

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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ABOUT THE REPORT

Reporting Scope

Smoore International Holdings Limited (“**Smoore**” or the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**” or “**we**”) are pleased to present the Environmental, Social and Governance (“**ESG**”) Report 2021 (this “**Report**”) to report our sustainability strategies, policies and performance in the past year to the stakeholders. Unless otherwise stated, the reporting scope of this Report covers the two main business segments of the Group:

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

Reporting Period

The reporting period of this Report is from 1 January 2021 to 31 December 2021 (the “**Reporting Period**”).

Reporting Standards

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

Reporting Principles

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

Materiality	Balance	Quantitative	Consistency
<ul style="list-style-type: none">• Definition: This Report should disclose the issues which have significant impacts on economy, environment and society, or on the assessments and decisions of stakeholders of the Group.• Responses from Smoore: We have focused on the current material sustainability issues through communicating with stakeholder as well as considering the business nature and development of the Group.	<ul style="list-style-type: none">• Definition: This Report should report both positive and negative information and present an unbiased picture of the sustainability performance of the Group.• Responses from Smoore: In this Report, the Group disclosed its achievements in sustainability as well as the challenges to fully reflect its performance and development.	<ul style="list-style-type: none">• Definition: The key performance indicators (KPIs) stated in the Report need to be measurable.• Responses from Smoore: The Group would disclose its environmental and social KPIs in a quantitative manner, where appropriate.	<ul style="list-style-type: none">• Definition: Consistent methodologies should be employed in preparing the ESG report. Otherwise, the Group should explain any changes in methodologies, to allow meaningful comparisons of ESG data in the future.• Responses from Smoore: The Group has adopted a consistent reporting framework and statistical methodology to enable meaningful comparisons of ESG data over time. Any changes to the methodology used are detailed in this Report for stakeholders' reference.

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Feedback

Valuable opinions from stakeholders have always been an essential part of promoting the sustainable development of the Group. If you have any comments or recommendations on this Report, please contact us at IR@smooreholdings.com.

SUSTAINABLE BUSINESS HIGHLIGHTS

We are pleased to present our progress made in sustainability in 2021 as a result of our ongoing efforts to achieve sustainable business development.

Economic Highlights

Total revenue of the Group was approximately

RMB **13.76** billion

Revenue growth was approximately

37.4%

Retail outlets are available in more than

50 countries across the globe, including China, U.S., France and U.K.

The new-generation of automated production lines developed by the Group has commenced production in 2021, reaching a record single-line production

efficiency of **7,200** standard vaping devices per hour

During the Reporting Period, the Group continued to introduce research and development (R&D) talents, with more than

1,200 R&D personnel

Environmental Highlights

Established the Environmental Target:

Achieve scope 1 & 2 carbon neutrality in 2050



16%

The Greenhouse Gas emission intensity in 2021 was 54.2 tCO₂e/RMB'0 000 000, representing a fall as compared with 2020 of approximately

Water consumption intensity in 2021 was 585.7 m³/RMB'0 000 000, representing a fall as compared with 2020 of approximately

9.4%



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Social Highlights

Total number of employees

16,263

The ratio of male to female employees

1.00 : 1.01

Funds invested in charitable activities reached

RMB 11,300,000

Total training hours exceeded

3,460,000 hours

Employees participating in volunteer work for more than

500 hours

Average training hour per employee was approximately

76 hours

The areas of contribution included

Community Involvement

Poverty Alleviation

Flood Relief

Anti-epidemic support

Youth Learning and Development

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ABOUT THE GROUP

Established in 2009, Smoore International has been listed in Hong Kong since 2020 (stock code: 6969), and is a global leader in offering atomization technology solutions. We operate across the globe, including but not limited to China, U.S., U.K., France and Japan. The Group possesses advanced R&D technologies, strong manufacturing capabilities, a broad product portfolio and a diversified customer base.

Our Corporate Culture

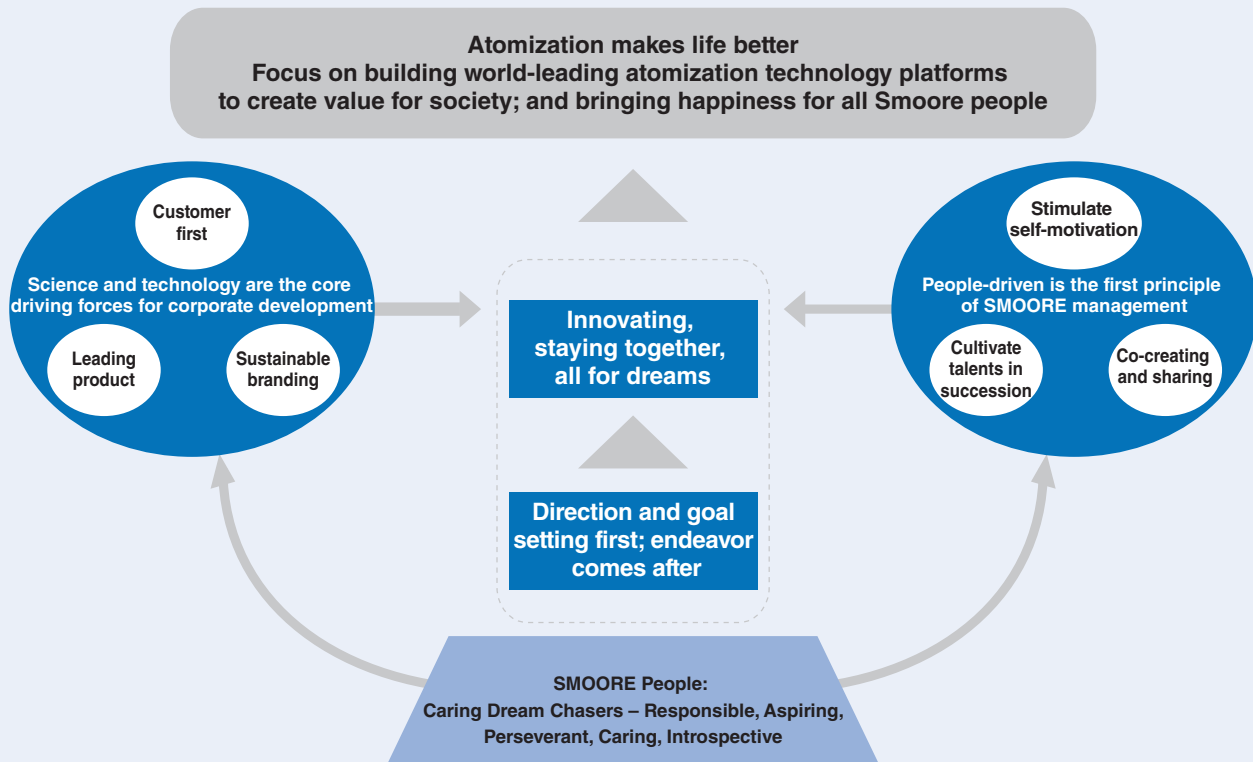
To plan ahead for the future and reflect on past successful experience, we explored and refined the concepts that contribute towards the success of Smoore and summarized into the “SMOORE Dream Declaration” released in 2021, which clearly defines our cultural philosophy and basic principles for our actions, and will continue to build a talent team with Smoore culture. We hoped that “SMOORE Dream Declaration” could be integrated into our employee’s mind and upheld as our common principles that will be embedded along their career growth, allowing them witness the power of dreams.

The following outlines the key elements of our corporate culture:

Corporate Mission:	Atomization makes life better
Corporate Vision:	Focus on building world-leading atomization technology platforms to create value for society; and bringing happiness for all Smoore people
SMOORE People — Caring Dream Chasers:	Responsible, aspiring, perseverant, caring, introspective
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
Management Philosophy:	Stimulate self-motivation, cultivate talents in succession, co-creating and sharing
Business Philosophy:	Customer first, leading product, sustainable branding

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The following is the model of our logic of success:



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Business Overview

The business of the Group mainly consists of two business segments. We are dedicated to driving the overall economic development through technological innovation and a responsible business model. The Group expanded its product categories in 2021, including the exploration of market opportunities for heat-not-burn (“HNB”) products. In relation to branding and marketing, the Group continued to increase the influence of its own brand (such as Vaporesso) and the ceramic vaping technology brand (such as FEELM) to lay a solid foundation for the sustainable growth of revenue.

2021 Financial Performance Summary

Total revenue was approximately RMB 13.76 billion	Revenue growth was approximately 37.4%	Possessed 15 production bases 7 basic research centers	Retail outlets are available in more than 50 countries across the globe, including China, U.S., U.K. and France, etc.
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Business Model



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

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



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Strategic Direction

Product Research and Development	Production and Operation	Production Capacity Expansion	Sales of Products
<ul style="list-style-type: none"> Adhere to the technology-leading strategy, continue to increase investment in R&D Keep abreast of the demands of consumers and markets, so as to design more competitive and innovative products in a targeted manner 	<ul style="list-style-type: none"> Increase the level of production automation and intelligence to enhance production efficiency and optimize supply chains 	<ul style="list-style-type: none"> Advance its capacity expansion plan in an orderly manner, laying the foundation for new market opportunities 	<ul style="list-style-type: none"> Strengthen in-depth cooperation with existing large-scale original design manufacturer (ODM) clients, fully understand and timely respond to their needs and provide strong support for clients' business growth

Development Path

2009 Founding	<ul style="list-style-type: none"> Establishment of Smoore Shenzhen Technology Co., Ltd
2012	<ul style="list-style-type: none"> Started exporting our products to the U.S.
2015	<ul style="list-style-type: none"> Launched our self-branded Vaporesso in the U.S. market Exported our products and expanded our distributor network to Europe Awarded the "High and New Technology Enterprise Certificate" (高新技術企業證書) by Shenzhen Science and Technology Innovation Commission (深圳市科技創新委員會) together with three other government authorities Listed on the National Equities Exchange and Quotations (NEEQ)
2016 Launched ceramic heating technology for the first time	<ul style="list-style-type: none"> Introduced the first ceramic heating technology into the market
2017	<ul style="list-style-type: none"> Established our first basic research center
2018	<ul style="list-style-type: none"> "FEELM" was awarded the "Golden Leaf Award" by Tobacco Reporter and Vapor Voice Magazines



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2019

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

2020

- “FEELM” was awarded the “iF Design Award” by iF Industrie Forum Design
- Listed on the HKEX on 10 July (stock code 6969.HK)



2021

- “Vapresso” was awarded the “Red Dot Award for Product Design” by the German Red Dot Award Judging Committee
- “Feelm” was awarded the “American Muse Design Award” by International Awards Associates (IAA)
- “Feelm” was awarded the “German Design Award” by the German Design Council
- The new-generation of automated production lines developed by Smoore has commenced production, reaching a record single-line production efficiency of 7,200 standard vaping devices per hour
- Established three new basic research centers
- Smoore officially released the “Smoore Vision Statement” as the core framework of our corporate culture of the Group.



