local community.

Pairing Support Project in Du'an Yao
Autonomous County, Guangxi Province

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Appendix 1: 2023 ESG Key Performance Indicators

Key Performance Tables

Environmental Performance Indicators	Unit	2023	2022	2021
Air Emissions				
Nitrogen oxide (NO$_X$) emissions	kg	532.7	212.4	192.8
Sulfur oxide (SO$_X$) emissions	kg	1.2	0.8	0.9
Particular matter (PM) emissions	kg	43.6	13.8	12.4
Greenhouse Gas Emissions				
• **Direct emissions (Scope 1)**	tonnes of CO$_2$e	218.7	148.7	405.0
• **Indirect emissions (Scope 2)**	tonnes of CO$_2$e	73,437.9	82,254.0	74,119.8
Total greenhouse gas emissions	tonnes of CO$_2$e	73,656.6	82,402.7	74,524.8
Greenhouse gas emission intensity	tonnes of CO$_2$e / ten million RMB	65.8	67.8	54.2
Expected green electricity reduction	tonnes of CO$_2$	1,332.8	0	0
Resource Usage				
Total energy consumption	kWh in '000s	126,944.7	141,829.7	122,019.5
· Purchased electricity	kWh in '000s	126,171.5	141,278.5	121,487.8
· Liquefied petroleum gas	kWh in '000s	15.8	0	0
· Diesel oil	kWh in '000s	141.7	147.0	162.9
· Gasoline	kWh in '000s	615.7	404.2	368.8
Total energy consumption intensity	kWh in '000s / ten million RMB	113.7	116.8	88.7
Green electricity purchases	kWh in '000s	3,500.0	0	0

Environmental Performance Indicators	Unit	2023	2022	2021
Total packaging consumption	**tonnes**	**16,443.4**	**15,446.8**	**14,426.9**
· Plastics	tonnes	1,980.1	2,594.9	2,433.6
· Paper	tonnes	14,270.8	12,587.7	11,672.3
· Metal	tonnes	192.5	264.2	321.0
Packaging consumption intensity	tonnes / ten million RMB	14.7	12.7	10.5
Total water consumption	m^3	826,349.2	744,771.6	805,660.0
Water consumption intensity	m^3 / ten million RMB	739.9	613.2	585.7
Waste Consumption				
Total non-hazardous waste	**tonnes**	**2,965.7**	**3,153.2**	**2,583.8**
· Plastics	tonnes	189.1	140.9	89.3
· Metal	tonnes	59.4	55.4	44.9
· Paper	tonnes	296.0	202.4	246.4
· Other industrial wastes	tonnes	564.3	496.2	109.1
· Domestic waste	tonnes	1,857.0	2,258.3	2,094.1
Non-hazardous waste intensity	tonnes / ten million RMB	2.7	2.6	1.9
Total hazardous waste	**tonnes**	238.7	188.6	209.4
Hazardous waste intensity	tonnes / ten million RMB	0.21	0.16	0.15

Notes:

1. The environmental KPIs data include all the production bases operated by Smoore.

2. Our reporting on waste gas and greenhouse gases (GHG) emissions mainly based on the requirements in the How to Prepare An ESG Report published by the Stock Exchange of Hong Kong Limited and the GHG Protocol Corporate Accounting and Reporting Standard (Revised Edition) published by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD).

3. GHG emissions are measured in carbon dioxide equivalent (CO$_2$e). 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) internally consumed by the Group.

4. Our total energy consumption includes purchased electricity and non-renewable fuels consumed and the relevant conversion factors reference from the *Technical Note: Conversion of Fuel Data to MWh* published by CDP.

5. Environmental data intensity is calculated by dividing the total GHG emissions, resource consumption and total waste produced by the annual total revenue of the Group.

6. Our emissions factors used in the GHG emission calculations are referenced from the latest version of the *How to Prepare An ESG Report* published by the Stock Exchange of Hong Kong Limited.

