



SMOORE INTERNATIONAL HOLDINGS LIMITED

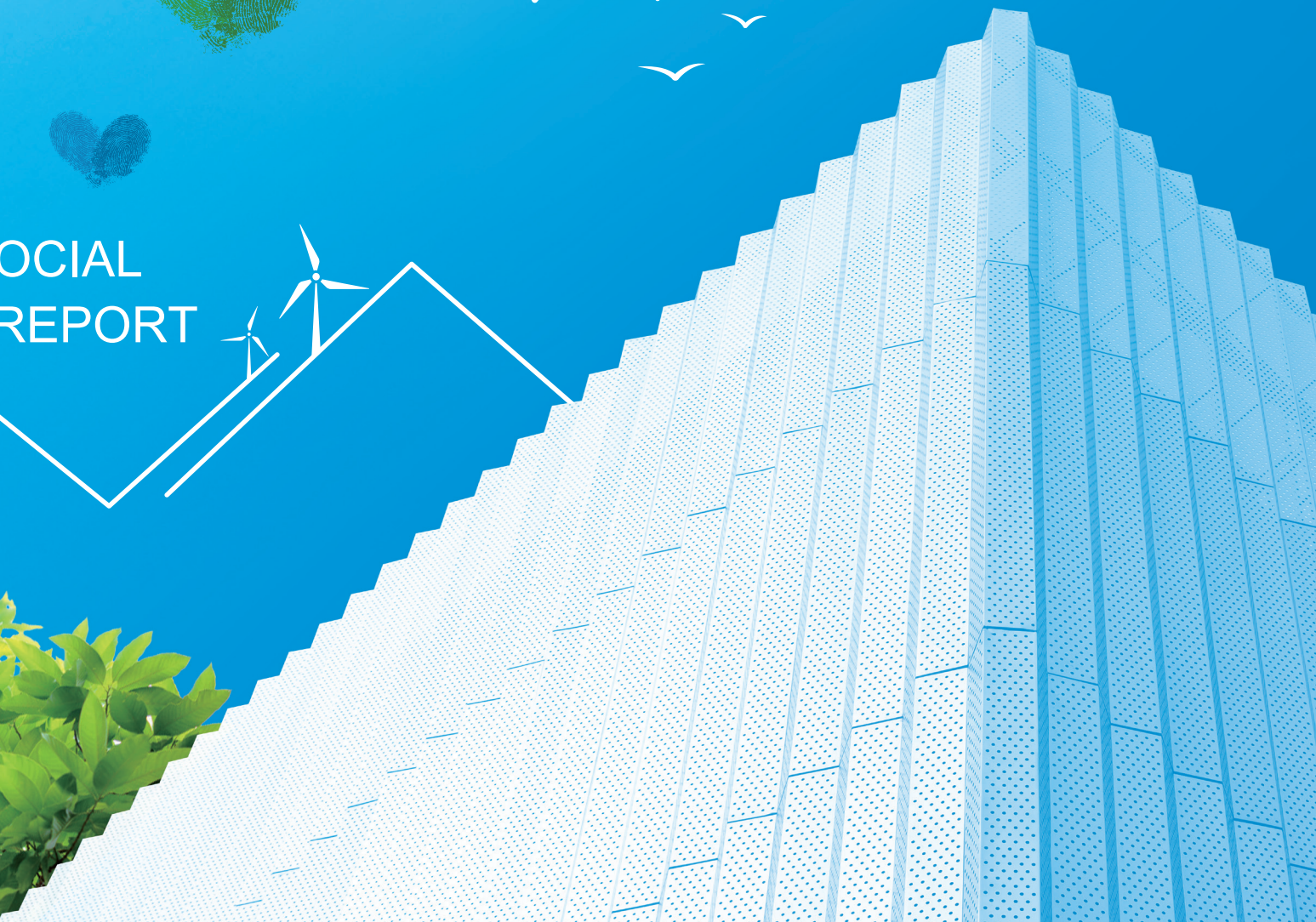
思摩爾國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 6969)

2022

ENVIRONMENTAL, SOCIAL
AND GOVERNANCE REPORT



Contents

| | |
|----------------------|----|
| About This Report | 2 |
| Chairman's Statement | 3 |
| About SMOORE | 4 |
| Report Appendix | 47 |

Compliant Governance
 We create sustainable value chains from our own actions



8

Green Future
 We combat global environmental challenges to create a green future with active efforts



26

World-leading Technology
 We build world-leading atomization technology platforms



16

Dream Empowerment
 We create meaningful opportunities for everyone



35

Reliable Products
 We reduce harmful effects on health with reliable products



21

Value Co-creation
 We create a better home with partners



43

About This Report

Report Description

This report adheres to the sustainable development philosophy of Smoore International Holdings Limited (hereinafter referred to as "Smoore", "the Company") and its subsidiaries (hereinafter referred to as "the Group" or "We"), and focuses on disclosing our strategies, policies, and performance in compliance governance, technology leadership, responsible products, environmental protection, employee empowerment, social contribution, and sustainable development management.

Reporting Declaration

This report has been prepared in accordance with the Environmental, Social, and Governance (ESG) Reporting Guide contained in Appendix 27 to the Listing of Securities on Main Board of the The Stock Exchange of Hong Kong Limited (hereinafter referred to as the "ESG Guide"). This report is disclosed in strict accordance with the requirements of "mandatory disclosure" and "comply or explain" in the ESG Guide, and takes reference to Sustainable Development Reporting Standard 2021 issued by the Global Reporting Initiative.

Reporting Scope and Boundary

Unless otherwise specified, the data contained in this report covers the period from January 1, 2022 to December 31, 2022 (hereinafter referred to as "In this year" or "During the reporting period").

Unless otherwise stated, the scope of this report covers three main business segments of the Group:

Research, design and manufacturing of closed system vaping devices, vaping components, heat-not-burn devices and components and vaping products for special purpose for a number of global leading tobacco companies, independent vaping and other corporate clients; and



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



New business such as atomization in medical treatment to provide patients with inhalation drug delivery products on a basis of atomization technology.

Data Source and Reliability Assurance

The financial data in this report are extracted from the 2022 Annual Report of Smoore International Holdings Limited. Other data are from the Company's internal data, survey interview records, and related files. The currency types and amounts involved in the relevant data in this report, unless otherwise specified, are measured in RMB. During the reporting period, due to the adjustment of statistical methods for some data, some data have been restated, and if they are inconsistent with the data reported in previous years, this report shall prevail.

The Board of Directors of the Company promises that this report does not contain any false or misleading information, and is responsible for the authenticity, accuracy, and completeness of its content.

Reporting Principle

In preparing this report, we have followed the following four ESG reporting principles:

| Principles | Response from Smoore |
|--------------|---|
| Materiality | We have focused on current major sustainable development issues through stakeholder communication, taking into account the nature and development of the Group's business. |
| Balance | The Group has disclosed its sustainable development achievements and challenges in this report to comprehensively reflect the performance and development of the Group. |
| Quantitative | The Group discloses its environmental and social key performance indicators in a quantitative manner where feasible. |
| Consistency | The Group has adopted a consistent reporting framework and statistical methods to meaningfully compare ESG data over time. Any changes in the methodology used have been specifically described in this report for the reference of stakeholders. |

Obtain and Respond to This Report

This report is published in PDF electronic format on the disclosure website of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the Company's official website (<https://www.smooreholdings.com/>). In case of any discrepancy between the Chinese and English versions of this report, the Chinese version shall prevail.

Contacts

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Chairman's Statement

Dear Stakeholders,

On behalf of the Board of Directors (the "Board" as below) of Smoore International Holdings Limited, I am pleased to present the Environmental, Social and Governance (ESG) Report of the Company and its subsidiaries (together referred to as the "Group") as of 31 December 2022.

Annual Review

The Group attaches great importance to the performance in environment, society and governance 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".

In terms of ESG governance, the Company's excellent performance is inseparable from gradually perfect management system and the increasing participation of management. During the Review Period, Smoore established ESG Committee responsible for reviewing ESG development strategy, management method, approving ESG report and reporting relevant significant events to the Board. The Committee not only undertakes supervision and management, but also enhances the participation of the Board. In 2022, Smoore won five awards including ESG Awards selected by the Institutional Investor – one of the most influential financial magazines in the world.

In terms of research and development, the Group firmly believes that science and technology lay the foundation to create value for customers. We always put technology first to attract customers and meet their requirements. During the Review Period, we continued to increase R&D investment as scheduled, especially in electronic nicotine delivery, special-purpose vaping devices and aerosol drug delivery devices and other fields. In terms of new product development, the Group launched a new generation of ceramic coil technology platform specially used for disposable electronic vaping devices, and launched disposable electronic vaping products with better safety and user experience in the market, and these products were quickly favored by customers and achieved great sales growth. Moreover, Smoore's first self-developed "Ventilator-connected Mesh Nebulizer" was awarded four global design awards, including the Red Dot Design Award, the International Design Excellence Awards, the Goldreed Industrial Design Award and the Golden Pin Design Award in 2022.

In terms of combating climate change, the Group continued to improve the disclosure of risks and opportunities related to climate change to cooperate with the strategic goal of carbon neutrality and mitigate the impact of business operations on climate change. We use climate change scenarios to analyse physical and transition risks to make response solutions. By improving the environmental management system and implementing a number of energy conservation and emission reduction management measures, we minimise the impact on the environment during operations and continuously raise the awareness of our employees on climate change. During the Reporting Period, we disclosed



In 2022, we donated CNY

8.61 million



provided volunteer services of

380 hours

our objectives and action plans of carbon neutrality. In 2022, Smoore was awarded the "Carbon Neutrality Science and Technology Pioneers Award" by the International Green Zero-carbon Festival and the "National Excellent Foreign-invested Enterprise – Green Carbon Reduction Promotion Award" by Shenzhen Association of Enterprises with Foreign Investment.

In this year, while improving the achievements of national poverty alleviation, we actively carried out volunteer services, community care and other activities to promote the sound interaction between enterprises and society, bring long-term benefits to the community, and boost the synchronous development of community economy and society. In 2022, we donated CNY 8.61 million and provided volunteer services of 380 hours in total. We also won the "2022 Corporate Social Responsibility Award" by Nanfang Daily.

Outlook

History not only endows Smoore with honors, but also endows us with more corporate responsibilities. We will focus on atomization and practice social responsibilities more pragmatically to promote the

sustainability of the industry and society with all walks of life. We would like to express our sincere appreciation to all employees, the management team and the Board for their tireless efforts to promote business performance in line with our sustainable development values. We also express our sincere appreciation to our customers, suppliers, business partners and stakeholders for their support.

With an eye on the future, achieving sustainable development is crucial to society and our business. We are committed to enhancing our leading position in environment, society and governance. Although there are many challenges in the future, we will keep working hard. Only in this way can we create value for our business and a more sustainable future for our stakeholders.

Sincere Appreciation

The long-term development of the Company is inseparable from the support and recognition of consumers, clients, suppliers, employees, communities and other parties. We will make unremitting efforts to create more value for all stakeholders and the society.

On behalf of the Board, I would like to express my sincere appreciation to shareholders, clients, employees and all partners for their support over the past year.

Smoore International Holdings Limited
Chairman of the Board **Chen Zhiping**

About SMOORE

Established in 2009, the Group has been listed in Hong Kong since 2020 (stock code: 6969), and is a global leader in offering atomization technology solutions. Since its establishment, Smoore has always adhered to the mission of "atomization makes life better", continuously explored the boundary between atomization technology innovation and application with unexpected imaginations and breakthroughs. With strong

R&D strength and leading manufacturing capability, we have become the largest manufacturer of electronic vaping devices in the world. 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.