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Awards and Recognitions

Enterprise Development	<ul style="list-style-type: none"> Selected by the Shenzhen Enterprise Confederation (深圳市企業聯合會) and the Shenzhen Entrepreneurs Association (深圳市企業家協會) as “Shenzhen Top 500 Enterprises” (深圳500強企業) Received the “Six Categories of Top 100 Companies in Bao'an District” (寶安區六類百強企業) and the “Tax Benchmark Enterprise in Bao'an District” (寶安區納稅標杆企業) awards from the Shenzhen Five Categories of Top 100 Enterprises Association (深圳市五類百強企業聯合會) Received the “National Outstanding Foreign-Invested Enterprises — Top Ten Enterprises in Shenzhen in terms of Turnover” (全國優秀外商投資企業-深圳市十大營業額企業) from the Shenzhen Association of Enterprises with Foreign Investment (深圳外商投資企業協會)
Corporate Governance	<ul style="list-style-type: none"> Selected by the China National Intellectual Property Administration as “National Intellectual Property Advantage Enterprise (2019–2022)” (國家知識產權優勢企業(2019–2022)) Selected by Guangdong Province Administration for Market Regulation (廣東省市場監督管理局) as “Guangdong Province Contract-abiding and Credit-worthy Enterprise” (廣東省守合同重信用企業) Selected as “Integrity and Compliance Demonstration Enterprise in Bao'an District” (寶安區誠信合規示範企業) by the Office of the Working Group for the Construction of Social Credit System of Shenzhen Bao'an District (深圳市寶安區社會誠信體系建設工作領導小組辦公室) and the Office of the Committee for Promoting Corporate Compliance of Shenzhen Bao'an District (深圳市寶安區促進企業合規建設委員會辦公室)
Quality and Innovation	<ul style="list-style-type: none"> An open system vaping product was awarded with the “Red Dot Award for Product Design” by the German Red Dot Award Judging Committee Awarded the “German Design Award” by the German Design Council Awarded the “American Muse Design Award” by International Awards Associates (IAA) Awarded the “Best Accessory of 2021” (1st place) and “Best Mod of 2021” (1st place) by Vaporound Closed system vaping devices won the “Most Concerned Vaping Device Solution of the Year (Smoore Feelm)” (年度最受關注霧化器解決方案(思摩爾Feelm)) in the first Lscar Electronic Cigarette Industry Ranking (藍斯卡電子煙行業榜單) Selected as “Guangdong Outstanding High and New Technology Product” (廣東省名優高新技術產品) by the Guangdong High and New Technology Association (廣東省高新技術企業協會) Selected as “National High and New Technology Enterprise (Moore Jiangmen)” (國家高新技術企業(江門摩爾)) by Jiangmen Science and Technology Innovation Bureau (江門市科技創新局), Jiangmen Finance Committee (江門市財政委員會), and Jiangmen Taxation Bureau of the State Taxation Administration (國家稅務總局江門市稅務局) Selected as “National High and New Technology Enterprise (Smoore)” (國家高新技術企業(麥克韋爾)) by Shenzhen Science and Technology Innovation Bureau (深圳市科技創新局), Shenzhen Finance Committee (深圳市財政委員會), and Shenzhen Taxation Bureau of the State Taxation Administration (國家稅務總局深圳市稅務局) Selected as “National High and New Technology Enterprise (Maishi Technology)” (國家高新技術企業(麥時科技)) by Shenzhen Science and Technology Innovation Bureau (深圳市科技創新局), Shenzhen Finance Committee (深圳市財政委員會), and Shenzhen Taxation Bureau of the State Taxation Administration (國家稅務總局深圳市稅務局)
Human Resources	<ul style="list-style-type: none"> Received “Liepin Guangdong Outstanding Employer of 2021” (獵聘2021廣東年度非凡僱主) award from Liepin (獵聘) Awarded “Approved Employer Certification” by the Association of Chartered Certified Accountants (ACCA)
Caring for the Society	<ul style="list-style-type: none"> Awarded the “Disaster Relief Pioneer Enterprise of the Year” (年度戰疫救災先鋒企業) by Southern Metropolis Daily, Shenzhen Federation of Industry & Commerce (深圳市工商聯(總商會)), PPC Daily culture and media (人民政協·文化傳媒), Corporate Social Responsibility Research Center of Chinese Academy of Social Sciences (中國社科院企業社會責任研究中心) and Shenzhen Charity Federation (深圳市慈善會) Selected as the “Caring Enterprise Donating HK\$5 Million to Henan “7.20” Flood Relief and Disaster Relief” (為河南“7.20”抗洪救災捐款500萬港元 愛心企業) by the China Electronic Chamber of Commerce

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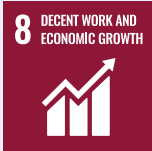


OUR APPROACH TO SUSTAINABLE DEVELOPMENT

Sustainability Strategy

The Group strives to fulfill its corporate social responsibility and sees sustainability as an essential part of our daily operations and business decisions by adhering to the 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” and “bringing happiness for all Smoore people”. Our sustainability strategy is based on the following five core areas, coupled with the United Nations’ Sustainable Development Goals (“SDGs”), aiming at creating a long-term and positive impact on the environment and society.



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

The United Nations has set 17 SDGs to lead the world towards a better and sustainable future. Such goals indicate the global challenges we face, including eliminating poverty, eradicating inequality, climate change, environmental protection, education, health, social protection, economic growth, with an aim to build a more peaceful and prosperous society by 2030, while protecting the planet and boosting economic prosperity.

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Stakeholder Engagement

Constant communication with stakeholders allows us to better understand their expectations, giving us a clearer direction in developing our sustainability strategy. Therefore, regular communication is maintained with our stakeholders to optimize our operating directions and sustainability strategies by collecting their views on sustainability measures of the Group. The business of the Group involves various stakeholder groups, including employees, customers, suppliers, shareholders and investors, government and non-governmental organizations as well as media. The following are the communication channels established for our stakeholders:

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

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Materiality Analysis

During the Reporting Period, we commissioned an independent third party sustainability consultant to conduct a stakeholder survey, and invited different stakeholders to rate the materiality of various sustainability issues to the Group. Our independent third party prioritizes the identified issues based on the results of survey, enabling us to identify material ESG issues and take corresponding actions.

Our materiality assessment consists of the following three main phases:

Phase 1: Identify the ESG aspects

To effectively identify ESG issues that are material to the Group, our independent sustainability consultant conducted in-depth research with reference to the Listing Rules requirements of the HKEX, SDGs, stakeholders' opinions, industry trends on sustainability and media information analysis, to ensure the identified ESG issues fully reflect the nature of the Group's business and the results of previous communications with stakeholders. During the Reporting Period, we have identified 24 sustainability issues that are most relevant to our business.



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

In phase 2, six key stakeholder groups were invited to participate in an online survey to rate the materiality of each sustainability issue to the Group. To prioritize the ESG issues in a more accurate manner, the consultant conducted a quantitative analysis of the materiality of these issues based on the stakeholder's views and the materiality of the issues to the operation continuity and development of the Group's business, then presented the results of the analysis in a matrix form to determine the most material issues from these two perspectives. The most material issues at the stakeholder and the Group levels are the focus of disclosure in this Report



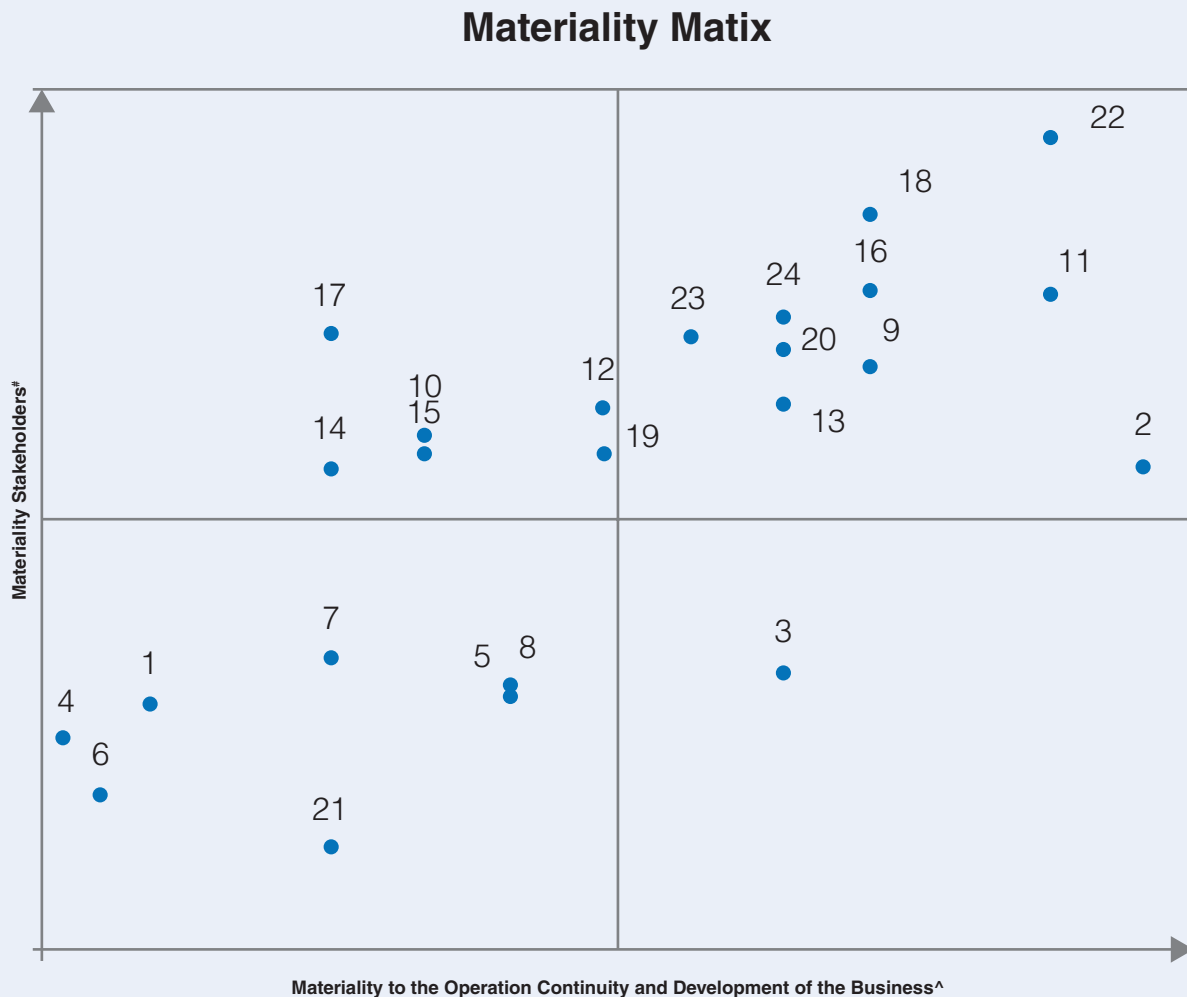
Phase 3: Verify the material issues

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

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

Materiality Matrix



The materiality to stakeholders is determined based on the rating by external stakeholders on the impact of materiality issues on society/ environment.

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

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List of Sustainability Issues

Environment	Society	Economy
<ol style="list-style-type: none"> Air emissions Waste Carbon emissions and energy Water resources Packaging material consumption Climate-related risks Green procurement Environmental risks from the supply chain 	<ol style="list-style-type: none"> Employee benefits Equal opportunity, diversity, anti-discrimination Occupational health and safety Employee development and training Employment compliance Social risks from the supply chain Transparency and traceability of raw materials Product certification, quality and safety Customer service Intellectual property management Marketing, advertising and product labeling Anti-corruption Community investment Product development and innovation 	<ol style="list-style-type: none"> Economic performance Business expansion

Top Ten Issues Identified

Top Ten Issues	Related Chapters/Sub-units
Waste	— Waste management
Employee benefits	— Compensation and benefits
Occupational health and safety	— Health and safety
Employment compliance	— Labor standards maintenance
Product certification, quality and safety	— Product diversification
Intellectual property management	— Promote product innovation, research and development and intellectual property protection
Anti-corruption	— Anti-corruption
Product development and innovation	<ul style="list-style-type: none"> — Technology platformization — Product diversification
Economic performance	— About the Group
Business expansion	— About the Group

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Opinions from Stakeholders and Our Responses

Caring for employees



It is hoped that the Company can enhance the sense of superiority and belonging of front-line employees through policies including employee welfare and training, allowing the employees to cohere as a whole and grow together, while forging ahead and enjoying happy working and living.