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Social Key Performance Indicators		2023	2022	2021
Employees				
Total number of employees		**13,306**	**16,373**	**16,623**
By gender	Male	6,171	7,865	8,098
	Female	7,135	8,508	8,165
By employment category	Full-time employment	13,306	16,373	16,263
	Part-time employment	0	0	0
By age	Below 20 years old	542	891	529
	21-40 years old	10,794	13,506	14,050
	41-50 years old	1,832	1,836	1,526
	Above 51 years old	138	140	128
By region	China mainland	11,556	14,787	16,241
	Overseas (including Hong Kong, Macao, and Taiwan)	1,750	1,586	22
Average monthly employee turnover rate				
By gender	Male	7.3%	5.0%	5.6%
	Female	6.8%	4.3%	5.1%
By age	Below 20 years old	9.5%	4.5%	6.5%
	21-40	7.3%	4.8%	5.4%
	41-50	4.6%	3.5%	3.9%
	Above 51 years old	3.7%	2.6%	2.0%
By region	China mainland	7.7%	5.1%	5.4%
	Hong Kong	0.0%	0.8%	0.8%
	Overseas	1.1%	0.1%	0.6%

Social Key Performance Indicators		2023	2022	2021
Employee training				
Total employee training hours (hours)		**494,311**	**791,740**	**1,209,853.3**
Percentage of trained employees		**100%**	**100%**	**98%**
Average training hours per person (hours)		**37.1**	**48.4**	**76.1**
By gender	Male (hours)	41.8	55.4	78.9
	Female (hours)	33.2	41.8	72.7
By employment category	Senior management (hours)	30.3	33.8	41.5
	Middle management (hours)	32.9	38.3	25.5
	General and technical personnel (hours)	37.7	49.4	77.3
Suppliers				
Total number of suppliers		**453**	**412**	**245**
By region	China mainland (PCS)	418	386	233
	Overseas (including Hong Kong, Macao, and Taiwan) (PCS)	35	26	12
Anti-corruption				
Number of concluded legal cases		**2**	**0**	**1**

Notes:

1. The social KPIs data covers the production and operation scope of the whole Group. Unless otherwise stated, our reporting on social KPIs mainly makes reference to the calculation methodologies stated in the *How to Prepare An ESG Report* published by the Stock Exchange of Hong Kong Limited.

2. Average monthly employee turnover rate is calculated by averaging the monthly turnover rates during the reporting period. The turnover rate in each month is calculated by the number of employees who left in a specific month/ (total number of employees at the beginning of that month + total number of employees at the end of that month)/2*100%.

3. During the reporting period, the former employees involved in the two concluded corruption litigation cases have been judicially convicted of bribery and sentenced to imprisonment in accordance with the law.

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Appendix 2: The Content Index of ESG Reporting Guide

The Content Index of Environmental, Social and Governance Reporting Guide of HKEX

Aspects		Description	Section
A. Environment			
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.	Environment: Green Operation
	A1.1	The types of emissions and respective emissions data.	Environment: Green Operation Appendix 1
	A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environment: Green Operation Featured Topic: Combat Climate Change Appendix 1
	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environment: Green Operation Appendix 1
	A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environment: Green Operation Appendix 1
	A1.5	Description of emissions target(s) set and steps taken to achieve them.	Environment: Green Operation Featured Topic: Combat Climate Change
	A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Environment: Green Operation

Aspects		Description	Section
Aspect A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water, and other raw materials.	Environment: Green Operation
	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Environment: Green Operation Appendix 1
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Environment: Green Operation Appendix 1
	A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Environment: Green Operation Featured Topic: Combat Climate Change
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Environment: Green Operation
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Environment: Green Operation Appendix 1
Aspect A3: The Environment and Natural Resources	General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	Environment: Green Operation Featured Topic: Combat Climate Change
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environment: Green Operation
Aspect A4: Climate Change	General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Featured Topic: Combat Climate Change
	A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Featured Topic: Combat Climate Change
B. Social			
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, antidiscrimination, and other benefits and welfare.	Social: Shaping Talent and Building Dreams
	B1.1	Total workforce by gender, employment type (for example, full- or part- time), age group and geographical region.	Social: Shaping Talent and Building Dreams