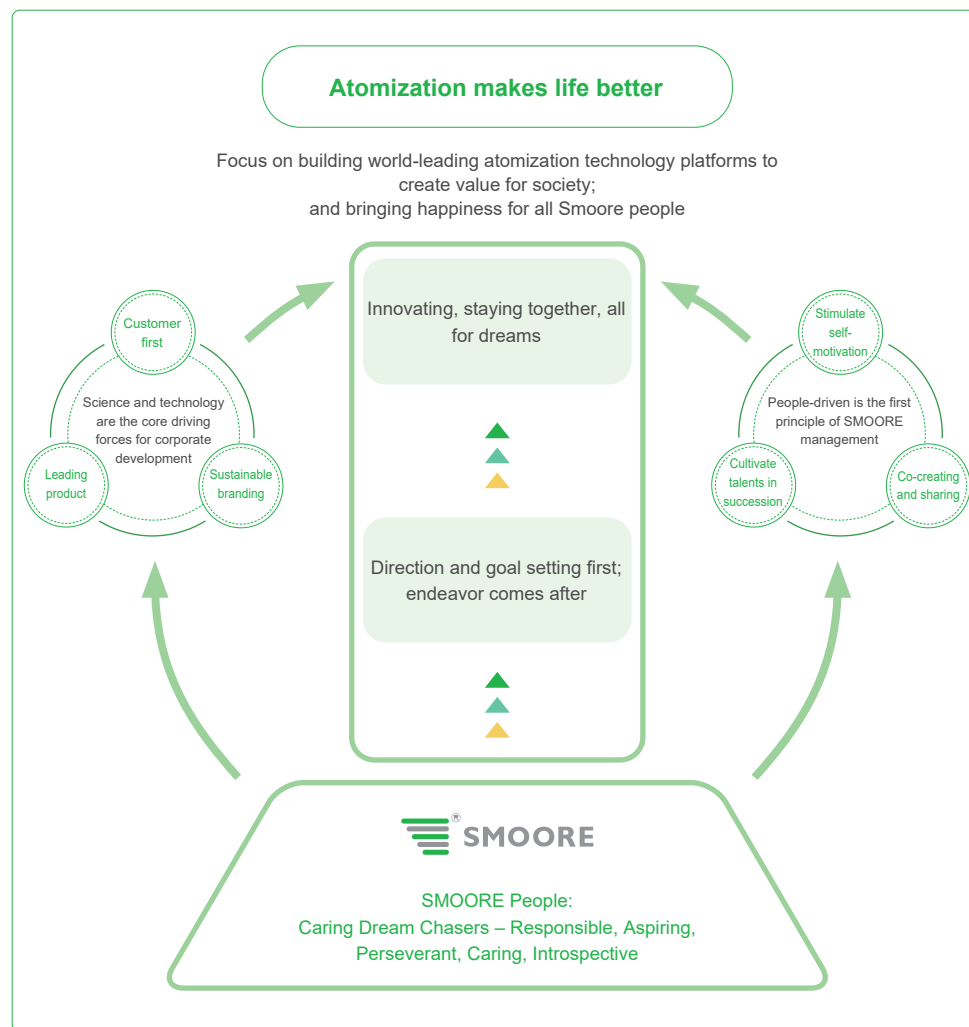
Corporate Culture

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 it could be integrated into all SMOORE people'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

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

The following is the model of our logic of success



Business Overview

As a global leader in providing atomization technology solutions, the Group continuously explores the boundary of atomization technology innovation and application with the mission of "atomization makes life better". With strong R&D strength and leading manufacturing capability, we have become the largest electronic vaping devices manufacturer in the world. We will continue to focus on the manufacturing brand "SMOORE", to build the technology brand of closed system vaping products represented by FEELM, the technology brand of heat-not-burn products represented by METEX and the brand of open system vaping products represented by VAPORESSO, aiming to realize technology and product branding and strengthen technological competitiveness.

Business Model

Research, design and manufacturing of closed system vaping devices, vaping components, heat-not-burn devices and components and vaping products for special purpose for a number of global leading tobacco companies, independent vaping and other corporate clients

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

New business such as atomization in medical treatment to provide patients with inhalation drug delivery products on a basis of atomization technology



Strategic Guidelines



Product Research and Development

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



Production and Operation

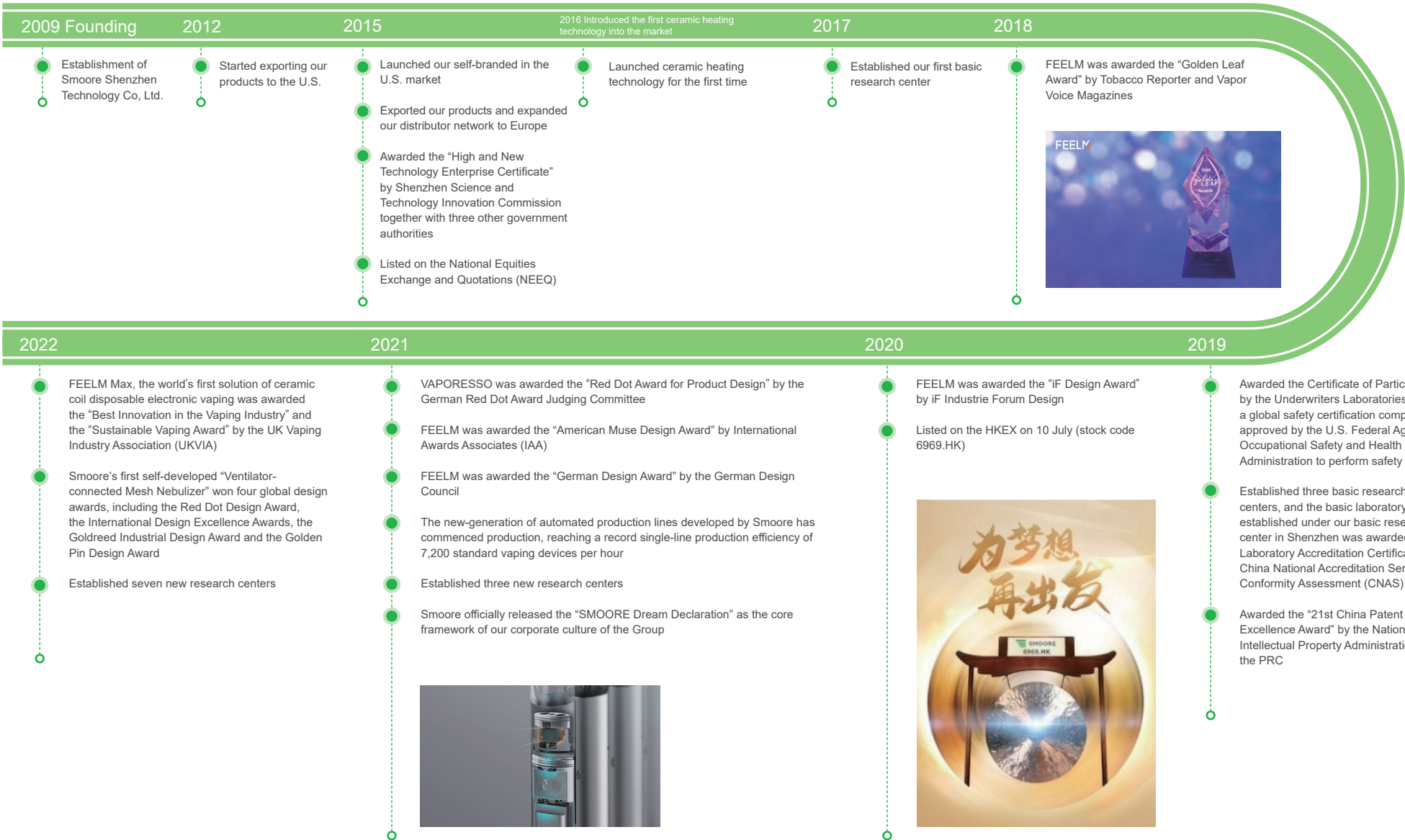
Increase the level production operation management and optimise supply chains, to guarantee production efficiency as well as lay the groundwork for new market opportunities



Sales of Products

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



Awards & Honor of 2022



Enterprise Development

- FEELM was selected as the "Shenzhen Top Brand" by Shenzhen Top Brand Evaluation Committee
- Selected as the "Top Ten Industrial Output Value for Promoting Xixiang Economic Development in 2021" by the Working Committee of Xixiang Sub-district
- Selected as the "Headquarters of Multinational Corporation in Guangdong" by the Department of Commerce of Guangdong Province
- Awarded the "Vape Vally-20 Years Export Platinum Standards" by the Electronic Cigarette Professional Committee of China Electronics Chamber of Commerce
- Selected as the "Top 500 Enterprises in Shenzhen (No.95)" by ShenZhen Enterprise Confederation and ShenZhen Entrepreneur Association
- Selected as the "Top 500 Private Manufacturing Enterprises in China in 2022" by China Enterprise Confederation and China Enterprise Directors Association
- Selected as the "Top Ten Enterprises with the Largest Turnover in Shenzhen in 2022" by Shenzhen Association of Enterprises with Foreign Investment
- Selected as the "National Excellent Foreign-invested Enterprises – Top Ten Enterprises with the Largest Turnover in Shenzhen (2021)" by Shenzhen Association of Enterprises with Foreign Investment
- Selected as the "Top 100 Private Manufacturing Enterprises in Guangdong in 2022 (No.49)" by ShenZhen Enterprise Confederation and ShenZhen Entrepreneur Association
- Awarded the "Most Honored Company" in consumer necessities industry in 2022 by the *Institutional Investor*



Corporate Governance

- Selected as the "Baoan District Youth Safety Production Demonstration Post" by Baoan District Committee of the Communist Youth League and Baoan District Emergency Management Bureau
- Awarded the "National (Shenzhen) Excellent Enterprises with Foreign Investment – Excellent Tax-payment and Turnover" by Shenzhen Association of Enterprises with Foreign Investment



Quality and Innovation

- Selected as the "Level-II Capability Maturity Model Manufacture (CMMM)" by China Electronics Standardization Institute
- Selected as the "Shenzhen Industrial Design Center" by Industry and Information Technology Bureau of Shenzhen Municipality
- Awarded the "Red Dot Design Award" by the German Red Dot Award Judging Committee
- Selected as the "Excellent Scene of National Intelligent Manufacturing Pilot Demonstration" by the Ministry of Industry and Information Technology Equipment Industry




Sustainable Development

- Awarded the "National Excellent Enterprises with Foreign Investment – Carbon Reduction Promotion" by Shenzhen Association of Enterprises with Foreign Investment
- Selected as the "Shenzhen Sustainable Development Demonstration Enterprise (Four-star Demonstration Enterprise)" by Shenzhen Association for Quality
- Selected as the Second Place of the "Best Social and Corporate Governance (ESG)" in Asian consumer necessities industry in 2022 by the *Institutional Investor*.
- Awarded the "Carbon Neutrality Science and Technology Pioneers Award" by International Green Zero-carbon Festival 2022
- Awarded the "2022 Corporate Social Responsibility Award" by Nanfang Daily.
- Awarded the "Original Aspiration · Corporate Social Responsibility Award" in 2022 by Sichuan Red Cross Foundation




We scored 41 points in the S&P ratings with the scores of several ESG issues higher than the average counterparts of the industry. This figure indicates our continuously improved performance over years.



We achieved a score of 24.6 in the most recent Sustainalytics ESG Risk Ratings, indicating a medium risk level and our better performance than 2021 in response to ESG risks (the lower the score is, the ESG risk value will be lower).



We achieved a "BBB" rating in the most recent MSCI ESG Ratings, representing an industry average level. This helps investors identify and understand our ESG risks.



We achieved B – scores in the CDP Climate assessments in 2022. We promote the CDP questionnaire work each year to do our part in response to climate change.

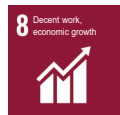
Compliant Governance

We create sustainable value chains from our own actions

In line with 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”, Smoore takes sustainable development as an essential part of our daily operations and business decisions and is committed to providing healthier, greener and more eco-friendly electronic vaping products for the market, so as to contribute our strength to the sustainable development of the whole industry and the whole society with growing research and development spirit, strict and effective quality management and comprehensive and caring service system.



Sustainable Development Goals












- Sustainability Strategy and Management
- ESG Governance
- Corporate Governance
- Business Ethics

Sustainability Strategy and Management

Sustainability Strategy

Our sustainability strategy is based on six core areas, including compliant governance, technology leading, responsible products, green future, dream empowerment and value creation, coupled with the United Nations' Sustainable Development Goals ("SDGs"), aiming at promoting the deep integration of sustainable development concepts and enterprise strategic planning continuously and achieving the common and sustainable development of enterprises, environment and society.