Opinions from stakeholders

Our response

We believe that the talent is the Group's important asset and the core to its success. Therefore, we provide our employees with competitive benefits, clear career development paths and training programs. For details, please refer to the relevant chapters in "**Aspiration — Nurturing Teams of Talents**".

Social Responsibility



The Company should actively undertake social responsibilities with the role of large corporation and conduct welfare and volunteer activities in nearby communities, and recruit internal employees to participate. In the long run, it is hoped that SMOORE will become an excellent enterprise with greater sense of social responsibility.

Opinions from stakeholders

Our response

This year, we have greatly increased our resources for caring for community and broadened the scope of community investment. For details, please refer to the relevant chapters in "**Love — Creating a Sustainable Community**".

Product Responsibility



In the process of product realization, the Company should consider EHS (i.e. environmental, health and safety) risks in advance and determine whether the product will have an impact on the environment.

Opinions from stakeholders

Our response

We attach great importance to environmental protection in the procurement of product materials, and have formulated relevant agreements to regulate the quality, environmental performance and the compliance of suppliers and raw materials. For details, please refer to the relevant chapters in "**Innovation — Creating High-quality Products**".

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Responsible Business Model

Corporate Governance

We believe that the sound corporate governance is not only an element of effective operations, but also the key to advancing sustainable development. The Board is responsible for setting the direction for business strategy and overall business management and providing leadership over departments to ensure our business operations comply with all applicable rules and regulations as well as applicable codes and standards. Governance system is established in accordance with the size and nature of the business of the Group. It clearly outlines the accountability of management team to ensure that the system is sound and effective.

The Board has established three Board committees, namely, the Audit Committee, the Nomination Committee and the Remuneration Committee, for overseeing particular aspects of the Company's affairs. All Board committees have established with specific written terms of reference.

Primary Duties of the Board Committees

Audit Committee	<ul style="list-style-type: none">— Conduct critical and objective reviews of the Group's financial reporting procedures, risk management and internal control systems, including considering the nature and scope of statutory audits, reviewing the interim and annual accounts of the Group, approving connected transactions and providing advice to the Board.
Nomination Committee	<ul style="list-style-type: none">— Review the Board composition, make recommendations to the Board regarding the rotation and appointment of Directors and Board succession, and assess the independence of independent non-executive Directors of the Company.— In order to achieve a diversity of perspectives of the Board, the Company considers a number of factors when deciding on appointments to the Board and the continuation of those appointments. Such factors include gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.
Remuneration Committee	<ul style="list-style-type: none">— Make recommendations to the Board on the overall remuneration policy and structure for the Directors and senior management and on the establishment of a formal and transparent process for approving such remuneration policy.— The Remuneration Committee makes recommendations to the Board on the remuneration packages of individual executive directors and senior management. No Director will take part in any discussion on his or her own remuneration.

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Anti-corruption

The Group is dedicated to upholding the highest standards of business integrity, honesty and transparency in all business activities, and regards fairness, integrity and honesty as our core values. We adopt a zero-tolerance attitude towards all acts of corruption, solicitation, bribery, misappropriation of public funds and embezzlement of corporate property. The Group does not tolerate any form of fraud or bribery and has established anti-fraud and anti-money laundering systems to prevent, deter and investigate fraud and bribery. All misconducts such as forging virtual documents, indulging in malpractices, pursuing private interests at the expense of public interests, corruption, receiving kickbacks are strictly prohibited.

In addition, we extend our anti-corruption work to the supply chain level to ensure employees adhere to the principle of fairness and equity in selecting suppliers and the performance of suppliers in anti-corruption is strictly reviewed. Suppliers are required to sign the Anti-Commercial Bribery Agreement (《反商業賄賂協議》) before cooperation to confirm that appropriate anti-corruption management system is in place to comply with our terms of cooperation. Compliance of suppliers will be constantly monitored. In case of any violation of the agreement, we will conduct an in-depth investigation and report it to the law enforcement agencies. Employees who offer or accept bribes will be subject to punishment.

To ensure the source of funds and background of customers, we have established a sound customer identification system to avoid transactions with customers with unidentified fund source or background. Furthermore, all business units are required to report to the management on any suspicious cases and suspend related business transactions. The management will then set up a special investigation team to investigate and cooperate with local government authorities if necessary. Specific guidelines for business activities are formulated. In case of any violation, the employees involved will be subject to punishment; in severe cases, the labor contract will be terminated.

To establish a reputation for integrity, during the Reporting Period, we provided our employees with training on Creating a Bribery-free Working Environment (《共創廉潔工作環境》), which covered trade secret protection, job crime prevention and anti-corruption. Annual anti-money laundering training will also be conducted by our legal department for employees to ensure that they are aware of the latest requirements of relevant laws and regulations. We will check the list of customers quarterly to review their legitimacy, and cross-check with the anti-money laundering blacklist (e.g. list of wanted criminals and terrorists, and anti-money laundering blacklist of the related regulatory authorities).

Whistleblowing Mechanism

Employees are encouraged to report any suspected improper and unlawful conducts. Comprehensive whistleblowing mechanism is in place, providing clear guidelines for reporting illegal or unethical conducts. Employees or other stakeholders can report or expose fraud through various channels such as reporting telephone, mailboxes, emails, official account of the social platform and official website of the Group. All reported incidents are handled confidentially to ensure that the whistleblower is protected from any retaliation such as unfair dismissal, persecution or unreasonable disciplinary action.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Sustainability Governance



The Board has full responsibility for the ESG strategy and reporting of the Group, while the CEO is assigned to formulate work plans and objectives for the ESG strategy, as well as review and implement ESG-related policies and measures. The CEO is responsible for advising the Board on the followings:

- Review, approve and report on the ESG objectives and metrics, strategies and management approaches of the Group
- Identify, review and report to the Board on major ESG-related trends, risks and opportunities
- Monitor sustainability issues, trends and best practices that may affect the Group's business operations and performance
- Monitor, review, evaluate actions and initiatives to promote sustainability
- Review any ESG-related violations and non-compliance with applicable laws, rules and regulations
- Review the Group's public reporting/ESG report on its sustainability performance and provide advice to the Board

During the Reporting Period, we established an ESG task force to promote the implementation of ESG management, ESG strategies and work plans for achieving the objectives of the Group. The task force is comprised of sixteen department heads from each business unit, and chaired by the CEO. Each member represents different business areas, including finance, human administration, procurement, safety and environmental protection, information technology, internal audit, government affairs, legal intellectual property and investor relations. The task force is responsible for identifying ESG-related risks and opportunities, implementing sustainability policies, procedures and measures and collecting ESG information and data for ESG disclosure.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Sustainability Risk Management

The Board acknowledges that it has full responsibility for the risk management of the Group as well as managing the significant ESG-related risks. Therefore, we undertook ESG-related risk assessments during the Reporting Period and incorporated risk management into corporate governance and daily management. We first identify the potential ESG risks of the Group by identifying major ESG trends and issues, peer analysis, collecting opinions from stakeholders and assessing the nature of the business, and prioritize them according to the degree of impact and possibility of each risk on the Group. We will then formulate strategies and measures for major ESG risks, and regularly evaluate and monitor the effectiveness of the measures, as well as propose improvement plans when necessary. The ESG task force shall ensure that imminent or potential crises or issues as well as policies and procedures are followed up in a timely manner, and reported to the Board through the CEO to avoid or mitigate risks. We understand the broad implications of climate change and ESG risks. In the face of frequent extreme weather, feasible measures including purchasing natural disaster compensation insurance for factory buildings, equipment and inventories are taken, to reduce major losses caused by heavy rains, floods or typhoons.

INNOVATION — CREATING HIGH-QUALITY PRODUCTS



As a world-leading atomization technology platform, the Group recognizes “science and technology” as the driving forces for us to continuously optimize product quality. “Science” focuses on the discovery and research of the principles of the physical world and basic technologies. “Technology” focuses on the application effects of transformational discovery and research.

Vision: Focus on building world-leading atomization technology platforms

Core value: Science and technology are the core driving forces for corporate development

ESG Summary	
The total number of patents applied in the PRC and beyond was 3,408	The total number of suppliers was 245

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Technology platformization

Our strong R&D capability is a critical factor for us to establish and maintain our global leading position in the market. Beyond every effort made to ensure product safety, the Group also strives to actively invest in scientific research and pay close attention to the practical application of new technologies, and upgrade our unique atomization technology. Our research work involves different stages, including basic exploratory research, fundamental knowledge advancement, applying scientific theories to conduct new technology development and project incubation. We will then further apply and test such technology to ensure the mass production of our products. As of 31 December 2021, we had 1,254 R&D personnel.

R&D Platform

Basic Research Centers	— During the Reporting Period, the Group has a total of 7 basic research centers in the PRC and beyond, which are engaged in vaping mechanism, material research, medical research, innovative vaping devices research, safety and health research, respectively.
Technology Center	— Based on the research results from basic research centers, our technology center subsequently applies these scientific theories to the research and development of new technologies and project incubation.
Technology Industrial Center	— After new technologies are developed, our technology industrial center will apply and test such technologies for the mass production of our products.
Product Development Team	— Each product division of the Group has established a product development team to develop more competitive products for customers by making full use of basic research results based on market and customer needs.

The Group is committed to pursuing breakthroughs in scientific research. We expect to keep creating consumer-friendly products in order to enhance our market competitiveness. Therefore, we regard technology as the core to achieve a leading role in products, and look forward to further optimizing existing products through the launch of innovative technologies. The Group's sustainable growth is attributable to the professional team that we are proud of. We make active endeavors to create an open and inclusive working environment for our employees, and encourage them to think from different perspectives and embrace different ideas and suggestions. We also provide high-quality training courses to R&D personnel. Taking the "technology deepening" strategy as an important entry point, we will introduce leading innovative thinking methodologies and theoretical systems.

Empowered by Core Technology — Complete PMTA Test & Analysis Independently

Our analysis and testing center has successfully obtained CNAS and UL8139 certification, and has become a laboratory that can independently complete the requirements under PMTA guidelines, to strictly conduct the test and analysis of all toxic and hazardous substances and the corresponding health and safety risk assessment.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Product Diversification

Since the development of business, our products now are sold to more than 50 countries and regions at home and abroad, including the United States, Europe and Japan. We actively establish good cooperative relationships with global customers, including the leading tobacco companies and independent system vaping companies, and strive to explore development opportunities of different products for them. By having an edge on independently developing and integrating innovative technologies, we are able to maintain high quality requirements from product design to technology in a view to provide customers with premium system vaping devices. In order to further expand our customer base, we have launched varied products to meet the needs of different customers, including closed system vaping devices and self-branded open system APV, etc. In addition, we are actively developing atomization medical products and atomization beauty products to enable the widespread use of atomization technology.