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Aspects		Description	Section
Aspect B1: Employment	B1.2	Employee turnover rate by gender, age group and geographical region.	Social: Shaping Talent and Building Dreams
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.	Social: Shaping Talent and Building Dreams
	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Social: Shaping Talent and Building Dreams
	B2.2	Lost days due to work injury.	Social: Shaping Talent and Building Dreams
	B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Social: Shaping Talent and Building Dreams
Aspect B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Social: Shaping Talent and Building Dreams
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Social: Shaping Talent and Building Dreams
	B3.2	The average training hours completed per employee by gender and employee category.	Social: Shaping Talent and Building Dreams
Aspect B4: Labor 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 or forced labor.	Social: Shaping Talent and Building Dreams
	B4.1	Description of measures to review employment practices to avoid child and forced labor.	Social: Shaping Talent and Building Dreams
	B4.2	Description of steps taken to eliminate such practices when discovered.	Social: Shaping Talent and Building Dreams
Aspect B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	Governance: Corporate Governance
	B5.1	Number of suppliers by geographical region.	Appendix 1
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Governance: Corporate Governance

Aspects		Description	Section
Aspect B5: Supply Chain Management	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Governance: Corporate Governance
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Governance: Corporate Governance
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.	Product: Responsible Manufacturing
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product: Responsible Manufacturing
	B6.2	Number of products and service related complaints received and how they are dealt with.	Product: Responsible Manufacturing
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product: Innovation-driven Development
	B6.4	Description of quality assurance process and recall procedures.	Product: Responsible Manufacturing
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Governance: Corporate Governance
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.	Governance: Corporate Governance
	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.	Appendix 1
	B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Governance: Corporate Governance
	B7.3	Description of anti-corruption training provided to directors and staff.	Governance: Corporate Governance

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Aspects		Description	Section
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.	Social: Work Together
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	Social: Work Together
	B8.2	Resources contributed (e.g. money or time) to the focus area.	Social: Work Together

Appendix 3: Policy List

■ List of Main Applicable Laws and Regulations

Category	Name of Laws and Regulations
Environment	Environmental Protection Law of the People's Republic of China
	Environmental Protection Tax Law of the People's Republic of China
	Water Law of the People's Republic of China
	Law of the People's Republic of China on the Prevention and Control of Water Pollution
	Law of the People's Republic of China on the Prevention and Control of Environmental Noise Pollution
	Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes
	Law of the People's Republic of China on the Prevention and Control of Air Pollution
	Law of the People's Republic of China on Environmental Impact Assessment
	Cleaner Production Promotion Law of the People's Republic of China
	Circular Economy Promotion Law of the People's Republic of China
	Integrated Emission Standard of Air Pollutants
	Integrated Wastewater Discharge Standard
	Emission Standard of Odor Pollutants
	Emission Standard for Environmental Noise at Boundary of Industrial Enterprises
	Standard for Noise Limits at Boundary of Construction Site

Category	Name of Laws and Regulations
Labor	Labor Law of the People's Republic of China
	Labor Contract Law of the People's Republic of China
	Production Safety Law of the People's Republic of China
	Safety Law of the People's Republic of China on Special Equipment
	Law of the People's Republic of China on the Protection of Women's Rights and Interests
	Law of the People's Republic of China on the Prevention and Control of Occupational Diseases
	Social Insurance Law of the People's Republic of China
	Trade Union Law of the People's Republic of China
	Regulations on Industrial Injury Insurance
	Regulations on Emergency Response to Production Safety Accidents
	Provisions on the Prohibition of Child Labor
Product Responsibility	Trademark Law of the People's Republic of China
	Patent Law of the People's Republic of China
	Anti-Unfair Competition Law of the People's Republic of China
Anti-fraud and Corporate Governance	Anti-Money Laundering Law of the People's Republic of China
	Anti-Monopoly Law of the People's Republic of China
	Company Law of the People's Republic of China
	Securities Law of the People's Republic of China
	Interim Provisions on the Prohibition of Commercial Bribery
	Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
	Governance Standards for Listed Companies
	Basic Norms of Enterprise Internal Control
	Trade Union Law of the People's Republic of China
	Companies Ordinance (Chapter 622)