Sustainability Strategy of SMOORE
 "We lead sustainable development with concrete actions"

| Theme | Declaration | Response to SDGs | Objectives | Performance in 2022 (Highlight Performance) |
|----------------------|--|--|--|--|
| Compliant Governance | We create sustainable value chains from our own actions |   | <ul style="list-style-type: none"> Abide by relevant applicable laws and regulations strictly and operate in compliance Abide by business ethics strictly and eradicate corruption | <ul style="list-style-type: none"> Anti-corruption education and training rate of all employees is 100% |
| Technology Leading | We focus on building world-leading atomization technology platforms |  | <ul style="list-style-type: none"> Build world-leading atomization technology platforms | <ul style="list-style-type: none"> A total of 5,662 patents have been applied in China and abroad In 2022, R&D investment reached RMB1.37 billion with a year-on-year increase of 104.6% |
| Reliable Products | We are committed to reducing the harmful effects of our business on health |  | <ul style="list-style-type: none"> Promote the use of safe materials and reduce hazardous chemicals Adhere to responsible marketing | <ul style="list-style-type: none"> The first pod-based product passed the application and certification of Pre-market Tobacco Product Application ("PMTA") The first Extractables & Leacheables ("E&L") analysis and testing laboratory in the world was built |
| Green Future | We take active actions to meet combat environmental challenges |  | <ul style="list-style-type: none"> Strengthen the sustainable management and the efficient utilization of natural resources Promote recovery and reuse to reduce wastes | <ul style="list-style-type: none"> Prepare and issue action plans of carbon peaking and carbon neutrality Water consumption with a year-on-year decrease of 7.6% |
| Dream Empowerment | We are committed to creating meaningful opportunities for all |    | <ul style="list-style-type: none"> Provide employees with stable job opportunities, good working environment, competitive salary and benefits No child labor or forced labor No discrimination of sex, region, religion and nationality | <ul style="list-style-type: none"> No child labor, forced labor, discrimination, etc. The male to female ratio is 1.00:1.08 The total training hours of employees exceed 791,740 Training hours per capita are 48.4 |
| Value Co-creation | We build a better home with our partners |  | <ul style="list-style-type: none"> Build sustainable supply chains to help suppliers improve their sustainability Create value for the society | <ul style="list-style-type: none"> The investment in public welfare activities exceeds RMB8.61 million Employees' voluntary working exceed 380 hours |

Stakeholder Engagement

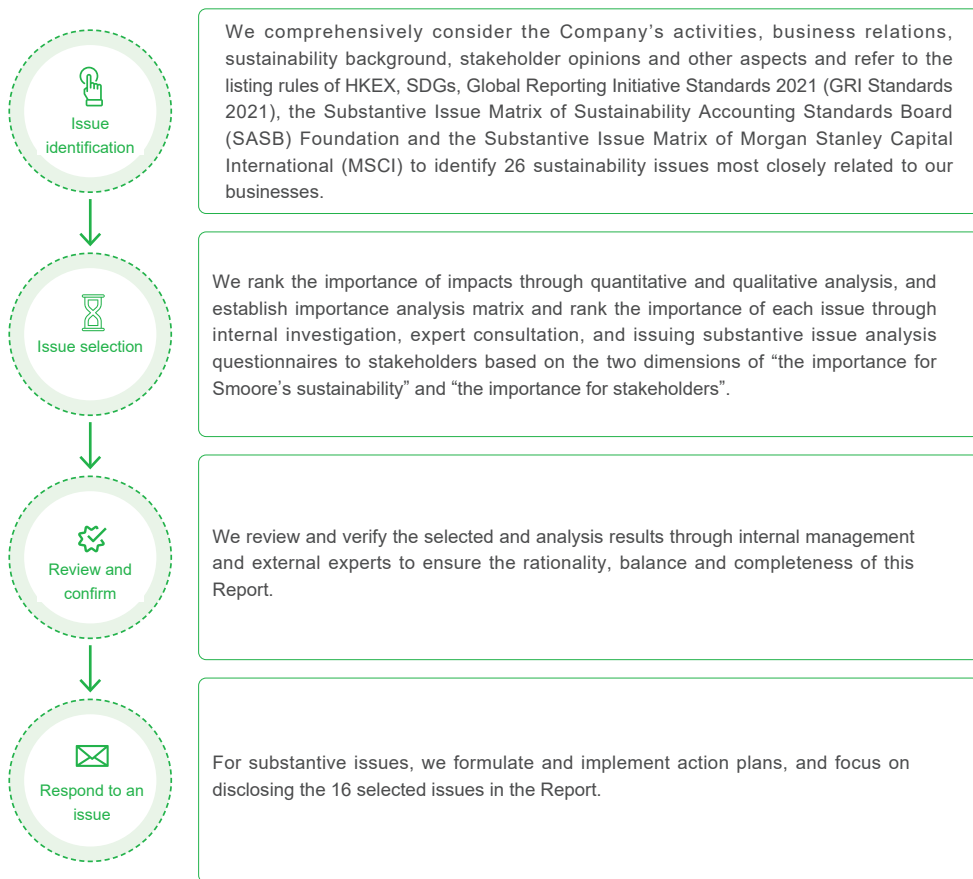
In order to make the Company's sustainability strategy fully reflect the expectations and requirements of stakeholders, we identify the main stakeholders involved in our business, including employees, clients, suppliers and partners, shareholders and investors, government and non-government organizations, and communities through interviews, communication and daily information collection among various departments within the Company. We established various communication channels to maintain close and timely contact with stakeholders and collect their views on the Group's sustainability as an important basis for improving our operating policy and sustainability strategy. The following are the communication channels established for our stakeholders:



| Stakeholders | Expectations and Requirements | Communication Methods and Channels |
|---|---|--|
|  Employees | <ul style="list-style-type: none"> Protect the basic rights and interests of employees Provide training and career development platforms for employees Care for employees' physical, mental and occupational health and safety | <ul style="list-style-type: none"> Employee interview Employee training Corporate cultural activities Performance appraisal Forums |
|  Customers | <ul style="list-style-type: none"> Protect the rights and interests of customers and consumers Abide by business ethics Ensure product quality and safety Provide high-quality after-sales service guarantee Data and privacy protection | <ul style="list-style-type: none"> Customer complaint Customer satisfaction investigation Product exhibition The Group's website Social media (such as WeChat official account) |
|  Suppliers and Partners | <ul style="list-style-type: none"> Maintain good and stable partnership Communicate and coordinate with upstream and downstream timely to achieve win-win results | <ul style="list-style-type: none"> Supplier review Bidding procurement On-site inspection |
|  Shareholders and investors | <ul style="list-style-type: none"> Compliant and stable operation Open, fair and equitable information disclosure Ensure product quality and safety | <ul style="list-style-type: none"> Investor conference Regular information disclosure Media publicity Interview, telephone and electronic information |
|  Government and non-governmental organizations | <ul style="list-style-type: none"> Comply with relevant laws and regulations Pay tax in accordance with law Promote regional economic development Protection of minors | <ul style="list-style-type: none"> Regular communication and report Qualification assessment Policy Publicity and Implementation Supervision and inspection |
|  Communities | <ul style="list-style-type: none"> Pay attention to the impact of production and operation on local areas Promote local economic development Reduce environmental pollution | <ul style="list-style-type: none"> Charitable activities Promote green and low-carbon development Social media (such as WeChat official account) |

Materiality Assessment

To further enhance the materiality of the Report, we extensively conducted internal and external stakeholder surveys based on two dimensions: "the importance for Smoore's sustainability" and "the importance for stakeholders", selected substantive issues and disclosed them in the Report, and responded to the expectations and claim of all the stakeholders in a targeted manner. The ESG Committee supervises the whole process, reviews and approves the matrix of substantive issues. During each reporting period, we will review the substantive issues of the previous reporting period to consider the changes of impact.



- | | | | |
|--|--|---|---------------------------------------|
| 01 Air pollution administration | 08 Compliant employment | 15 Supply chain management | 20 Responsible marketing |
| 02 Waste management | 09 Occupational health and safety | 16 Intellectual property management | 21 Anti-corruption |
| 03 Energy management | 10 Employee development and training | 17 Chemical safety | 22 Economic performance |
| 04 Water resource management | 11 Employee benefits | 18 R&D innovation | 23 Business expansion |
| 05 Material management | 12 Product quality and safety | 19 Community investment | 24 Business ethics |
| 06 Combat climate change | 13 Customer service | | 25 Compliant operation |
| 07 Green products | 14 Raw material purchase | | 26 ESG Governance |
- Environmental issues ● Social issues ● Operation and governance issues

*Note: Bold issues are highly important ones

ESG Governance

Board Statement

The Board and all directors of the Company confirm that there are no false records, misleading statements or major omissions in the Report, and make the following statements on ESG supervision and management of the Board:

ESG management policy and strategy

The Board continuously focuses on the major trends of global ESG, identifies relevant risks and opportunities combining with the current development plan of the enterprise, and updates management policies and strategies when necessary to ensure that the ESG concept of the Group keeps pace with the times. In terms of key issues such as climate change, green products, compliant employment, occupational health and safety, employee development and training, employee welfare, product quality and safety, customer service, intellectual property management, R&D and innovation and ESG management, the Board, the ESG Committee and the ESG Task Force have carried out active management, and emphasised the management methods of the above issues in the Report.

ESG 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. The Board actively communicates with stakeholders, evaluates, analyses and ranks the importance of ESG issues, identifies related risks and opportunities, and updates management policies and strategies when necessary. We have incorporated ESG risks (including climate change risks) into the Company's risk assessment and control system. In view of the possibility of climate risks and its related impacts on the Company, we carried out climate change risks identification, tried to comprehensively identify the

entity and transformation risks related to climate change for the Group, and proposed to formulate countermeasures for the identified key risks based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) to enhance the climate resilience of enterprises. Please refer to the Chapter "Combat Climate Change" in this Report for details.

Objective setting and progress review

The Board is responsible for monitoring the implementation progress and reviewing the performance of the environmental objectives set within the Group. We have developed the ESG strategy and objectives to review and manage the Group's impact on ESG and integrated sustainability into relevant operational levels. The ESG Committee regularly reviews the ESG objectives and its progress and completion. For the specific contents of objective setting, please refer to the Chapter "Combat Climate Change – Guidelines and Goals" in this Report.

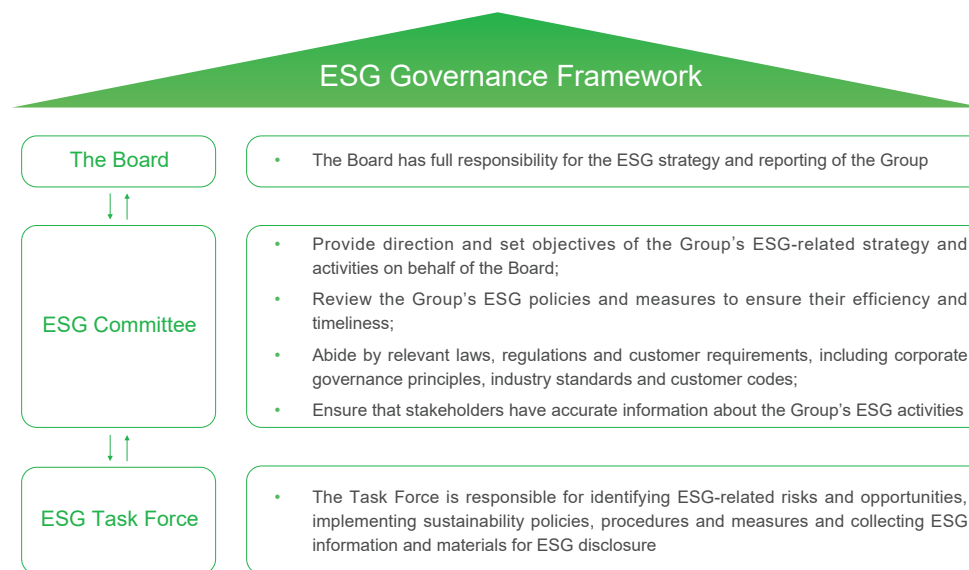
In the future, the Board will continue to optimise the ESG governance of the Group, respond to stakeholders' concerns actively, formulate corresponding action plans, regularly review the progress of relevant objectives and improve ESG management, so as to make continuous efforts to achieve the corporate vision of "focus on building world-leading atomization technology platforms to create value for society; and bringing happiness for all SMOORE people".