FEELM's New Self-developed Heating Element

Trans-scientific research

Breakthrough in the balance between industrial design aesthetics and practicality

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

Careful raw material sourcing	— Perform sample check on raw materials, isolate unqualified batches and provide feedback or send the goods back to the supplier when necessary
Strict control of semi-finished products	— Inspect the first semi-finished product of each production line everyday. Only products from those passed line are allowed to move on to the next stage. Lines with abnormality will be suspended to allow further analysis
Close monitoring of production process	— Stringent quality testing on critical control point of production process will be conducted to ensure smooth operation
Rigorous test of -finished products	— Every batch of final products, which is sent to the warehouse, will be tested for their quality and performance to ensure that customers' requirements are met. Final sample check will be conducted before delivery

The Group attaches great importance to the design and practicality of products, and strives to integrate the three elements of innovation, quality and safety into the control of product quality. To ensure product quality, the Group has formulated a comprehensive quality management system in accordance with the ISO9001:2015 international standard. We have also established the industry's first medical-grade factory that have obtained GMP and cGMP certificates, with an aim to maintain professional production technology.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In addition, we also have a quality control team specifically responsible for setting quality control standards and handling customer complaints. The team is also responsible for implementing a series of quality control measures and closely monitoring the entire production process. All products have comprehensive batch manufacturing records and bear product quality traceability, which enable us to track the product quality during the entire production process. Finally, the products are also subject to multiple testing procedures, including: chemical analysis, physical testing, structural characterization testing, product evaluation, etc. Our testing procedures have also received the “Laboratory Accreditation Certificate” from the China National Accreditation Service for Conformity Assessment, which makes our testing data and results more credible. Physical testing includes battery reliability testing and product functional testing, while chemical analysis includes testing and analyzing the components of our closed system vaping devices, to ensure that the leachable and extractable substances and aerosols of these components comply with relevant regulations and standards of the jurisdictions where our products are sold.

Promoting Product Innovation, Research and Development and Intellectual Property Protection

We protect our intellectual property rights in strict compliance with the intellectual property protection laws related to patent, trademark and copyright, fair trade practices and confidentiality agreements. In an aim to ensure compliance with intellectual property laws and reduce business risks related to infringement and breach of confidence, the Group has established a sound security system for trade secrets to prohibit leaking intellectual property rights to third parties or unauthorized plagiarism through strict authorization control and confidentiality protection in R&D, production and other business activities. In addition, in the induction process, we require all employees to sign an employment contract, the terms of which stipulate that the Group owns all the inventions, trade secrets, research and development achievements and other crafts developed or created by the employees on our behalf. Serious offenders will be terminated from employment without compensation and may be subject to legal action. After leaving the company, the senior management still have to assume the same confidentiality obligations as during their tenure, and shall not use confidential information without authorization, regardless of the reason for terminating the labor relationship with the company.

Furthermore, the Group has obtained numerous design and development patents in the field of vaping technology. As of 31 December 2021, the Group has applied for 3,408 patents in the PRC and beyond.

Industry Recognition

Since our inception, our own technology brands have been highly recognized by the industry. In 2016, we launched our first generation of heating technology. It was more efficient and effective in absorbing and vaporizing high viscosity extracted e-liquid as compared to conventional wick-based coil. We then also researched the second generation “FEELM”, which combines metallic films with ceramic materials to achieve improvements in material and structural science. Such technology also won the “Golden Leaf Award” from Tobacco Reporter and Vapor Voice Magazine in 2018.

We never slack off in the research of system vaping technology, and focus on building world-leading atomization technology platforms. In addition to the two heavyweight awards from Vapouround — Industry Leader and Innovation of the Year in 2020, the Group maintained its success in 2021, and was awarded the first place in Best Accessory of 2021 and the first place in Best Mod of 2021 by Vapouround, the most authoritative and influential media in the global vaping industry. The awards are definitely a full recognition on our growth journey.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Responsible Supply Chain Management

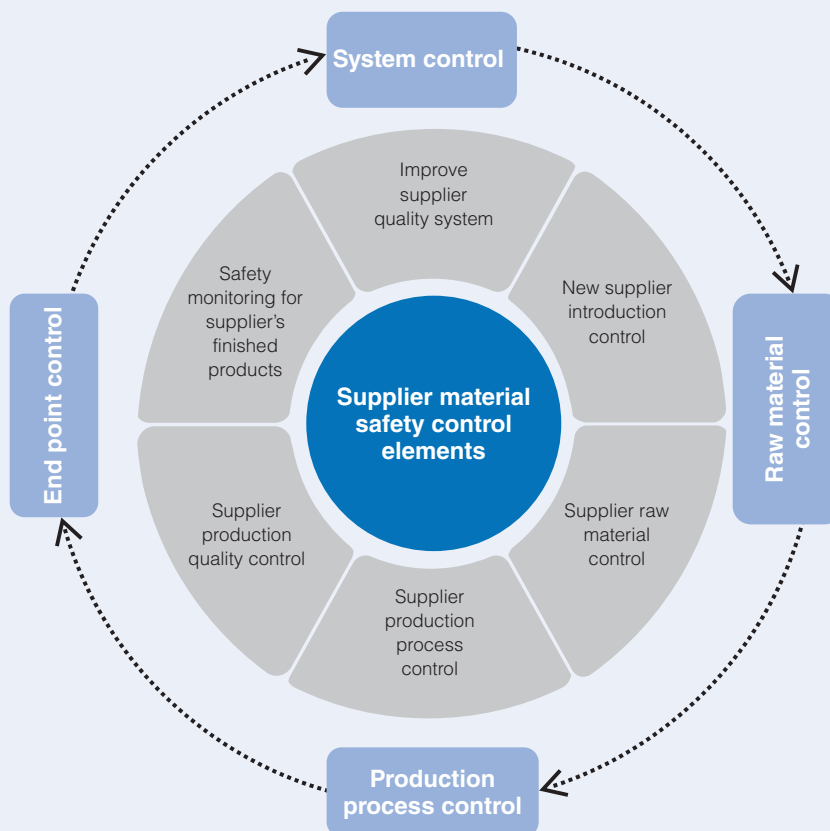
We are committed to working closely with our suppliers and establishing fair and equal relationships. To ensure the integrity and smooth operation of our production system, we have developed the Procurement Management Code (“Code”) for all suppliers. Suppliers are engaged based on the merits by evaluating the production capacity, quality assurance and technical requirements of suppliers. The Code also specifies the means, scoring standards and reward and punishment mechanism for supplier audits. We assess the performance of suppliers on a fair and open basis in four aspects: quality, delivery, cost and service. Suppliers at home and abroad will be screened and managed according to the above process to ensure that all links of the supply chain meet the standards and safety requirements through strict control measures. We will disqualify the suppliers who fail to meet the Group’s assessment criteria.

As of 31 December 2021, the number of suppliers by region was as follows:	
233 Mainland China	12 Other countries and regions

Meanwhile, we also attach great importance to the performance and risks related to sustainable development of our suppliers. During the Reporting Period, we incorporated the environmental and social risk assessment of the supply chain ESG into the ESG-related risk assessment of the Group. In terms of the identified ESG risks of the supply chain, we have formulated risk response strategies and would monitor the results to avoid or reduce risks. We also focus on the performance of environmental and social responsibility of suppliers in the selection of new suppliers and the annual review of suppliers. The Group requires the suppliers to sign the Purchase (Quality Assurance) Agreement (《採購(質量保證)協議》) and the ROHS/REACH (SVHC) Declaration (《ROHS/REACH(SVHC)聲明書》) to regulate the quality, environmental performance and compliance of suppliers. For example, we demand suppliers to make environmental protection commitments, to ensure that the hazardous substances contained in raw materials do not exceed the limits required by the EU RoHS Directive, so as to protect the health of customers. We also promote the recycling and disposal of waste electrical and electronic devices to meet environmental requirements. Suppliers are required to conduct regular ROHS/REACH (SVHC) tests for their products by third-party testing agencies and on provide valid reports. In order to procure suppliers to shoulder social responsibilities, we conduct due diligence to each supplier before signing contracts with them to ensure they comply with all the laws and regulations related to human rights. We incorporate social responsibility elements into the annual evaluation process of suppliers, and terminate contracts with suppliers who have violated regulations. Furthermore, we strictly prohibit any bribery and corruption through the Integrity Cooperation Agreement (《廉潔合作協議》).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

To ensure that the procurement procedures are open, transparent, efficient, legal and compliant so as to reduce procurement costs and to build a flexible and responsive supply chain, we also enhance the professionalism of the procurement personnel and standardize the procurement processes. Each business unit also adopts a mode of centralized procurement of resources to obtain competitive procurement costs.



Stringent Raw Material Inspection

The Group only purchases raw materials from qualified suppliers of raw materials that have passed quality and reliability assessments. Our quality control system is designed to identify and deal with defective raw materials early in the production process. For that reason, we conduct quality inspections throughout the entire procurement process. Firstly, sample tests would be conducted for the raw materials before confirming the purchase order. Before the delivery of raw materials, we will designate quality control staff to conduct on-site inspections at manufacturing bases of some suppliers. After the delivery of raw materials, we also conduct random sampling tests on the submitted raw materials to ensure that the quality of raw materials meets our strict requirements.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group attaches great importance to the quality and safety of raw materials. Therefore, we carry out a comprehensive and thorough safety assessment of all raw materials, which includes four areas: extractables research of material structure and composition, migration research, material safety risk assessment and toxicity analysis. Upon the completion of the safety assessment, we eliminate hazardous raw materials and finally formulate a qualified purchasing list for suppliers. Our suppliers can only purchase raw materials from the list, thus raising the monitoring point of raw materials to the most upstream of the supply chain and providing multiple guarantees for product quality.

COMMITMENT – MARKETING RESPONSIBLY

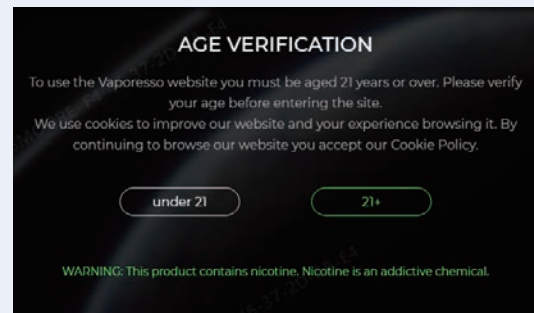


We strive to treat our current and potential customers with a humble and sincere attitude, actively respond to their needs, and make best efforts to ensure our products and services exceed our customers' expectations and maximize their benefits when using our products. With the belief of helping our customers succeed, we strive to increase their satisfaction and trust in our products and services.

Core value: Leading product, sustainable branding

Promotion, Sales Channels and Services

The Group attaches great importance to the impact of our products on society, customers and the youth, and actively promotes the healthy development of the society. We strictly deal with the communication of information related to products and services, and strive to take all actions to prevent minors from contacting, buying or using our vaping products. In order to shoulder the corporate social responsibility, 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. Since we mainly rely on distributors of our customers to sell our self-branded APV products to end consumers, our business does not involve retail promotion or marketing.



In addition, we have the user manuals of our self-branded APV and closed system vaping devices and the online electronic version of the product manuals clearly state that the product is only for adults and not for use by minors. Product packaging boxes are marked with signs that should be kept away from children. The posts on the official website of the Group contain stern and clear safety tips, reminding that these products contain nicotine ingredients, expecting to achieve a deterrent effect. For the design of our self-branded APV products, we have incorporated elements that can prevent children from misuse, such as requiring users to press the power button five times before starting the program of the device, or filling the system vaping device with e-liquid, etc.