ESG Governance Framework

In accordance with the management status and business development needs of ESG, the Group has established the ESG Committee under the Board on 28 December 2022, and published the terms of reference of the ESG Committee on HKEX website. As an executive arm under the ESG Committee, the ESG Task Force is responsible for promoting the implementation of ESG management, ESG strategy and work plans to achieve the Group's objectives.

The ESG Committee is composed of three directors with the Executive Director Mr. Chen Zhiping as its Chairman, the Executive Director Mr. Wang Guisheng and the Independent Non-executive Director Mr. Zhong Shan as its members. The Task Force is composed of department heads of different business units and functional departments, 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.

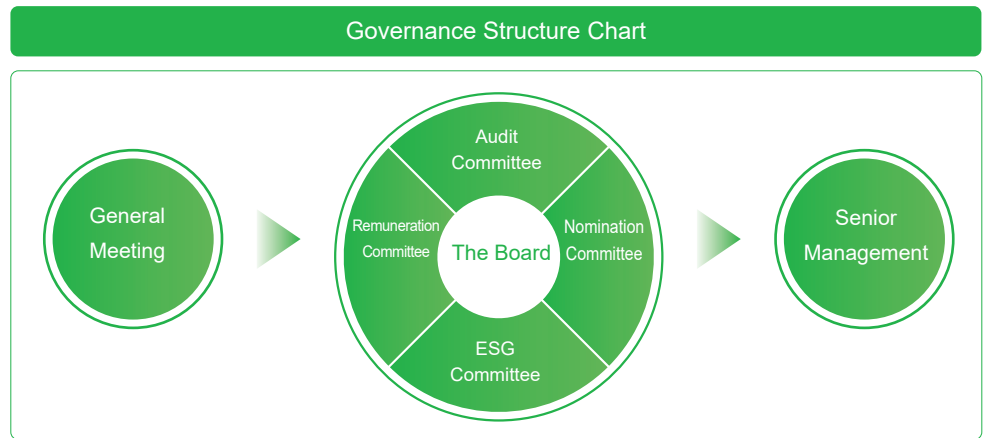
Authorised by the Board, the Committee and the Task Force will continue to improve the ESG governance mechanism and process, hold regular meetings to report the progress of ESG work, and gradually optimise the Group's ESG governance and risk management capabilities.



Corporate Governance

Governance Structure

The Company recognises that sound corporate governance contributes to the sustainable development of the enterprise and is committed to maintaining an effective corporate governance structure to achieve the long-term development of the Group. The Company is also firmly committed to upholding and strengthening the principles and practices of sound corporate governance, strictly comply with relevant laws and regulation to protect the interests of shareholders, customers, employees and other stakeholders.



The Company has established a sound corporate governance structure with the Board responsible for leading the Company and supervising the Group's businesses, strategic decisions and performance, and the Audit Committee, the Nomination Committee, the Remuneration Committee and the ESG Committee under the Board responsible for overseeing particular aspects of the Company's affairs. Each Committee performs its own duties to fully guarantee the rational allocation of internal resources and the efficiency of operational decisions.

As at the end of the Reporting Period, the Board consists of eight members (including four Executive Directors, three Independent Non-executive Directors and one Non-executive Director), of which the number of Independent Non-executive Directors exceeds one third of the Listing Rules, giving full play to checks and balances to protect the interests of shareholders and the Group. Eight Directors all have rich industry experience, among which three Directors are experts in financial management, accounting, taxation and business management with professional background in financial risk management.

Please refer to the Chapter "Corporate Governance Report" in Smoore's *2022 Annual Report* for more details.

Primary Duties of the Board Committees

| | |
|-------------------------------|---|
| Audit Committee | 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 | 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 |
| Remuneration Committee | 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 |
| ESG Committee | Please refer to the Chapter "ESG Governance Structure" in this Report for more details of the ESG Committee's responsibilities |

Diverse Board

The Company recognises and embraces the benefits of having a diverse governance structure and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage and sustainable growth. The Company formulates the Board Diversity Policy and fully considers diversified factors for the appointment of Board members including but not limited to major, experience, educational background, age, gender, etc. The current Board includes two female Directors and one Director with a doctoral degree. The members major in different professions covering marketing, material management, law, finance, chemistry, medicine and others.

The Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. At present, the Nomination Committee considers that the Board is sufficiently diverse. The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

The Nomination Committee will review the Board Diversity Policy, as appropriate, regularly to ensure its effectiveness.

Business Ethics

Anti-corruption

The Group attaches great importance to anti-corruption and strictly requires that each employee should uphold the highest standards of business ethics. Based on the values of "justice, integrity and honesty", we strictly abide by the applicable laws and regulations of the country, the industry and the place where we operate, and resolutely put an end to all improper acts that violate business ethics. Moreover, we are also committed to building a clean and honest business culture. We regularly carry out publicity and training activities of anti-corruption awareness and incorruptible employment through email promotion, online and offline trainings and other channels to enhance the incorruptible employment awareness of all employees. The Company's training platform has launched special trainings of business ethics related to the requirements of the Company's anti-corruption system, the code of business conduct for employees and the contents of reporting complaints, requiring all employees of the Group to learn. All employees are required to receive these special trainings after joining the Company. During the Reporting Period, the acceptance rate of employees' anti-corruption training was 100%, and they were not investigated or punished by external anti-corruption.



Advocate integrity through mails



"Struggle for Dreams, Insist on Integrity" training site

Whistleblower protection

We keep the internal monitoring, reporting and complaint channels unblocked and smooth to encourage our employees, customers, suppliers and other partners to report and complain about improper and illegal acts. We have formulated the *Anti-fraud and Reporting Management System* and a perfect reporting communication process, established various special channels, including reporting telephone, reporting email, official account of the social platform and official website of the Group, and designated the Supervision Department of Internal Control and Audit Center to accept, investigate, handle and reply to all reported incidents. All reported incidents are handled confidentially to ensure that employees can put forward any questions and the whistleblower is protected from any retaliation.

Complaint reporting channel

- Tel.: 18123940661
- Email: antifraud@smooretech.com



Anti-money Laundering

To ensure the source of funds and background of customers, we have established the *Anti-Money Laundering Management Regulations* to avoid transactions with customers with unidentified fund source or background. 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). 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. Annual anti-money laundering training is also conducted by our legal department for employees to ensure that they are aware of the latest requirements of relevant laws and regulations.



Conflict of Interests

In order to promote the standardised development of the Company's businesses and prevent acts damaging the Company, we have formulated the "Management Measures for Conflicts of Interest", requiring that employees should fully disclose any situations that may cause conflicts of interest, and that they should declare conflicts of interest when they know or should know that such conflicts of interest may occur.



Improper Competition

The Company expressly prohibits employees from obtaining competitive intelligences through commercial espionage, bribery, theft or eavesdropping, or maliciously spreading false information about competitors or their products or services. During the Reporting Period, there were no legal proceedings against unfair competitive practices, antitrust and anti-monopoly practices.



World-leading Technology

We build world-leading atomization technology platforms



Sustainable Development Goals



- R&D platforms
- Innovation Investment
- Technology Breakthroughs
- Intelligent Manufacturing
- Intellectual Property Protection

R&D platforms

To maintain our leading position in the global market, we continue to strengthen our research and development capabilities. 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 involved in different stages of product development is undertaken by the research and development system composed of Research Centers, Technology Center, Technology Industrial Center and Product Development Team.

Based on the "technology-driven, user-first" principle, the Group continues to create products for users through making breakthroughs in scientific research. Therefore, we always regard technology as the core of achieving product leadership, and hope to further optimise existing products by introducing innovative technologies, so as to enhance our market competitiveness.

Research Centers – explore basic research




During the Reporting Period, the Research Centers of the Group 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 – overall management of R&D projects



The Technology Center is mainly responsible for project life cycle management and platform-based technology development.

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

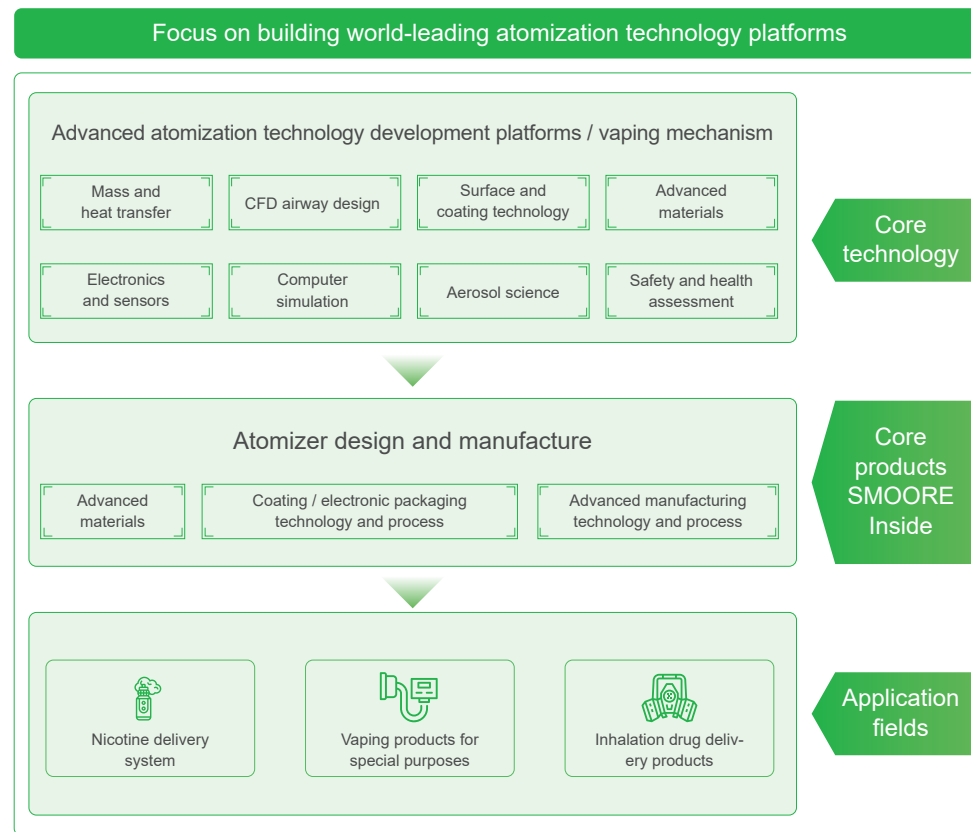


The Technology Industrial Center focuses on the industrialization research on key materials and devices such as ceramic heating elements and the research and development of intelligent manufacturing equipment.

Product Development Team – mass production



Each product division of the Group has established a Product Development Team to develop more competitive products for clients by making full use of basic research results based on market and clients needs.



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.

Innovation Investment

As an innovation-driven Company, Smoore is determined to focus on R&D. We continuously increase investment in basic research to make more atomization scientific research achievements by formulating policies such as the *Innovation Empowerment Management Measures of SMOORE Group*, the *Innovation and Entrepreneurship Platform Management System*, the *Project Innovation Incentive Management System, Organization, the Implementation and Incentive System of Commercialization of Research Findings*, and the *Incentive Measures for Patent Proposals of Company Employees*. With more than 1,500 full-time R&D personnel, we invested RMB 1.37 billion in R&D in 2022.

Attract talents from all over the world to develop atomization technology



Increase investment in research to make more scientific achievements in atomization



Case

Smoores builds the first EU TPD one-stop enterprise detection system in China

With the system officially launched in 2021, Smoore became the first enterprise to provide clients with a full set of TPD detection services. Based on this system, the TPD detection can make reports in only 5 working days, increasing by up to 10 times compared with other detection institutions.

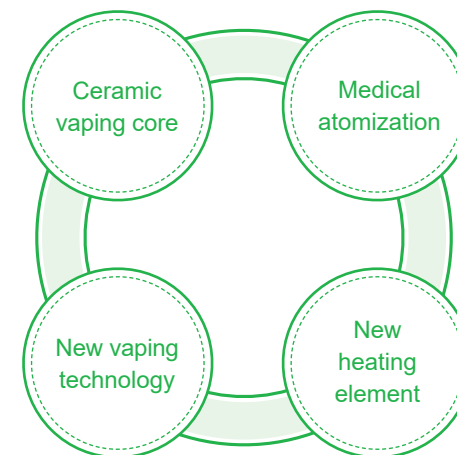
Technology Breakthroughs

Technology R&D

Advanced technology is essential to enhance the core competitiveness of enterprises. We insist on investing in technology research and development, and constantly achieve breakthroughs of key technologies in innovative practices to lead the high-quality development of the industry.

Based on technology leadership, Smoore increases investment in cutting-edge science and technology fields, integrates R&D resources, actively upgrades technologies and products, continuously improves intelligent manufacturing, and promotes technology inclusiveness, so as to achieve continuous breakthroughs in products and technologies and always maintain a leading position in the industry.

Furthermore, the Group has obtained numerous design and development patents in the field of atomization technology. As of 31 December 2022, the Group has applied for 5,662 patents in the PRC and beyond.



Innovate Products

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. 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 VAPORESSO, etc.

We actively establish good cooperative relationships with global clients, 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 clients with premium system vaping devices.

Case

VAPORESSO unveils its flagship vaping product – LUXE X

VAPORESSO, Smoore's toC vaping brand with international influence, is committed to meeting the diversified needs of consumers through innovative, reliable and fashionable end products. In August 2022, VAPORESSO improved LUXE X with futuristic and transparent appearance design for the first time, using the COREX Cotton core heating technology the original Morph-Mesh and COREX Cotton in the industry. In this way, the temperature field is more uniform and the effective heating area is larger, which made the vape consumption ratio increase by 50% under the same power, and greatly promoted the taste reduction degree, service life and smoke amount. With an average sales of 100,000 per month, this product listed on "BEST POD VAPE" by many authoritative medias and became a blockbuster hit in major markets.



Case

FEELM Max

During the Review Period, the Group launched FEELM Max, a new generation of ceramic coil technology platform aiming at closed products to overseas markets. Compared with traditional disposable cotton core products, it solves liquid leakage, taste attenuation, easy dryout and other problems, and brings disposable solutions with more suction, better taste and higher consistency to consumers in the world. With revolutionary technological innovation, FEELM Max won many international awards such as the Red Dot Design Award, and the "Most Promising New Product Award" of the Golden Leaf Award.

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

Case

The First Medical Device Award in Electronic Atomization Industry

Smoore's first self-developed "Ventilator-connected Mesh Nebulizer" was awarded the Best Design Award of the Year of the Golden Pin Design Award, and this is also the fourth global design award of the atomization device after winning the Red Dot Design Award, the International Design Excellence Awards and the Goldreed Industrial Design Award in 2022.

Original ventilator-connected technology can save more than **60%** of drugs

8 patent technologies, integrated design



Intelligent Manufacturing

Smooore leads the digital transformation of industry automation and achieves production process reengineering. We mainly focus on "specialization, scale, systematization and digitalization" to improve intellectual manufacturing, and integrate information and industrialization through full-process, full- craft and full-automatic digital intellectual manufacturing centers. In the process of digitalization, Smooore also introduces digital tools such as intelligent robots, SCADA system and intelligent integrated manufacturing to achieve the real-time collection of production and operation data, analyse big data system to realise the digital full interconnection of production process. In the future, we will realise process reengineering by virtue of digital "Internet of Everything".

In addition, Smooore also has the most efficient automatic production line of atomizers in the world and the first automatic production line of atomizers in China.

Case

Hit No.47 in Forbes "China Digital 100"

Smooore's digital transformation has been widely recognised by the industry and society. Recently, Smooore ranked No.47 in the list of "China Digital 100 in 2022" published by Forbes.

Case

The First Level-II CMMM

Smooore was officially awarded the Capability Maturity Model Manufacture (CMMM as below) in 2021 issued by China Electronics Standardization Institute, which made us the first enterprise in atomization industry to obtain this certification, and strongly approved our intelligent manufacturing development level.



Intellectual Property Protection

Smooore strictly abides by the *Patent Law of the People's Republic of China*, the *Trademark Law of the People's Republic of China* and other relevant laws and regulations, and we protect the Company's intellectual property rights while ensuring respecting the intellectual property rights of others. The Company protects our intellectual property rights through patents, copyrights, trademarks, trade secrets, relevant contract rights and other applicable types of protection. Employees are required to abide by their agreements with the Company on intellectual property rights.

Moreover, we expect all employees to contribute to the Company's leading innovative spirit. According to the *Patent Law of the People's Republic of China* and the *Implementing Regulations of the Patent Law of the People's Republic of China*, we have formulated the *Incentive Measures for Patent Proposals of Company Employees* to encourage employees to invent and create, and promote the Company's innovation ability, technological leadership and core competitiveness.

Case

Electronic Patent Ability and Strengthened Training

Smooore set up electronic patent groups, and carried out dozens of intellectual property training courses for all electronic technology R&D personnel of the Group to enhance their patent literacy.



Number of trainees:

170

Coverage ratio:

90.4%

Satisfaction scoring:

91.8

While maintaining the technology leadership, the Group continues to build a global intellectual property protection system covering the whole world, and continuously strengthens intellectual property barriers against core technologies, as well as the protection of product brands and technology brands. Moreover, the legal and intellectual property teams of the Group have actively carried out intellectual property protection activities in the PRC and overseas markets, which has had a positive impact on maintaining and enhancing the market share of the Group's products. Based on the layout of overseas patents, we issued system files such as the *Guidelines for the Evaluation of Overseas Patent Applications* and the *IDS Specifications for American Patent Applications*, and established cooperative relationship with a number of overseas high-quality patent agencies. During the Reporting Period, there were no intellectual property disputes in the Company.

Reliable Products

We reduce harmful effects on health with reliable products



Sustainable Development Goals



- Product Quality
- Product Harm Reduction
- Quality Services
- Responsible Marketing
- Information Security

Product Quality

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 maximise 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.

Product Quality Management

Smooore strictly abides by the *Regulations on the Implementation of the Law of the People's Republic on Tobacco Monopoly, the Administrative Measures for E-Cigarettes* and other relevant laws and regulations, and has formulated a comprehensive quality management system based on the *ISO9001: 2015 International Standard*. 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.

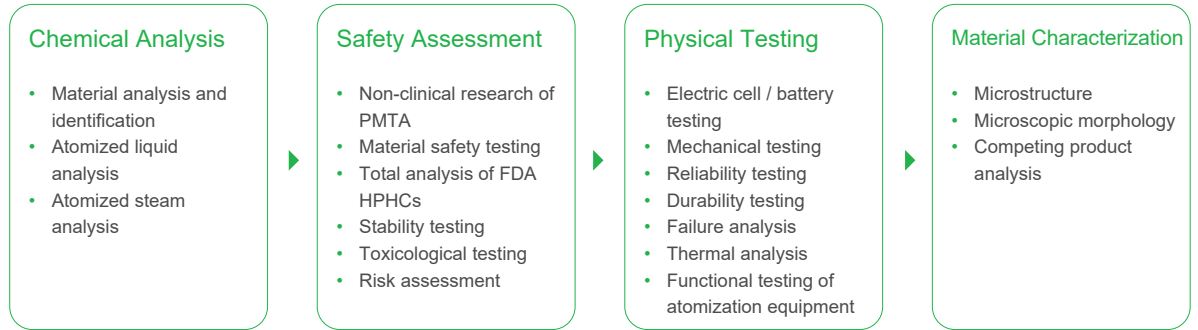
 **11** subsidiaries and branches passed ISO9001 certification

6 subsidiaries and branches passed GMP certification

Smooore has always been committed in improving excellent product quality. We continuously improve the quality management level with craftsmanship spirits, provide users with quality, safe and reliable products to meet their requirements for high quality products. 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. 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.

Product Inspection Procedure



Case

Six Wholly-owned Subsidiaries were Awarded the Tobacco Monopoly License

Three wholly-owned subsidiaries of Smooore Group: Smooore Shenzhen Technology Co., Ltd., Shenzhen Mike Brothers Technology Limited, Shenzhen Vapresso Technology Co., Ltd., Jiangmen Moore Technology Co., Ltd., Dongguan Mike Electronic Technology Co., Ltd. and Shenzhen Maishi Technology Co., Ltd. all obtained the *Tobacco Monopoly License* issued by the State Tobacco Monopoly Administration, further enhancing Smooore's confidence in future development.

Case

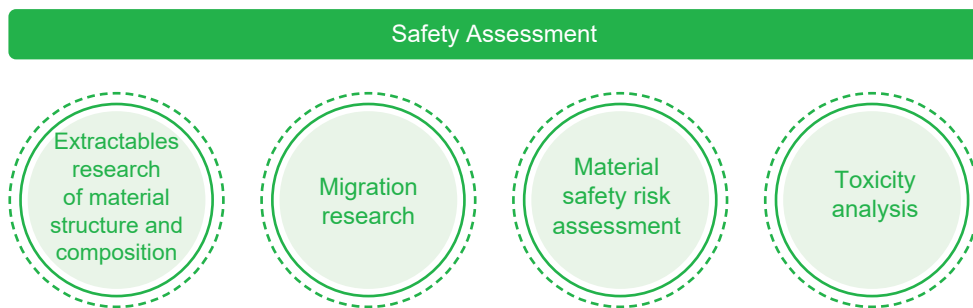
Laws and Regulations Trainings of E-cigarettes

In order to improve the quality of SMOORE products and meet the requirements of laws and regulations in different countries, we insist on performing the responsibility of corporate citizenship, and make reliable products for consumers. In 2022, Smooore carried out laws and regulations trainings of e-cigarette in business departments, which enabled their R&D and quality personnel to have a deep understanding of standard technical contents.



Stringent Raw Material Inspection

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. 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.



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.



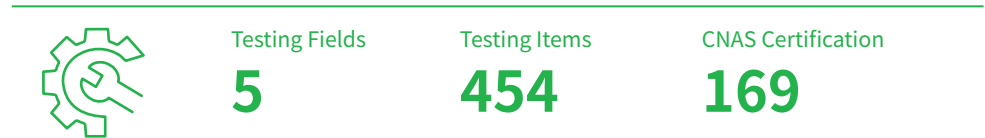
Chemical Safety

Smoores constantly examines the chemical components used in product research and development, and constantly improves the safety of chemical products. Comply with the guidelines of international health organizations and regulatory agencies, the requirements of laws and regulations and customers, we don't use any prohibited ingredients. Meanwhile, the Company adopts standards stricter than Chinese laws and regulations to standardise the selection of chemical ingredients. Referring to the ingredients and the dosage of the EU and the U.S. relevant standards, the Company prohibits controversial ingredients in new product research and development.

Product Harm Reduction

We strictly abide by national and regional laws and regulations such as the *Implementation of the Law of the People's Republic on Tobacco Monopoly*, the *Administrative Measures for E-Cigarettes*, and the *Regulations on Smoking (Public Health) (Amendment)*, put quality first, constantly improve the product quality standard system, strengthen the quality control throughout the full life cycle, and focus on every stage of product production.

The testing scope of our analysis and testing center covers 5 major testing fields and 454 testing items, among which 169 items have been approved by China National Accreditation Service for Conformity Assessment (CNAS). Moreover, the center has successfully obtained CNAS and UL8139 certification, and has become a laboratory that can independently complete the requirements under PMTA guidelines. With the testing capability of the center, we conduct the test and analysis of all toxic and hazardous substances and the corresponding health and safety risk assessment more strictly and comprehensively based on national objectives.



Compared with other consumer products, electronic atomization products have particularity. Because there is nicotine in e-cigarette products, so we believe that the first task to ensure consumers' rights and interests is to provide them with safer and less harmful products, so that they can avoid nicotine addiction and dependence while enjoying high-quality electronic atomization products.

During the year, FEELM launched FEELM Max, the world's first disposable technical solution of ceramic coil. Compared with cotton core disposable products, its overall safety increased by 46%, and the precipitation amount of harmful substances such as aldehydes, ketones and heavy metals decreased greatly compared with cotton core products, bring safer and more reassuring experience for consumers.