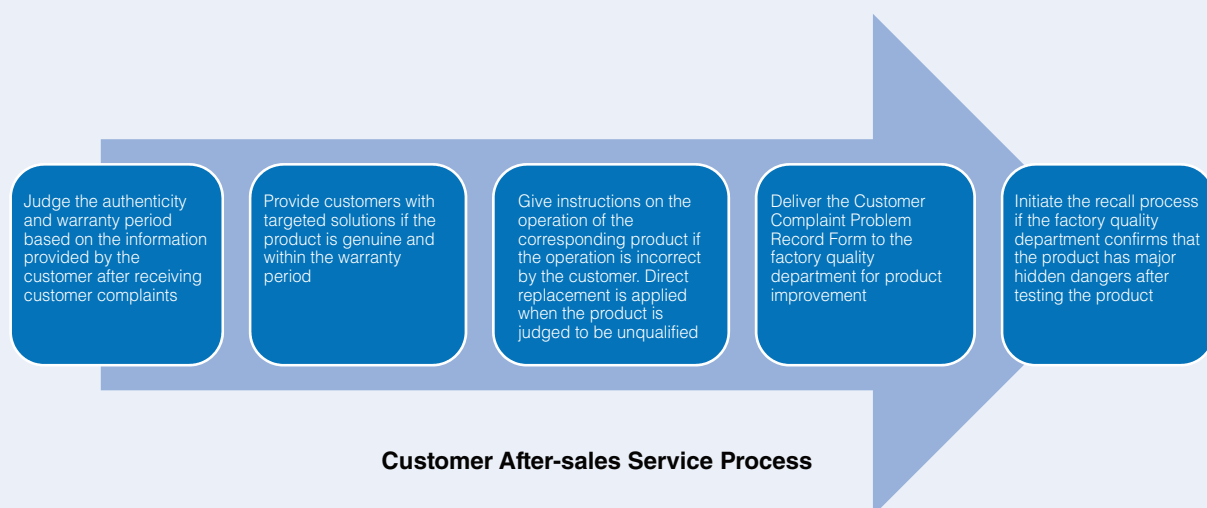
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

After-sales Service

Customers' opinions are an important driving force for the Group's business development to continuously optimize the quality of our products and services. We have formulated complete customer management service system for customers, including Customer Feedback Management Control Procedures and Customer Satisfaction Survey Procedures, and established requirements and processes for quality complaints, product replacement and improvement, etc., in an expectation to systematically meet customers' needs and establish long-term and good relationships with them.

In addition, with an aim to continuously improve customer satisfaction, the sales department of the Group is responsible for conducting an annual customer satisfaction survey online, inviting customers to score product quality stability, price reasonableness, product delivery timeliness and service effectiveness. We conduct statistics and analysis on the collected opinions and data, and then send them to the quality department to take corresponding corrective and preventive measures according to the survey results, and regularly track the implementation. Customers' engagement and satisfaction are critical to our long-term development. We will continue to provide high-quality after-sales service regardless of national boundaries and cherish every customer's opinion and feedback.

The Group provides warranty services for our products, and the warranty period varies depending on the actual situation of the product. When a customer discovers quality defects in our products and files a complaint with us, we will first acquire the details of the defective products from the customer, and require the customer to provide the batch number, product contents, product list and the reason for the defect, so that we can effectively follow up on the complaint case. Depending on the situation, we will provide customers with warranty or replacement services based on the outcome of consultation with customers and our assessment. 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.



Consumer Rights Protection

As the world-leading provider of vaping technology solutions, the Group spares no effort to provide consumers with safety protection to prevent them from incautiously purchasing counterfeit products. Therefore, we have printed all product packaging with Universal Product Code (UPC barcode), which serves as the identification code of the product during the entire logistics process. Such code technology can help integrate the sales data of distributors and stores, realize sales data management, and ensure the compliance of products sold. We enable consumers to buy at ease and ensure that customers can purchase and enjoy genuine products through the anti-counterfeiting code and query system.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Information Security

The Group recognizes the importance of customer privacy protection and takes feasible security measures to prevent the leakage of sensitive business information or personal information. We have formulated the Information Security Management Manual, which requires each department to conduct proper data management in their respective job functions in the form of a confidentiality responsibility system. In respect of trade secrets, such as customer information, supplier information, financial information, etc., we have installed security software and firewalls on the computers of relevant personnel to maintain our data system. We encrypt all confidential and important information files involving data of customers or end-consumers to prevent employees from downloading or exporting files of the company without authorization. If the files of the company need to be transmitted or carried out due to business needs, employees must apply to their superiors and obtain approval before they can copy them to the company's storage device. During the Reporting Period, we established an Information Security Management Committee to promote the implementation of information security management, ensure the Group's information security work is carried out in an orderly manner, effectively control and prevent information system security risks and improve the Group's overall information security management level. The standing members of the Information Security Management Committee include three executive directors of the Group. To comprehensively implement the primary responsibility of the Group's information security, the Information Security Committee guides the Group's establishment of the information security from the overall point of view.

ATOMIZATION – EMBRACING A GREENER FUTURE



In line with the corporate mission of “Atomization makes life better”, we expect to improve people's life quality with the innovation of atomization technology. The Group also shoulders its corporate social responsibility, and strives to reduce the Group's environmental footprint, so as to lead its customers to embrace a new green future.

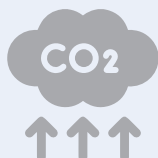
Core value: Direction and goal setting first; endeavor comes after

ESG Summary			
Total waste produced was 2,793.2 tonnes	Scope 1 & 2 GHG emissions were 74,524.8 tonnes of CO ₂ e	Total energy consumption was 122,019.5 MWh	Total water consumption was 805,660 tonnes

Our environmental management system has been awarded the ISO14001 international environmental management system certificate since 2014. We integrate environmental factors into our business operations and hope to effectively manage the environment and energy performance.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Our Environmental Goals



Greenhouse Gas

Implement regulatory measures in an orderly manner, gradually reduce greenhouse gas intensity and achieve scope 1 & 2 carbon neutral by 2050 eventually



Energy

Improve energy efficiency to reduce energy use, explore renewable energy and achieve the target that 30% of total energy will come from renewable source by 2030



Waste

Properly dispose of waste and encourage recycling to reduce generated waste



Water consumption

Make full use of water resources to reduce water consumption

Management of Greenhouse Gas and Waste Gas Emission

The Group is committed to reducing waste gas emission through the implementation of greenhouse gas and waste gas regulatory measures, so as to reduce the burden on the environment. The greenhouse gas and waste gas we generate mainly come from indirect emissions caused by the use of purchased electricity during our operations and direct emissions from the use of fuel by vehicles. To achieve our scope 1 & 2 carbon neutral targets by 2050, we have formulated the Greenhouse Gas Control Procedures and the Waste Gas Management Regulations, to strictly monitor the air pollutant emissions of the Group. We have also set up a Greenhouse Gas Inventory and Voluntary Reduction Implementation Team, responsible for formulating and implementing greenhouse gas emission reduction plans, and rewarding departments with outstanding energy conservation performance.

Waste Management

To ensure proper treatment of waste generated during our operations, we have formulated the Waste Management Regulations and are committed to encouraging employees to make good use of resources and recycle waste through implementing of waste reduction measures in the office. The Waste Management Regulations specifies detailed guidelines for the storage and treatment of non-hazardous and hazardous wastes. In terms of non-hazardous waste, waste cardboard, waste plastic and other waste are collected by qualified third-party sanitation companies for proper disposal or recycling. We have also engaged relevant parties with hazardous waste disposal qualifications recognized by the Environmental Protection Agency to handle hazardous waste such as smoke oil, smoke tubes, atomizers, etc.

Besides, in order to reduce waste at the source, we preset office printers to double-sided printing, and restrict the use of office copiers and printers to reduce paper consumption. We also place recycling bins with clear signs in the office to help staff develop proper waste sorting habits.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Water Resources Management

The Group also strives to prevent water resource waste through regular inspections, so as to reduce our water consumption. The sewage generated by our operations is mainly general domestic wastewater, which is directly discharged into municipal sewage pipelines for comprehensive treatment. In order to prevent the dripping and water loss, our equipment department strives to improve water efficiency by strengthening the inspection of production equipment and office water equipment. We also adopted recycled water in the production process to reduce the amount of new water replenishment. As our water came from the local municipal water supply system, we did not encounter any problems when obtaining applicable water sources during the Reporting Period.

In addition, we are building a system for the comprehensive utilization of rainwater in storage tank for the first-phase production base of the Jiangmen New Industrial Park which collects rainwater into a rainwater collection tank, then diverts it to a fully automatic self-cleaning filter for filtration and ultraviolet sterilizer for disinfection, and finally sends it to the greening system and road flushing system of the construction site. The filtered rainwater will be used for landscaping and road flushing, which is expected to reduce our dependence on tap water and save approximately 3,000 tonnes of water.

Energy Management

In order to reduce the energy consumption of our business operations, the Group has formulated systems related to resource management, including the Management Procedures for Energy Conservation and Emission Reduction, the Management Regulations for Saving Resources, the Control Procedures for Environmental Monitoring and Measurement, with a commitment to improving the level of energy management. In addition, we also actively consider effective energy-saving solutions to enhance energy efficiency. Relevant measures include:

Raising employees' awareness

- Post propaganda in public areas of the office to remind and require staff to ensure that the idle electronic equipment, such as lighting equipment and air conditioners, are switched off, so as to develop good habits in reducing energy consumption

Improving equipment energy efficiency

- Adjust lighting settings in production areas to reduce lighting in non-operating production line areas
- Install temperature, humidity and time control devices and improve the distribution of fume cupboards for air-conditioners to reduce the energy consumption of the central air-conditioning system

Replacing or upgrading equipment

- Adopt air conditioning units with magnetic levitation compressor and frequency control to improve the motor efficiency
- Add heat recovery equipment to the air compressor to recover the heat in the machine in the form of hot water and apply it in the heating and humidification procedures

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Carbon Footprint Reduction

In order to reduce carbon footprint of our products, we are committed to adopting the policy of maximizing energy conservation and emission reduction, and implementing feasible environmental protection solutions at all stages of our product life cycle, in order to reduce the burden on the environment. The following table outlines our environmental protection measures from material procurement, manufacturing and product use:

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

For the Group's principal business segments, corporate client oriented sales, we are committed to discussing product recycling plans with downstream customers, in order to promote the collection and reuse of products at the end-consumer stage. So far, many of our customers have launched cartridge recycling projects. At the same time, we have been working with our suppliers to develop environmentally friendly packaging and parts, including the use of degradable materials, to reduce the carbon footprint of our products.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Climate Change

Due to the increasing natural disasters caused by climate change in recent years, climate change has become one of the issues that are concerned about across the world. In view of this, during the Reporting Period, our independent third-party sustainability consultant conducted ESG-related risk assessments for the Group's business, identified potential climate-related risks, and regularly evaluated the effectiveness of existing mitigation measures to further enhance our climate resilience. We have also taken various energy-saving and emission-reduction measures in our workplaces and project construction to make our best endeavors to reduce greenhouse gas emissions during our operations.

In response to extreme climates, the Group has formulated and strictly implemented standard procedures for the daily operations of its offices and plants, including inspections and maintenance of equipment and facilities. We have also developed the Emergency Plan for Incidents, Disasters and Accidents ("**Emergency Plan**"), which sets out the sources of danger and mitigation measures during the production process. We have included extreme weather-related risks and mitigation measures in the Emergency Plan. Also, we have strengthened employees' awareness training and improved their emergency response capabilities through regular emergency drills. We will continue to review the latest developments in the laws, regulations and regulatory requirements related to climate change to prepare for climate change mitigation efforts.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ASPIRATION – NURTURING TEAMS OF TALENTS



The Group is committed to creating a corporate culture of adhering to dreams. On the rough journey of chasing dreams, we not only need to unrelenting perseverance, but also tolerate and love the people around, and work together to achieve our dreams. We achieve success on the journey of chasing your dreams through continuous improvement and review.

Innovating, staying together, all for dreams

Responsible, aspiring, perseverant, caring, introspective

Vision:

Bringing happiness for all Smoore people

Talents are important assets and key to the success of the Group. Therefore, we attract, retain and make good use of top talents to form an outstanding team and promote growth of employees with the Group. In view of this, we continue to strengthen, improve and review the existing human resources policies. We have also established the Human Resource Management Manual, enabling employees to obtain a full understanding in terms of issues related to the employment and labor, such as recruitment, employees' deployment, training, remuneration and benefits, performance appraisal, etc.