Case

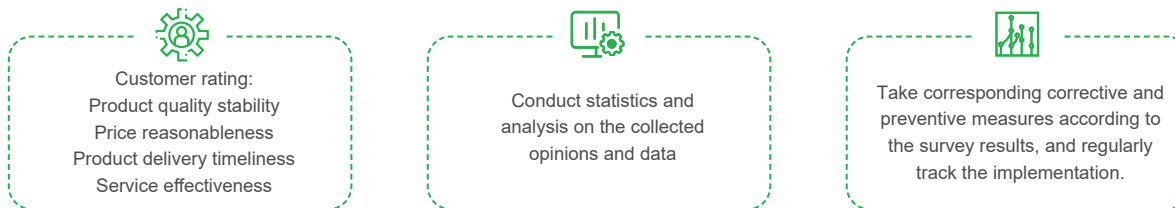
The First E&L Laboratory Ensures Product Safety with Medical-grade Standards

Smoores Extractable and Leachables Laboratory (E&L) is the first E&L laboratory in the global electronic atomization industry. At present, only leading medical companies and top third-party laboratories in the world can provide E&L analysis and testing, and the establishment of E&L means that the safety standard of the whole electronic atomization industry will be improved to a new height again.

Quality Services

Smooore insists on putting customers first, improve the customer service system based on three aspects: customer relationship management, customer requirement determination and customer satisfaction management, conduct regular customer satisfaction investigations to understand customers' opinions and suggestions, and bring a better experience for them. We have formulated internal control system for customers, such as *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, establish long-term and good relationships with them and continuously optimise the quality of our products and services. 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.

Customer Satisfaction Investigation and Countermeasures



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.



Responsible Marketing

Smooore values the impact of its products on society, customers and young people, actively promotes the healthy development of society, and is committed to marketing our products responsibly. We comply with the relevant laws and regulations or high ethical standards of the countries and regions in which we operate. The Company also formulated department specific policies in place to ensure that all marketing activities (types, forms or channels) are conducted legally, compliantly and responsibly.

In view of the health and safety, advertising, labeling, privacy issues and remedies of the products and services provided, there was no major impact caused by violating relevant laws and regulations in the Company during the Reporting Period.

Protection of Minors

We 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.

In addition to setting up safety tips on the official website to remind that the products contain nicotine and discourage minors from using them, we have the user manuals of our 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. In addition to setting up safety tips on the official website to remind the products that contain nicotine to discourage minors from using them.

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.

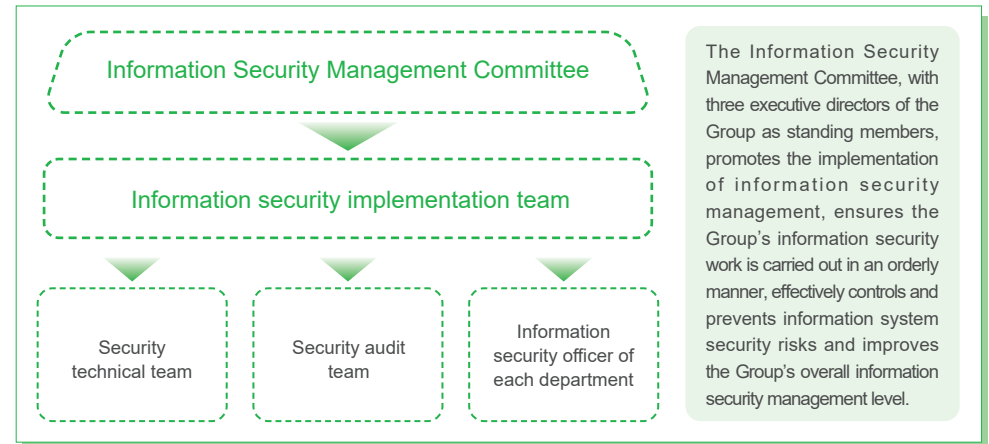


Information Security

Smooore strictly abides by the laws, regulations and normative requirements of the *Law of the People's Republic of China on Personal Information Protection*, the *Cyber Security Law of the People's Republic of China* and other operational locations at home and abroad, and has formulated the *Information Security Management Manual*, the *Compliance Management Regulations for Information Security Laws and Regulations* and other internal management systems. All departments are required to conduct proper data management within their respective function scope in the form of confidentiality responsibility system.

In view of business secrets, such as customer information, supplier information, financial information, etc., the Company has established a strict information protection system to effectively prevent information leakage caused by personal information disclosure, computer viruses, illegal intrusion and ensure information security. The Company manages data security through information tools such as domain accounts, VPN, and corporate email, and regularly reminds employees to change their account passwords to avoid data loss caused by employee password leakage and ensure the information security of the Company and employees. 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.

In order to fully implement the main responsibility of the Group's information security and guide the construction of information security, we set up the Information Security Management Committee. During the year, we updated more than 20 information security-related system processes.



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On 9 May 2022, we held a thematic training titled “Information Security Awareness Promotion – Social Engineering & Daily Office Safety”, including the definition of social engineering, common social work methods and precautions, daily office safety information, and relevant management system of company information security.



Green Future

We combat global environmental challenges to create a green future with active efforts

As a leader in China's electronic atomization industry, Smoore has been using basic technology research and development and its own advantages of the whole industrial chain to explore various ways to achieve carbon neutrality. Nowadays, with the implementation of China's carbon neutrality goal, we have more responsibility and obligation to make efforts for the carbon neutrality process of China's electronic atomization industry, and explore a more low-carbon, greener and more sustainable development model. During the Reporting Period, the Company has established an environmental management system in line with ISO 14001 International Standards, and effectively manages greenhouse gases, energy, water resources, wastes and waste gases through a standardised management system to reduce the impact on the environment while improving a healthy lifestyle in the world.



Sustainable Development Goals



- Combat Climate Change
- Greenhouse Gas Emission Reduction
- Green Products
- Green Packaging
- Green Operation

Combat Climate Change

With the increasingly severe impacts of climate change, global warming and frequent abnormal weather, we have realised that actively responding to climate risks is a compulsory course and obligation of every enterprise. During the Reporting Period, the Company has incorporated climate change into the management scope of the Board and the management, actively formulated low-carbon development objectives, strategies and action paths, and strengthened the disclosure of climate-related information. Based on TCFD framework, we identify and disclose the Group's policies and actions of combating climate risks from four levels: governance, strategy, risk management, guidelines and objectives.

Governance

The Company has continuously strengthened its supervision and management of climate change issues. The Board is fully responsible for supervising the Group's risk management activities, and the ESG Committee is responsible for integrating climate change issues into the risk management system, identifying, determining, assessing and managing climate-related risks, supervising the implementation of climate action plans of relevant departments, and regularly assessing the effectiveness of climate change risk management to enhance our ability to combat climate change risks.

Strategy

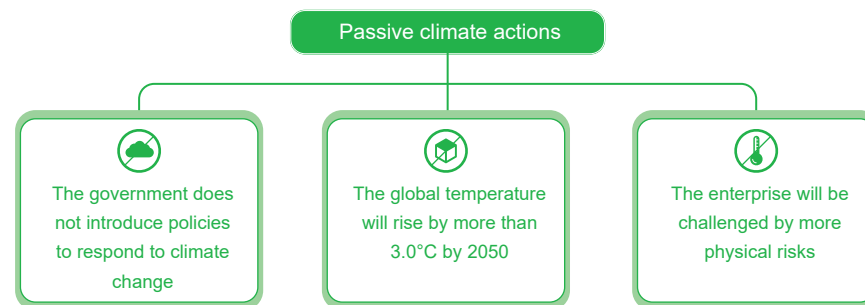
Climate scenario analysis is a climate risk assessment method recommended by TCFD. With this method, the Group can formulate more flexible and robust strategic plans to deal with various possible conditions in the future.

According to the TCFD Climate Risk Disclosure Framework, the Group divides climate-related risks into two categories – physical risks and transition risks, and identifies the possible impacts of climate change on its own business segments in different time scales including short-term (1 ~ 2 years), medium-term (3 ~ 5 years), medium-term (6 ~ 9 years) and long-term (10 years and above).

Climate Scenario 1 (global warming within 1.5°C)



Climate Scenario 2 (global warming above 3.0°C)



Physical Risks

| Climate Risk Factors | Risk Classification | Risk Example | Time Dimension | Impact Strength | Countermeasures |
|--|------------------------|--|----------------------|-----------------|--|
|  Heat wave | Acute operation risk | During the heat wave, employees may be unable to work due to heat collapse, heatstroke or other health diseases caused by extremely hot weather, which will lead to higher operating costs. Production machines may overheat, resulting in shortened service life. Both situations may lead to income loss | Long term | High | <ul style="list-style-type: none"> • Make the monitoring and early warning of extreme weathers, formulate disaster emergency plans, and carry out regular emergency drills and trainings for natural disasters and accidents to improve the coping ability for extreme weathers • Use climate resilient infrastructure for architectural engineering, such as seismic design, wind protection design, lightning protection design, flood control design and fire protection design |
|  Earthquake | Acute operation risk | Because the Company's manufacturing plants are not located in earthquake-prone areas, the earthquake risks are low. | Long term | Low | |
|  Typhoon | Acute operation risk | Because the Company's manufacturing plants are located in typhoon-prone areas, there exist certain typhoon risks. | Long term | High | |
|  Mosquito reproduction | Chronic operation risk | Rising temperatures and precipitation also lead to mosquito reproduction, thus increasing the risk of mosquito-borne diseases. | Long term | Low | |
|  Sea level rise | Chronic operation risk | Because the Company's manufacturing plants are not located in coastline areas, the risk of sea level rise is low. | Long term | Low | |
|  Water resources pressure | Chronic operation risk | Because the Company's manufacturing plants are located in areas with medium and high water pressure, the risk of water shortage is high. | Medium and long term | Medium | |

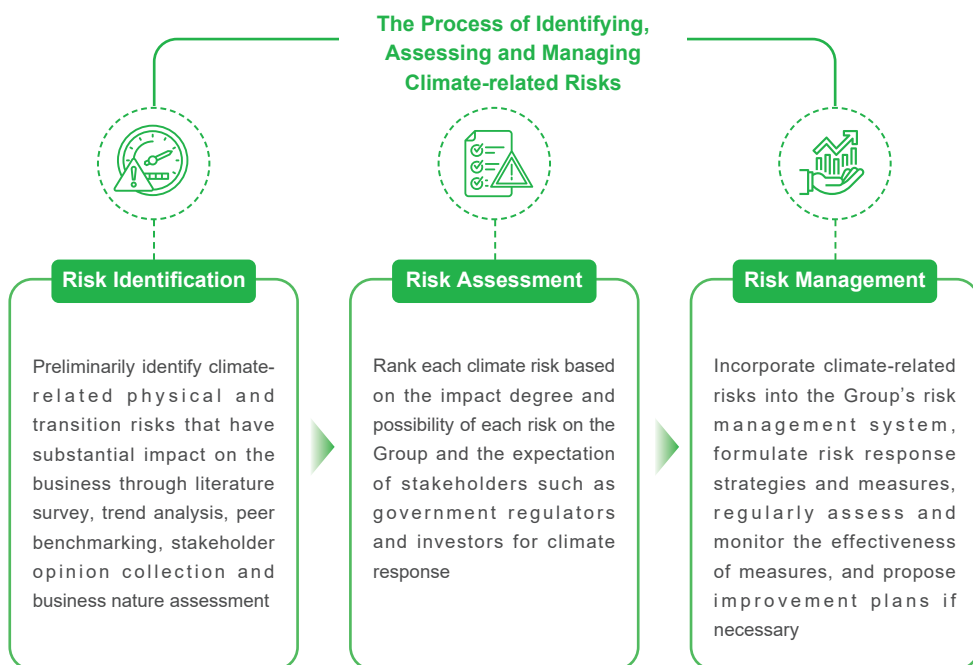
Transition Risk

| Climate Risk Factors | Risk Classification | Risk Example | Time Dimension | Impact Strength | Countermeasures |
|---|-------------------------------|--|----------------------|-----------------|---|
|  <p>Energy pressure</p> | Policy and legal risk | The power rationing policy of local governments will lead to production halt or reduction of output, and affect upstream supply chains, thus increasing production costs | Short term | High | <ul style="list-style-type: none"> Strengthen the communication with the government and regulatory authorities, and actively adjust relevant work according to policy changes timely Strengthen the management of corporate carbon assets |
|  <p>New policy of low-carbon economy restructuring</p> | Policy and legal risk | China promised to achieve the 3060 dual carbon goal, and introduced new policies to support low-carbon transformation, which will put pressure on high-emission economic activities, thus increasing the research and development costs of green production. | Long term | High | |
|  <p>Price fluctuation of the carbon market</p> | Market and reputation risk | Due to the more rigorous carbon emission policy of the government, the Group's cash flow may be affected by the price fluctuation of the carbon market. | Medium and long term | High | |
|  <p>Regulatory and mandatory information disclosure</p> | Operation and reputation risk | Supervise and mandate the disclosure of climate-related financial information. Lacking historical data and accurate accounting methods will affect disclosure quality. | Short term | Low | <ul style="list-style-type: none"> Plan and prepare in advance according to the requirements of climate information disclosure |
|  <p>Energy transformation policy</p> | Market and technical risk | With more rigorous emission reduction policies of the government, the Group needs the green energy with lower emissions to replace existing energy, thus increasing the cost of energy transition technology. | Medium and long term | Medium | <ul style="list-style-type: none"> Improve energy efficiency and increase the proportion of renewable energy |
|  <p>Improve environmental protection standards</p> | Market and technical risk | With more rigorous environmental protection policies of the government, the Group needs to raise its standard of production energy consuming, and may increase its investment in energy conservation and environmental protection renovation. | Long term | High | <ul style="list-style-type: none"> Implement a number of environmental protection technological upgrading projects |

Risk Management

We have incorporated ESG risks (including climate change risks) into the Company's risk assessment and control system. As part of climate assessment, we consider the likelihood of climate risks and the related impact on the Company. During the Reporting Period, we have assessed the relative impact of climate risks on our operations, and the assessed climate-related risks include: Acute physical risk, chronic physical risk, policy and legal risk, technical risk, market risk, reputation risk, etc., and we have also provided countermeasures.

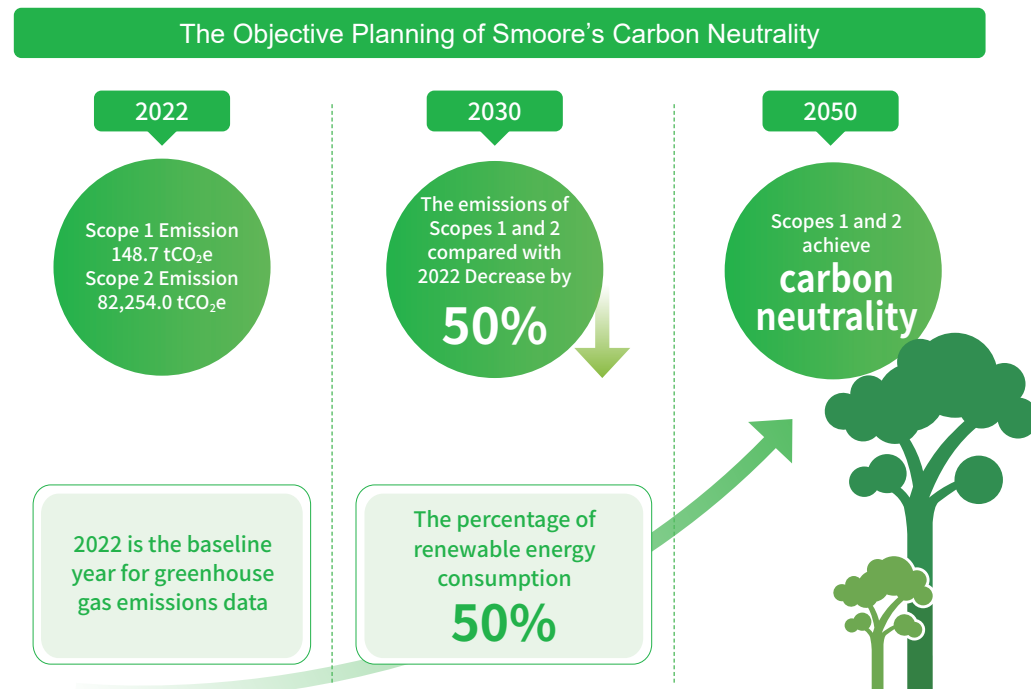
We include climate-related risk management into the overall management structure of ESG, and the ESG Committee will integrate and promote climate-related risk management under the supervision of the Board. The ESG Task Force is responsible for implementing climate-related risk management in various production bases and business departments to follow up upcoming or possible crises or problems timely, as well as various policies and procedures, and reporting to the Board through the ESG Committee to avoid or mitigate risks.



Metrics and Targets

In May 2022, we officially released our carbon neutrality plan, set a net zero goal and promised to achieve carbon neutrality by 2050. We will continue to increase the use of renewable energy in our operations, and strive to achieve 50% energy consumption of renewable sources by 2030. In addition, we have aligned carbon neutrality plan with international standards, joined CDP, an international third party non-profit carbon disclosure platform, submitted commitments to the SBTi (Scientific Carbon Target Initiative), and set phased targets for carbon neutrality.

We will reduce carbon emissions of our operations and of parts of our value chains firstly, and promote carbon neutrality through zero-carbon technology solutions, using environmentally friendly materials, improving recycling systems, and joint decarbonization of supply chains. Meanwhile, we will continue to make innovations in designing sustainable products, optimizing operational energy efficiency, supporting the decarbonization of supply chains and increasing the use of renewable energy in business operations based on the requirements of the United Nations, so as to explore a more low-carbon, greener and more sustainable development model and build a “zero-carbon virtuous cycle” of the whole industrial chain and the whole life cycle. In the future, we will regularly publish the stage progress and achievements of the Group's carbon neutrality and its atomization technology brand FEELM, and accept the supervision of global investors and the public.



Greenhouse Gas Emission Reduction

The Group is committed to reducing the burden on the environment through implementing greenhouse gas regulations. Emissions from diesel and gasoline of the Group's vehicles are shown in Figure 1, which are direct greenhouse gas emissions. The group's outsourced power is shown in Figure 2, namely indirect greenhouse gas emissions. We have established the *Greenhouse Gas Control Procedures* and the *Management Procedures for Energy Conservation and Emission Reduction* to strictly monitor our air pollutant emissions.

In view of the production level, we have established an energy management system to monitor, calculate and process various energy consumption data timely. We continue to improve and optimise the process and strive to reduce the energy consumption of individual products. We have also set up the Greenhouse Gas Inventory and Voluntary Mitigation Team responsible for developing and implementing mitigation plans of greenhouse gas emissions and awarding departments with excellent energy-saving performance.

Moreover, we also actively guide all employees to practice the concept of energy conservation and low carbon. We take a number of energy-saving and emission reduction measures in workplaces and project constructions, and strive to reduce the greenhouse gas emissions in our operations to combat global climate risks.

| No. | Scope | Type | Total carbon emissions (t CO ₂ -eq) | Proportion (%) |
|-----------------------------------|------------------------------|------------------------|--|----------------|
| 1 | Direct emissions (Scope 1) | Gasoline | 110.9 | 0.13 |
| 2 | Direct emissions (Scope 1) | Diesel | 38.0 | 0.05 |
| Direct emissions (Scope 1) | | | 148.7 | 0.18 |
| 3 | Indirect emissions (Scope 2) | Outsourced electricity | 82,254.0 | 99.82 |
| Total | | | 82,402.7 | 100 |

Green Products

We insist on green environmental protection throughout all stages of the product life cycle, and practice sustainability in the whole process of design and development, material procurement, manufacturing, logistics and transportation, and product recycling, and continuously commit to developing and using environmentally friendly materials such as degradable materials and recyclable materials. We also established a product Life Cycle Assessment (LCA) model, summarized the main carbon emission sources in the process from raw material production, to the whole product use and circulation, and then to product recycling, and built an analysis platform of SMOORE product carbon footprints. In the process of raw material production and product assembly and production, we also constantly explore and verify low-carbon materials, simplify product design and production process, reduce energy consumption to provide customers with low-carbon, environmentally friendly, green and healthy products.

- R&D design**
 - Adopt biodegradable and non-toxic new environmental protection materials
 - Adopt removable and recyclable product design
 - Develop environmentally friendly packaging and components with suppliers
- Material procurement**
 - Promote sustainable procurement, regularly evaluate and monitor suppliers' environmental compliance and encourage suppliers to use renewable energy
 - 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**
 - Continue to expand the use of renewable energy, accelerate the installation of solar panels and the renovation of low-carbon and energy-saving buildings
 - Scientifically manage the use and loss regulations of raw and auxiliary materials to improve the use efficiency of raw materials
 - Provide training on energy saving, water saving and material saving to employees to reduce operation losses
 - Make full use of water resources, reduce water consumption, and strengthen the audit and optimization of the production process
- Packaging and logistics**
 - Utilise recycle plastics, eliminate disposable plastics, and adopt environmentally friendly and biodegradable materials
 - Fully utilise electric forklifts and green electric transportation in the plant
 - Improve the automation of production lines to reduce the logistic requirements
- Product use**
 - Improve product quality and maximise product service life
- Disposal and recycling**
 - Establish a product recycling model
 - Cooperate with international professional recycling companies to formulate recycling plans of products and wastes
 - Establish classification, recycling and dismantling process of disposable wastes to realise scientific and green product recycling

The first environment-friendly disposable electronic vaping device in the world

- Adopt spiral composite paper tube and onion mouthpiece technology specially developed for environmental protection
- The degradation rate reaches to 76% of the total volume

The first environment-friendly disposable electronic vaping device in the world

Environment-friendly disposable electronic vaping device without nicotine

- Adopt aluminum foil bag to reduce the impact of packaging material consumption on the environment

Environment-friendly disposable electronic vaping device

SMOORE Product Carbon Footprint Platform

Green Packaging

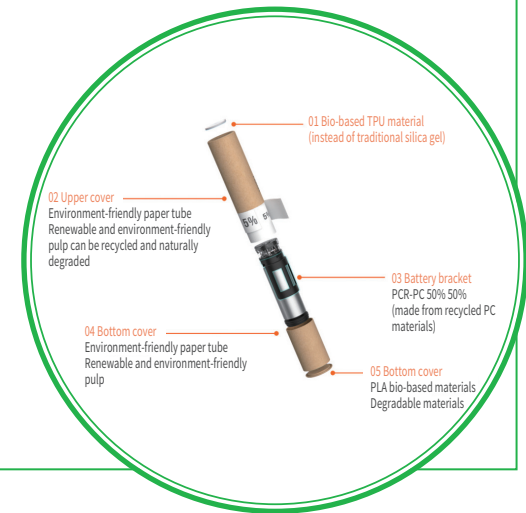
We value the requirements of green and reduced product packaging, formulate management measures such as the *Product Packaging Design Procedures*, use more environment-friendly packaging materials with less wastes, and strive to develop more environmentally friendly and energy-saving products. We take various measures in green packaging, including:

- Adopt environmentally friendly and biodegradable materials
- Optimise product volume
- Reduce the use of materials
- Adopt integrated design of product and packaging

Case

Fashionable and Environment-friendly FUTURE with integrated design of product and packaging

The integrated design of product and packaging in FUTURE reduced the waste of plastics. The design concept of “product is packaging” achieved the integrated design of fuselage and packaging, and minimised the use of extra redundant materials. It adopts recycled paper instead of plastics and metals made of traditional petroleum base or ores as its main shall materials, and its internal structural parts also uses PCR or bio-based materials instead of traditional plastic materials. In this way, the overall plastic reduction rate reaches 60%, and the carbon emission of the whole product can be reduced by about 52%-58%. After the product is used and discarded, users can easily disassemble and recycle it with the quick and easy-to-break design.