ESG Summary			
The total number of employees was 16,263	The ratio of male to female employees was 1.00:1.01	Total training hours exceeded 3,460,000 hours	Average training hours per employee were approximately 76 hours

Diversified and Elite Culture

In order to nurture sufficient talents to cope with to the rapid development of the Group, we offer attractive remuneration to our employees and have a sound talent recruitment mechanism, including:

1. Identify suitable and outstanding talents through diversified recruitments, including internal recruitment, internal recommendation, recruitment websites, headhunting companies, campus recruitment, social platforms, recruitment official websites and others
2. Focus on cultivation of internal talents. When recruiting, we adopt the principle of "internal first and then external" by encouraging all departments to give priority to internal talents
3. Prioritize career development opportunities for existing employees, so as to boost productivity more effectively

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As an employer that advocates equal opportunities, the Group is committed to establishing a non-discriminatory workplace during recruitment, and objectively considers the match between the candidate's cultural background and ability with the job requirements. In addition, we actively promote equal opportunities, regardless of the race, color, religious belief, gender, age, disability, family status and nationality of our employees, to form a diverse, inclusive and harmonious team. To ensure fair and impartial evaluations, we prohibit interviewers from participating in interviews with their relatives or friends, and relatives of current employees are not allowed to join the same department. At the same time, we arrange interviews with resigned employees to understand the reasons for their resignation and ensure that they have not been treated unfairly during their employment.

During the Reporting Period, the Group was awarded the "Liepin Guangdong Extraordinary Employer for 2021" (獵聘 2021 廣東年度非凡僱主) and the "Association of Chartered Certified Accountants (ACCA) Approved Employer Certification" (特許公認會計師公會(ACCA)認可僱主認證). We appreciate the recognition from all walks of life and continue to do a good job in talent management.

Development Opportunities and Performance Management

"Stimulate self-motivation, cultivate talents in succession, co-creating and sharing" is the management philosophy of the Group". We have been committed to providing sufficient and tailored career development opportunities and conducting performance appraisal to strengthen the driving force of employees, to keep improving. In order to grow with employees and make them "caring dream chasers", we hope to cultivate employees to have the following "five traits", namely responsible, aspiring, perseverant, caring and introspective. We also grant annual bonuses and carry out the promotions and job transfers based on the results of employees' performance appraisal, to commend employees who have made great contributions to the Group's business development.

The Group supports the realization of corporate strategic goals through an important dimension of performance management. Therefore, performance management is an effective tool to realize the mutual development of the corporate and SMOORE people. Managers at all levels attach great importance to process-based performance coaching, provide high-frequency formal and informal performance feedback, and rectify deviations in a timely manner. We will also evaluate employees with ratings based on their performance, and provide them with performance-based bonuses, job promotions and more development opportunities based on their annual performance ratings to recognize contributions made by outstanding employees to the business development of the Group.

Traits of a Caring Dream Chaser

- Responsible — self-driven, proactively taking ownership, accountable for results.
- Aspiring — seek for excellence, continuously improving and pursuing higher goals.
- Perseverant — facing difficulties head on, make persistent efforts and never give up without putting up a fight.
- Caring — take the initiative in helping and enabling others.
- Introspective — constantly reflecting and being self-aware, reinforcing strengths and rectifying weaknesses.

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We have set up a clear career development ladder for our employees, which can be divided into five career development paths, namely management, technical, marketing, functional and skills. Employees can obtain promotion opportunities through professional competency rating or salary review process. We expect employees to find their suitable development paths, so as to exert their strengths in the long run, and all the employees can have sustainable career paths.



Remuneration and Benefits

Adhering to the corporate vision of “bringing happiness for all Smoore people”, we greatly treasure the development of human resources and provide competitive remuneration and benefits packages. The human resources department of the Group conducts market research on salary level to establish a comprehensive and competitive remuneration system. In addition, recreational facilities and equipment such as basketball courts, fitness equipment and lounges are available in our premises, to help employees to achieve a work-life balance.

State statutory benefits	Unique corporate welfare
<ul style="list-style-type: none">• Five social insurances and one housing provident fund stipulated by the state• Statutory holidays, marriage leave, funeral leave, breastfeeding leave	<p>In addition to statutory benefits, we provide employees with other additional benefits, including:</p> <ul style="list-style-type: none">• Purchase commercial insurance for all employees such as insurance for medical treatment for serious diseases, accidental injuries, etc.• Arrange annual physical examination• Organize annual travel to strengthen team cohesion• Provide benefits during various traditional festivals• Provide monetary gifts for red and white events• Organize afternoon tea and birthday parties for employees• Provide weekly benefits for daily-paid employees• Provide staff dormitory

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We also organize various types of recreational activities for our employees, including:



Flower gifting at Chinese Valentine's Day



Women's Day celebration



Mother's Day celebration



"Glory trip (千里臻行)" — Hiking activity for outstanding employees



Mid-Autumn Festival celebration



Dragon Boat Festival celebration

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Improving the Growth Platform

We are committed to stimulating the potential of our employees and accelerating their growth. We have set up different learning channels for employees to improve their professional knowledge and skills for the better working performance and the mutual development of organization and talents. The training methods are mainly comprised of internal training and supplemented by external training. Upon understanding the opinions and expectations of our employees on training and development through questionnaires and interviews, we then formulate a three-level internal training plan:

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

In order to ensure the rapid integration of new employees into the Group's teams, we arrange on-the-job coachings for each new employee and assign them to the dedicated mentors and the human resources department to understand their working situation. We expect the above measures to help new employees adapt to the new working environment. In addition, in order to cultivate young talents who are determined to join the atomization technology market, we have launched an internship training program for young generation. The program aims to help interns discover their own strengths to lay a foundation for a long-term career path. Therefore, we provide participants with hands-on job training, one-on-one mentoring and boot camps, and conduct regular reviews to ensure that they benefit from their internship.

We also invite undergraduate, master and doctoral students from world-renowned universities to participate in our half-year Model Student (Bachelor and Master) and Magic Student (PhD) campus recruitment and cultivation program. This project provides college graduates with industry-related professional knowledge, including training courses such as induction training, occupational general skills, professional skills and knowledge. We arrange professional mentors to provide guidance and to formulate clear on-the-job training plans for him/her, and conduct monthly performance reviews to ensure that the participants are able to lay a good foundation for personal development.

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We also carry out school-enterprise cooperation with more than 20 technical colleges and universities, and specially set up “Smoores Orientation Training Class” to carry out skills training and comprehensive quality training in advance in school, providing theoretical study and enterprise internship, improving the occupational and technical capabilities of college students, enhancing professional competitiveness, so as to help college graduates to expand their career development channels, seize career development opportunities, and quickly realize their own value.

We are committed to building a future-oriented talent supply chain to reserve outstanding talents at all levels and to satisfy the sustainable development needs of the Company. We have designed the “Garuda” (大鵬金翅鳥) series of talent development projects, commenced four-level talent training, reserved outstanding talents, invited internal and external management experts, to improve our management capabilities in a systematically manner. We carry out coordination with superiors to draft personal development plans for talents, indicating that outstanding talents accelerate career development.

Compliance with Labor Standards

The Group strictly complies with human rights principles in accordance with Global Reporting Initiative (GRI) and all relevant laws and regulations prohibiting the employment of child labor and forced labor. We also check the applicant's identity documents during the interview to confirm that such applicant has reached the legal working age. We employ our employees based on the principles of fairness and openness, and require all employees, including formal employees and interns, to sign labor contracts or internship agreements, allowing them to clearly understand the regulations on the calculation of overtime wages, rest allowance and other regulations, and to prevent any forced labor from happening. If employees need to work overtime due to the working requirements, they shall first obtain the approval from the head of the department to ensure that the reasons for working overtime are acceptable and that there is no case of forced labor. The Group has also formulated clear regulations on the calculation of overtime wages and rest allowance to protect the legitimate rights and interests of our employees. The recruitment process or employment will be terminated immediately if it is discovered that we have employed employees with false information or identities.

Health and Safety

We treat the health, safety and wellbeing in the workplace with utmost care. Therefore, in order to enhance the corporate governance in terms of the occupational safety and health of our employees, we regularly organize health and safety inspections to identify, mitigate and eliminate existing and potential dangers. To enhance the occupational safety awareness of our employees, we have formulated the following measures:

- Strictly require all employees to abide by safety rules to ensure that they understand the evacuation routes, fire extinguisher locations of the relevant buildings, and the operation of certain equipment
- Organize safety trainings for all employees to enhance their awareness of occupational safety
- Conduct regular fire and other emergency drills to strengthen the employees' abilities to respond to emergencies
- Provide corresponding appropriate safety operation training for employees in specific positions, and ensure that they have obtained valid qualification certificates before performing electrical work
- Provide various personal protective devices and equipment, and set up safety facilities such as micro-fire stations in the premises, to guarantee the safety of employees.

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In addition, we have also formulated a safety production reward and punishment mechanism to raise employees' attention to occupational safety and health. We reward employees who actively stop illegal operations or prevent major accidents, to praise their performance and encourage other employees to follow the suit. Meanwhile, we impose penalties on employees and their leaders who cause safety accidents or delay rectification during the work process, to ensure the cooperation with employees to improve working environment and enhance the level of safety production management. During the past three years, including the reporting year, we did not have any work-related fatalities. During the Reporting Period, we recorded a total of approximately 300 working days lost due to work-related injuries.

RESPONSE TO COVID-19

Since the COVID-19 epidemic broke out, we actively undertook social responsibilities and were committed to epidemic prevention in strict accordance with epidemic control requirements of the national and local government. We also encourage our staff to get vaccinated as soon as possible and work together to protect the health of the overall community. In order to protect the health of our employees, we have formulated a series of countermeasures to prevent the spread of the virus.

We had established the COVID-19 prevention center last year to assist in the implementation of epidemic prevention measures. The COVID-19 prevention center mainly consists of our vice president, human resource and administrative management center heads and the heads of operation of each manufacturing base, who are mainly responsible for:

- supervising the work on epidemic prevention and control
- formulating epidemic emergency plans
- assisting each manufacturing base to set up an epidemic prevention team

To keep our employees safe from the threat of the COVID-19 virus, we have taken timely response measures, such as flexible adjustment of work arrangements, ensuring the adequacy of epidemic prevention supplies, hiring professionals to conduct comprehensive disinfection in the factory area and set up temporary quarantine facilities. We have successfully achieved the goal of zero infection for all employees in 2021 once again. In addition, we have adopted the following preventive and control measures in various aspects, and prudently carried out the resumption control work.

1. Access management:

- All personnel entering our office or factory area are required to measure their body temperature and disinfect their hands
- Visitors must make appointments in advance and register upon arrival. We have a designated reception area to measure their body temperature and confirm whether they have worn masks and disinfected their hands to reduce the risk of virus transmission.

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2. Meal arrangements:

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

3. Electronic approval system:

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

4. Employee recruitment:

- Personnel from non-key epidemic areas were arranged for interviews and recruitment as usual. They would be formally on board after conducting quarantine and observation in accordance with the requirements of local governments and the actual operating conditions of the Group. Personnel who have lived in, contacted, passed through or stayed in the epidemic area would be interviewed and hired after the quarantine is lifted according to government requirements.
- Employees are required to complete the online epidemic prevention information declaration before getting on board, and can only enter the premises after on-site audit on the day of entry.

5. Improving hygiene:

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

6. Reducing travel and face-to-face meetings:

- Use emails and teleconferences instead of face-to-face meetings to reduce employee contact with customers, where feasible.

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LOVE – CREATING A SUSTAINABLE COMMUNITY



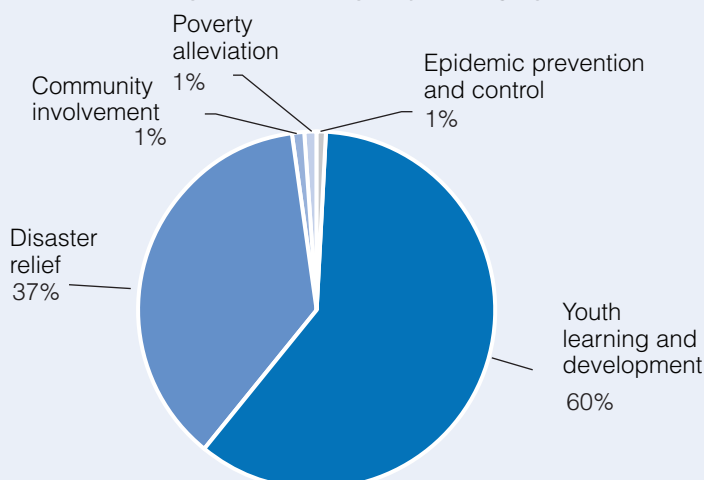
The Group encourages each of our “caring dream chasers” to lend a helping hand to those in need and to create a healthier and more sustainable future for our customers and the communities. Social investment is undoubtedly one of the elements of sustainable development. We will continue to lead our employees to drive action with dreams and spread love in the world.

Vision: Creating value for society

The Group realizes our vision of “Creating value for society” by supporting the community. We actively practice social responsibilities and strive to invest a lot of resources in more variety of social aspects. In order to listen to the needs, concerns and expectations of people from different sectors, we work closely with various charities. During the Reporting Period, we have also participated in various community investment activities, the scope of contribution of which includes youth learning and development, flood and disaster relief, community involvement, poverty alleviation, epidemic prevention and control, etc. In the exploration journey in the field of atomization technology, we look forward to strengthening the connection with our society and making progress together by promoting the culture of mutual help and love.

ESG Summary	
Invested a total of more than RMB 11,300,000	Worked voluntarily for more than 500 hours

Community investment by major category

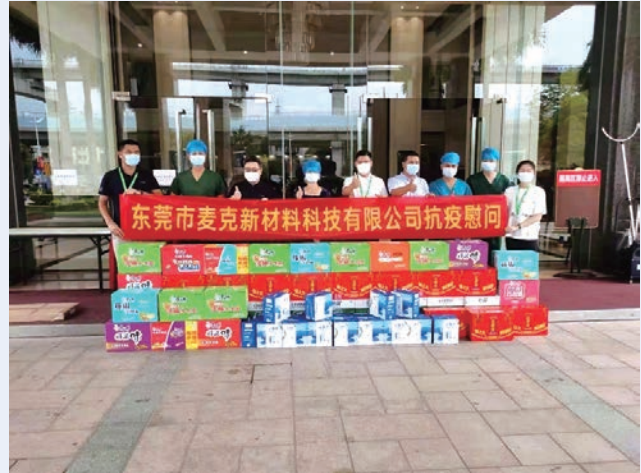


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Epidemic Prevention and Control Work

The global COVID-19 epidemic is still raging in 2021. In order to fight the epidemic together with all sectors of society, during the Reporting Period, we donated 30,000 medical masks to the anti-epidemic vaccination campaign in the local community to encourage the public to get vaccinated as soon as possible. The Group also donated air conditioners to the hospital in the local community to support the epidemic prevention action.

In addition, we took action to care for front-line employees that make contributions in fighting against the epidemic. During the Reporting Period, the Group cooperated with the Shenzhen Women and Children's Development Foundation to donate fruits and supplies (including food and beverages, etc.) to the staff and the medical personnel at the epidemic prevention frontline. So as to give them warmth, care and thank them for sticking to fulfilling their responsibilities and protecting the health and safety of the public.



Flood and Disaster Relief

As “caring dream chasers”, we continue to listen to and pay attention to social needs, and enthusiastically participate in social welfare and donation activities. In 2021, Henan suffered from an extremely rare and catastrophic flood, causing large-scale casualties and property damage in the local area. After understanding the local situation, the Group launched an emergency support operation and donated HK\$5 million to Henan for flood and disaster relief in Henan. We will continue to pay attention to social trends, practice corporate social responsibility, and contribute to flood and disaster relief.

Youth Learning and Development Support

The Group is constantly seeking methods to promote the development of education in China. From July to August 2021, we have successively participated in different types of educational development activities, hoping that students and teenagers can develop their strengths during their growth. The Group signed a “Directed Donation Agreement” (《定向捐贈協議書》) with the local Charity Federation, and donated RMB200,000 through the local Charity Federation to assist schools in discovering and nurturing talents. In addition, we also signed a “Directed Donation Agreement” (《定向捐贈協議書》) with the local Charity Federation, and donated RMB1.6 million through the local Charity Federation for the laboratory and tennis court of the Junior High School, to provide more different learning experience for the students. In order to support the needs of young people in entrepreneurship and employment, we also donated RMB5 million to relevant Charity Federation to provide the youth with more development opportunities.



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Poverty Alleviation

During the Reporting Period, we have prepared the 2021 Chinese New Year Farmer-helping Love and Caring Activities to send holiday blessings to families in need. We arranged our employees to visit Jianghai District in Jiangmen City to purchase peach blossoms from the East Peach Blossom Plantation Base, and delivered festive New Year items to 50 families of women and children in need in Jianghai District, including New Year gift bags, peach blossoms, etc., hoping to send warmth to the underprivileged citizens and help solving the problem of obsolete peach blossoms for flower farmers. In

addition, we also carried out pairing assistance activities in Dahua County, Guangxi Province. In October 2021, we arranged poverty alleviation representatives to visit Guangxi for on-site investigation and caring activities, and sign the “Pairing Assistance Framework Agreement” (《結對幫扶框架協議》) to improve the development and living condition of poverty-stricken areas.



Community Involvement

During the Review Period, the Group provided protective supplies, such as face masks, drinking water, and mosquito repellent liquid, etc., for staff participated in community services for several times. In addition, we also care about the health of the elderly, and donated several medical equipments to the community nursing home in December 2021.

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KEY PERFORMANCE INDICATORS OVERVIEW

Environmental KPIs ^{1,2,3,4,5,6}	2021	2020	Unit
Air emissions			
Nitrogen Oxides (NO _x)	192.8	57.4	kg
Sulphur Oxides (SO _x)	0.9	0.4	kg
Particulate Matter (PM)	12.4	3.2	kg
GHG emissions			
Total GHG emissions	74,524.8	64,707.1	Tonnes of CO ₂ e
• Direct emissions (Scope 1)	405.0	177.6	Tonnes of CO ₂ e
• Indirect emissions (Scope 2)	74,119.8	64,529.5	Tonnes of CO ₂ e
GHG emissions intensity	54.2	64.6	Kg CO ₂ e/RMB'0 000 000
Use of Resources			
Total energy consumption	122,019.5	77,393.2	MWh
• Purchased electricity ⁷	121,487.8	77,123.8	MWh
• Diesel	162.9	27.8	MWh
• Petrol	368.8	241.6	MWh
Energy consumption intensity	88.7	77.3	MWh/RMB'0 000 000
Total packaging material used	14,426.9	10,578.4	Tonnes
• Plastic	2,433.6	1,501.8	Tonnes
• Paper	11,672.3	8,867.8	Tonnes
• Metal	321.0	208.8	Tonnes
Packaging material intensity	10.5	10.6	Tonnes/RMB'0 000 000
Total water consumption	805,660.0	646,835.6	m ³
Water consumption intensity	585.7	646.2	m ³ /RMB'0 000 000
Waste			
Amount of non-hazardous waste produced ⁸	2,583.8	716.6	Tonnes
• Plastic	89.3	391.6	Tonnes
• Metal	44.9	100.2	Tonnes
• Paper	246.4	157.6	Tonnes
• Other industrial waste	109.1	67.2	Tonnes
• Domestic waste	2,094.1	Not disclosed	Tonnes
Non-hazardous waste intensity	1.9	0.7	Tonnes/RMB'0 000 000
Total hazardous waste produced ⁹	209.4	120.4	Tonnes
Hazardous waste intensity	0.15	0.12	Tonnes/RMB'0 000 000

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Social KPIs ¹⁰	2021	2020
Total number of employees		
By gender		
Male	8,098	6,380
Female	8,165	7,893
By employment type		
Full-time	16,263	14,273
Part-time	0	0
By age group		
20 or below	529	533
21–40	14,050	12,367
41–50	1,526	1,288
51 or above	128	85
By geographical locations		
Mainland China	16,241	14,266
Hong Kong	9	7
US and Europe	13	0
Average monthly employee turnover rate¹¹		
By gender		
Male	5.6%	4.7 %
Female	5.1%	4.4 %
By age group		
20 or below	6.5%	4.5 %
21–40	5.4%	4.6 %
41–50	3.9%	4.1 %
51 or above	2.0%	2.6 %
By geographical locations		
Mainland China	5.4%	4.6 %
Hong Kong	0.8%	2.2 %
US and Europe	0.6%	0 %
Employee training statistics¹²		
Total training hour (hours)	3,462,649	1,059,088
Average training hour per employee (hours)	76.06	27.93
Percentage of trained employees	98%	97%

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Social KPIs ¹⁰	2021	2020
Average training hours and percentage of trained employees		
By gender		
Male	78.9 (56%)	26.8 (44%)
Female	72.7 (44%)	28.9 (56%)
By employee category		
Senior management	41.5 (2%)	39.5 (1%)
Middle management	25.5 (6%)	35.3 (3%)
General and technical staff	77.3 (92%)	27.8 (96%)

Remarks:

- The environmental KPIs data include 15 production bases operated by Smoore (2020: 11).
- Our reporting on air and greenhouse gases (GHG) emissions mainly base on the requirements in "How to prepare an ESG report" published by the Stock Exchange of Hong Kong Limited and "GHG Protocol Corporate Accounting and Reporting Standard (revised edition)" published by the World Business Council for Sustainable Development and World Resources Institute. Operational control approach is adopted when defining organizational boundary for the purpose of GHG accounting and reporting.
- GHG emissions is presented in carbon dioxide equivalent (CO₂e). Our scope 1 direct emissions cover GHG emissions directly produced by businesses owned or controlled by the Group, while scope 2 indirect emissions cover GHG emissions of indirect energy resulted from electricity (purchased) internally consumed by the Group.
- Our total energy consumption includes purchased electricity and non-renewable fuels consumed and the relevant conversion factors reference from "Technical Note: Conversion of fuel data to MWh" published by CDP.
- Environmental data intensity is calculated by dividing the total GHG emissions, resource consumption and total amount of waste produced by the annual total revenue of the Group.
- Our emissions factors used in the GHG emission calculations are referenced from the latest version of "How to prepare an ESG report" published by the Stock Exchange of Hong Kong Limited.
- During the Reporting Period, the Group's self-developed next-generation automated production lines were put into full production to further enhance our production efficiency. Therefore, our purchased electricity consumption increased by about 58% from 2020 to 2021. However, our production volume in 2021 also increased by about 60% as compared to 2020. In conclusion, the increase of purchased electricity consumption was lower than that of the production volume.
- During the Reporting Period, the data for domestic waste was added to the statistics for non-hazardous waste. Therefore, it cannot be directly compared with data from last year.
- There was an increase in total hazardous waste produced in 2021 as the production volume of the Group increased by about 60%.
- The social KPIs data covers the production and operation scope of the whole Group. Unless otherwise stated, our reporting on social KPIs mainly make reference to the calculation methodologies stated in "How to prepare an ESG report" published by the Stock Exchange of Hong Kong Limited.
- 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%.
- Aside from the percentage of trained employees, the calculation of other training data included employees who resigned during the Reporting Period; therefore, the employee training data of 2020 were restated.

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APPENDIX 1: HKEX ESG REPORTING GUIDE CONTENT INDEX

Subject Areas, Aspects, General Disclosure and KPIs		Chapter/Disclosure	Page
A. Environmental			
Aspect A1: Emissions			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste (e.g. per unit of production volume, per facility).	Atomization — Embracing a Greener Future	P.95-99
KPI A1.1	The types of emissions and respective emissions data.	Key Performance Indicators Overview	P.111
KPI 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).	Key Performance Indicators Overview	P.111
KPI A1.3	Total hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	Key Performance Indicators Overview	P.111
KPI A1.4	Total non-hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	Key Performance Indicators Overview	P.111
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	Atomization — Embracing a Greener Future	P.96
KPI 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.	Atomization — Embracing a Greener Future	P.96
Aspect A2: Use of Resources			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Atomization — Embracing a Greener Future	P.95-99
KPI A2.1	Direct and/or indirect energy (such as electricity, gas or oil) consumption by type in total (in MWh) and intensity (e.g. per unit of production, per facility).	Key Performance Indicators Overview	P.111
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production, per facility).	Key Performance Indicators Overview	P.111
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Atomization — Embracing a Greener Future	P.96-97
KPI 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.	Atomization — Embracing a Greener Future	P.97
KPI A2.5	Total packaging material used for finished products (in tonnes), and if applicable, with reference to per unit produced.	Key Performance Indicators Overview	P.111

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Subject Areas, Aspects, General Disclosure and KPIs		Chapter/Disclosure	Page
A. Environmental			
Aspect A3: The Environment and Natural Resources			
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Atomization — Embracing a Greener Future	P.95-99
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Atomization — Embracing a Greener Future	P.95-99
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.	Atomization — Embracing a Greener Future	P.99
KPI 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.	Atomization — Embracing a Greener Future	P.99
B. Social			
Employment and Labour Practices			
Aspect B1: Employment			
General Disclosure	Information on: <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Aspiration — Nurturing Teams of Talents	P.100-107
KPI B1.1	Total workforce by gender, employment type (for example, full- or parttime), age group and geographical region.	Key Performance Indicators Overview	P.112
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Key Performance Indicators Overview	P.112
Aspect B2: Health and Safety			
General Disclosure	Information on: <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Aspiration — Nurturing Teams of Talents	P.105-107
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Aspiration — Nurturing Teams of Talents	P.106
KPI B2.2	Lost days due to work injury.	Aspiration — Nurturing Teams of Talents	P.106
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Aspiration — Nurturing Teams of Talents	P.105-107

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Subject Areas, Aspects, General Disclosure and KPIs		Chapter/Disclosure	Page
B. Social			
Employment and Labour Practices			
Aspect B3: Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Aspiration — Nurturing Teams of Talents	P.104-105
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management, etc.).	Key Performance Indicators Overview	P.112-113
KPI B3.2	The average training hours completed per employee by gender and employee category.	Key Performance Indicators Overview	P.112-113
Aspect B4: Labour Standards			
General Disclosure	Information on: <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Aspiration — Nurturing Teams of Talents	P.105
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Aspiration — Nurturing Teams of Talents	P.105
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	N/A. During the Reporting Period, there was no non-compliance relating to preventing child and forced labour.	N/A
Operating Practices			
Aspect B5: Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Innovation — Creating High-quality Products	P.91-92
KPI B5.1	Number of suppliers by geographical region.	Innovation — Creating High-quality Products	P.91
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Innovation — Creating High-quality Products	P.91-92
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Innovation — Creating High-quality Products	P.91-92
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Innovation — Creating High-quality Products	P.91-92

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Subject Areas, Aspects, General Disclosure and KPIs		Chapter/Disclosure	Page
B. Social			
Operating Practices			
Aspect B6: Product Responsibility			
General Disclosure	Information on:	Innovation — Creating High-quality Products	P.87-99
	(a) the policies; and	Commitment — Marketing Responsibly	
	(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.		
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Commitment — Marketing Responsibly	P.94
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Commitment — Marketing Responsibly	P.94
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Innovation — Creating High-quality Products	P.90
KPI B6.4	Description of quality assurance process and recall procedures.	Commitment — Marketing Responsibly	P.93-95
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Commitment — Marketing Responsibly	P.95
Aspect B7: Anti-corruption			
General Disclosure	Information on:	Our Approach to Sustainable Development	P.85
	(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.		
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	During the Reporting Period, a former employee was convicted of bribery by the Shenzhen Bao'an District People's Court and has been sentenced to one year in prison.	N/A
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Our Approach to Sustainable Development	P.85
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Our Approach to Sustainable Development	P.85
Aspect B8: Community Investment			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Love — Creating a Sustainable Community	P.108-110
KPI B8.1	Focus areas of contribution (such as education, environmental issues, labour demands, health, culture, sport).	Love — Creating a Sustainable Community	P.108
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Love — Creating a Sustainable Community	P.108

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

Subject Areas and Aspects	Major sales jurisdictions	Major laws, regulations, administrative orders and policies related to the Group	Relevant compliance situation
A. Environment			
Aspect A1: Emissions	China	Environmental Protection Law of the People's Republic of China Environmental Impact Assessment Law of the People's Republic of China Water Pollution Prevention and Control Law of the People's Republic of China Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste Atmospheric Pollution Prevention and Control Law of the People's Republic of China Law of the People's Republic of China on Prevention and Control of Pollution from Environmental Noise Soil Pollution Prevention and Control Law of the People's Republic of China Standardization Law of the People's Republic of China Regulation on the Administration of Permitting of Pollutant Discharges	During the Reporting Period, the Group was not aware of any violation of laws and regulations related to environmental protection that had a material impact on us. For details of our compliance with relevant environmental laws and regulations, please refer to the "Atomization — Embracing a Greener Future" section of this Report.
Aspect A2: Chemicals	China	Regulations on the Safe Management of Hazardous Chemicals National Catalogue of Hazardous Substances (2015 edition) Regulation on Work Safety Permits, the Measures for the Administration of Registration of Hazardous Chemicals Administrative Measures for Licenses for Purchase and Road Transport of Highly Toxic Chemicals	
B. Society			
Aspect B1: Employment	China	Labour Law of the People's Republic of China Labor Contract Law of the People's Republic of China Social Insurance Law of the People's Republic of China Regulations on Management of Housing Provident Fund of the People's Republic of China	During the Reporting Period, the Group was not aware of any violation of laws and regulations related to employment that had a material impact on us. For details of our compliance with relevant environmental laws and regulations, please refer to the "Aspiration — Nurturing Teams of Talents" section of this Report.
Aspect B2: Health and Safety	China	Work Safety Law of the People's Republic of China Fire Prevention Law of the People's Republic of China Special Equipment Safety Law of the People's Republic of China Law of the People's Republic of China on the Prevention and Control of Occupational Diseases Provisions on the Administration of Occupational Health at Workplaces	During the Reporting Period, the Group was not aware of any violation of laws and regulations related to health and safety that had a material impact on us. For details of our compliance with relevant environmental laws and regulations, please refer to the "Aspiration — Nurturing Teams of Talents" section of this Report.
Aspect B4: Labour Standards	China	Labour Law of the People's Republic of China Provisions on the Prohibitions of Using Child Labour	During the Reporting Period, the Group was not aware of any violation of laws and regulations related to labour standards that had a material impact on us. For details of our compliance with relevant environmental laws and regulations, please refer to the "Aspiration — Nurturing Teams of Talents" section of this Report.

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Subject Areas and Aspects	Major sales jurisdictions	Major laws, regulations, administrative orders and policies related to the Group	Relevant compliance situation
Aspect B6: Product Responsibly	China	Patent Law of the People's Republic of China Trademark Law of the People's Republic of China Copyright Law of the People's Republic of China Law of the People's Republic of China on the Protection of Juveniles Product Quality Law of the PRC Administrative Measures for Electronic Cigarette Tobacco Monopoly Law of the People's Republic of China Implementation Regulation of the Tobacco Monopoly Law of the People's Republic of China (2021 amendment) Public Solicitation of Opinions on the National Standard for Electronic Cigarettes (Second Draft for Comments)	During the Reporting Period, the Group was not aware of any violation of laws and regulations related to product liability that had a material impact on us. For details of our compliance with relevant environmental laws and regulations, please refer to the "Innovation — Creating High-quality Products" of this Report.
	United States	Tobacco Products Regulations Uniform Commercial Code Pro-Children Act of 2001 Child Health Insurance Program Act Model Uniform Products Liability Act The Consumer Safety Act Consumer Product Safety Improvement Act Comprehensive Smokeless Tobacco Health Education Act Enforcement Action Plan for Promotion and Advertising Restrictions, Office of Compliance & Enforcement, Center for Tobacco Products, U.S. Food and Drug Administration Federal Cigarette Labeling and Advertising Act Required Warnings for Cigarette Packages and Advertisements, 21 C.F.R. Part 1141(effective January 14, 2022) Federal Cigarette Labeling and Advertising Act US Privacy Act of 1974 Federal Food, Drug and Cosmetic Act Premarket Tobacco Product Applications and Recordkeeping Requirements 21 C.F.R. California Business and Professions Code, Division 8.5, Stop Tobacco Access to Kids Enforcement Act [22950-22964] California Health and Safety Code, Division 103, Disease Prevention and Health Promotion, Chapter 1, Part 3, Tobacco Control [104350-104559.5] California Health and Safety Code, Division 104, Environmental Health, Part 15, Miscellaneous Requirements, Chapter 9, Electronic Cigarettes [119406]	

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Subject Areas and Aspects	Major sales jurisdictions	Major laws, regulations, administrative orders and policies related to the Group	Relevant compliance situation
	Japan	Product Liability Act Civil Code Consumer Product Safety Act Product Safety of Consumer products Tobacco Business Act Japanese juvenile law Act Prohibiting Smoking by Minors Electrical Appliances and Materials Safety Act Health Service Bureau (HSB) Notification 0225 Number 2 Health Promotion Act Industrial Safety and Health Act Ministry of Finance Notification No. 109, Guidelines on Advertisements Concerning Tobacco Tobacco Business Act Implementation The Act on the Protection of Personal Information Guidelines for Smoking Prohibition in the Workplace	
	European Union	Directive 1999/34/EC Council Directive 85/374/EEC Directive 2014/40/EU, Tobacco Products Directive Charter of Fundamental Rights Treaty on European Union Commission Implementing Decision (EU) 2016/586 Commission Implementing Decision (EU) 2015/1735 Commission Implementing Regulation (EU) 2020/2151 Commission Implementing Decision (EU) 2015/1842 Directive 2003/33/EC Commission Delegated Directive 2014/109/EU General Data Protection Regulation Directive 2001/95/EC, General Product Safety (GPSD) Directive 2006/66/EC, Battery Regulation Directive 2001/83/EC, Community Code relating to Medicinal Products for Human Use (amendment on 26 May 2021) Directive 2011/65/EU, Restriction of the Use of Certain Hazardous Substances and the amendments up to 2021 Directive 2014/30/EU, Electromagnetic Compatibility (EMC) Directive Regulation (EC) No 1907/2006, Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) and the amendments up to 2021	
Aspect B7: Anti-Corruption	China	Anti-Unfair Competition Law of the People's Republic of China Criminal Law of the People's Republic of China	For details of our compliance with relevant environmental laws and regulations, please refer to the "Aspiration — Nurturing Teams of Talents" section and the Appendix 1 of this Report.
	United States	Foreign Corrupt Practices Act	
	Japan	Guidelines for Preventing Bribery of Foreign Public Officials	

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