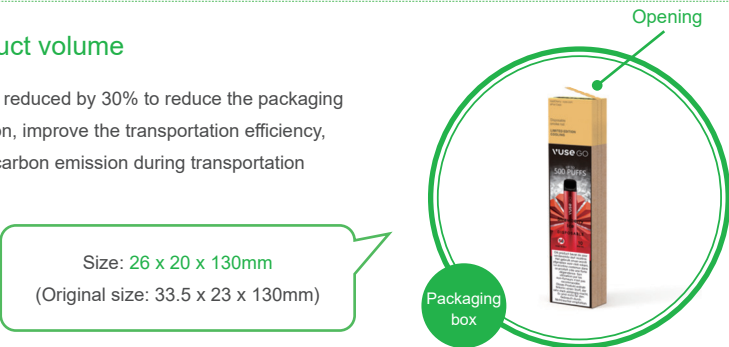


Adopt environmentally friendly and biodegradable materials

- Adopt pure natural primary color paper of plant fiber without fluorescent brightener and bleaching treatment
- With bio-based Poly Lactic Acid (PLA) thermoplastics that can be rapidly degraded, the carbon emission of production is only half of that of petroleum-based composites
- Use environmental water-based ink for packaging and printing, which can reduce the residual toxicity on the printing surface and effectively reduce the release of VOC (Volatile Organic Compound)

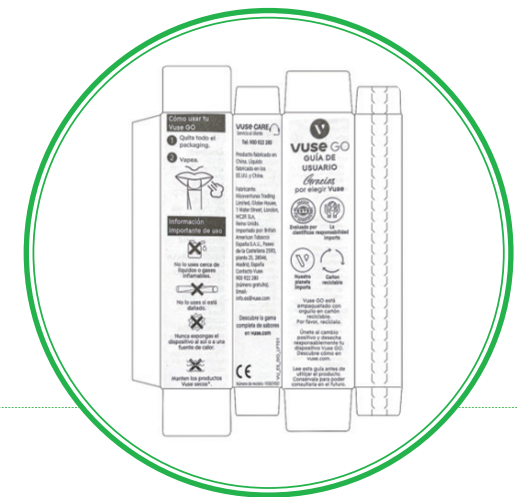
Optimise product volume

- The packing box is reduced by 30% to reduce the packaging use in transportation, improve the transportation efficiency, and decrease the carbon emission during transportation



Reduce the use of materials

- Remove unnecessary disposable plastic packaging and silicone caps of disposable atomizers
- Print the instructions in the internal packaging box to reduce the use of materials



Adopt integrated design of product and packaging

- Adopt integrated design of fuselage and packaging, and simplified internal structure to minimise the use of extra redundant materials

Green Operation

Energy Management

In order to reduce the energy consumption of our business operations, we have formulated systems related to resource management, including the *Management Procedures for Energy Conservation and Emission Reduction*, the *Management Regulations for Saving Resources* to control and manage energy consumption indicators and integrate energy-saving elements into our daily operations. In addition, we also actively consider effective energy-saving solutions to enhance energy efficiency. During the Reporting Period, we introduced a professional carbon-neutral energy investigation team to support upstream and downstream industries, build an ecology together, and promote the overall transformation and upgrading of the industry based on the "energy management system" and building a "green factory".

We introduced an energy management system in FEELM automated factory, and realise real-time monitoring, calculation and processing of various energy consumption data by collecting power consumption data of each link in the factory timely and tracing back historical data. In this way, the factory can quickly discover the operation rules of energy-consuming equipment, and efficiently adjust and control the equipment according to usage conditions, so as to maximize the equipment efficiency and greatly reduce the carbon consumption in the production process. The system also supports the monitoring of power system, and calculates carbon dioxide emissions based on the monitoring and present them in real time on the data platform to monitor excessive carbon emissions or other abnormal situations.

With the world's first full-process and full-automatic closed POD production line in the electronic atomization industry independently developed by Smoore



Water Resources Management

The Group has formulated the *Water Management System* based on the *Water Law of the People's Republic of China* and other laws and regulations to manage the consumption of water resources. Our water consumption mainly comes from the production process and daily office life. The water provided for the Group is from the local municipal water supply system, so there is no difficulty in obtaining suitable water sources for us. In addition, we also actively consider effective energy-saving solutions to enhance energy efficiency. Relevant measures include:

Regular checking

Regularly check the integrity of water pipelines and water supply facilities to prevent the loss of water resources caused by leakage

Set up the ledger

Install steam flow meters and water meters for our production system, set up special ledger, track and analyse the water consumption of production bases regularly, and formulate water saving target and action plan

Recycling water

Use recycling water in the production process to reduce the replenishment of new water and improve the efficiency of water-using devices

Rainwater utilisation

Build a system for the comprehensive utilization of rainwater in storage tank 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



Cleaning wastewater recycling devices



Wastewater recycling facilities

“Three Waste” Management

Wastewater management



The wastewater from our production and operation mainly includes domestic sewage and cleaning wastewater. Domestic sewage is discharged into municipal sewage pipelines after being treated appropriately. For example, the wastewater from canteen must be separated from oil and water in the oil separation tank before being treated in the septic tank, and then discharged into municipal sewage pipe networks based on the corresponding discharge standard. Cleaning wastewater is treated by third-party professional organizations. All kinds of waste liquids containing toxic and harmful substances, dirty oil or chemical substances produced in the cleaning of components are collected or stored in special containers, and are treated with anti-leakage measures; produced oily sewage will be collected by special personnel and be treated by a third party with treatment qualification. Waste liquid sewage containing toxic and harmful chemicals, waste acid, waste alkali, etc. will be collected by special personnel and entrusted to a qualified unit for treatment and record.

Waste gas management



We actively implement the *Atmospheric Pollution Prevention and Control Law of the People's Republic of China* and other relevant laws and regulations, and strictly control the waste gas emission of pollutants containing particulate matters, volatile organic chemicals (VOCs) and others in the laboratory and during the process of factory production and material storage and transportation. For example, regularly supervise and inspect smoking hoods, exhaust pipes, waste gas treatment facilities and other devices to ensure smooth and qualified exhaust emissions; establish a discharge port file for organised waste gas discharge, and register the basic situation of waste gas emission, including: the height and inner diameter of the discharge port, the temperature and discharge amount of waste gas under normal operating conditions, the names of major pollutants and the replacement time of activated carbon, etc.; achieve standard discharge by discharging non-organised waste gas through production and operation control.



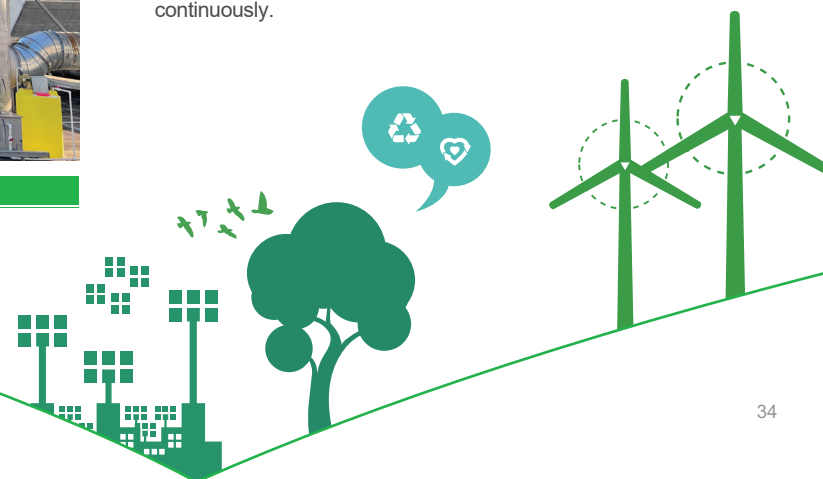
Waste gas treatment facilities

Waste management



In line with the principle of reduction, recycling and harmlessness, we have formulated the *Regulations on Solid Waste Management* and the *Hazardous Waste Management System* based on the *Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste*, the *Soil Pollution Prevention and Control Law of the People's Republic of China* and other relevant laws and regulations, so as to manage the wastes generated in offices, production bases and laboratories in compliance. Recyclable general solid wastes will be collected by the personnel arranged by each unit, and then resold to entrusted disposal parties with the recycling qualification of waste materials; non-recyclable general solid wastes will be uniformly collected, transported and treated by qualified entrusted treatment parties. Moreover, we have established hazardous waste management system and ledger in accordance with national regulations, and hired relevant parties approved by the Environmental Protection Bureau and qualified for hazardous waste treatment to treat hazardous wastes such as waste smoke oil, smoke pipes and atomizers.

In order to reduce waste emissions in production operations, we have improved the automation technology to increase product yield. Although automated production line testing has led to an increase in the total amount of waste generated during the Review Period in the short run, with the new generation of automated production lines is put into use, the scrap rate caused by defective products will be greatly reduced, contributing to our goal to reduce waste continuously.



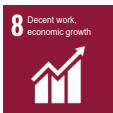
Dream Empowerment

We create meaningful opportunities for everyone

We integrate “staying together, all for dreams” into our core values, and strive to achieve our dreams together and become caring dream chasers. The Group actively protects employees’ legitimate rights and interests, strives to provide them with an inclusive and diverse working environment and an equal development platform, continuously focuses on and their life and health, and supports them to realise their dreams.



Sustainable Development Goals



● Rights and Interests Protection

● Promotion and Development

● Diversity and Inclusion

● Employee Care

● Talent Retention

● Occupational Health and Safety

Rights and Interests Protection

We strictly abide by the *Labor Law of the People's Republic of China*, the *Law of the People's Republic of China on Employment Contracts*, the *Provisions on Prohibition of Child Labor* and other relevant laws and regulations and the human rights principles of the Global Reporting Initiative (GRI), employ in compliance with laws and regulations, provide equal opportunities for employees, establish good employment relationship and protect the legitimate rights and interests of every employee.

In terms of employee recruitment, employee development, salary and welfare, we follow the principle of fairness and impartiality, and oppose any discrimination based on race, color, religious belief, gender, age, disability, family status and nationality; we don't use child labor resolutely and oppose forced labor in line with legality and compliance, and regularly review employment practices to eliminate of illegal employment of child labor and forced labor. If any violations are found, we will take initiatives to assume social responsibility, conduct appropriate remedial measures to support victimized employees with all necessary actions, and improve the recruitment and review process to avoid the re-incurrence of similar incidents.



Complaint treatment rate of labor problems

100%



Labor contract signing rate

100%

Diversity and Inclusion

We firmly believe that employee diversity is an essential guarantee for the Company's all-round development. We support employee diversity, and strive to create fair and just job opportunities for all applicants of different ages, genders, skin colors, religions and other factors, and provide diversified employment channels for outstanding talents.

Recruitment channel

- Internal recruitment

Recruit and select suitable applicants within the Company for vacant jobs;
- External recruitment

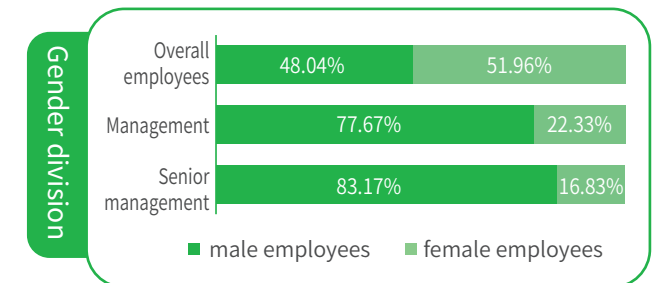
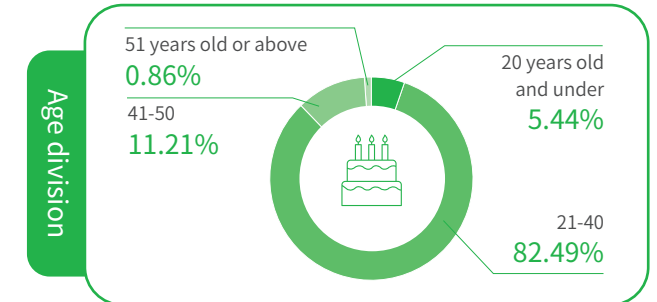
Recruit and select suitable applicants from the external talent market for vacant jobs;
- Social recruitment

Recruit experienced personnel through social channels (such as recruitment websites, talent agencies, headhunters and advertisements);
- Internal recommendation

Internal employees recommend applicants to join the Company;
- Talent portrait

Refer to the key characteristics (including knowledge and skills, work experience, core competence, personality, motivation and core traits) of outstanding applicants competent for recruitment positions.

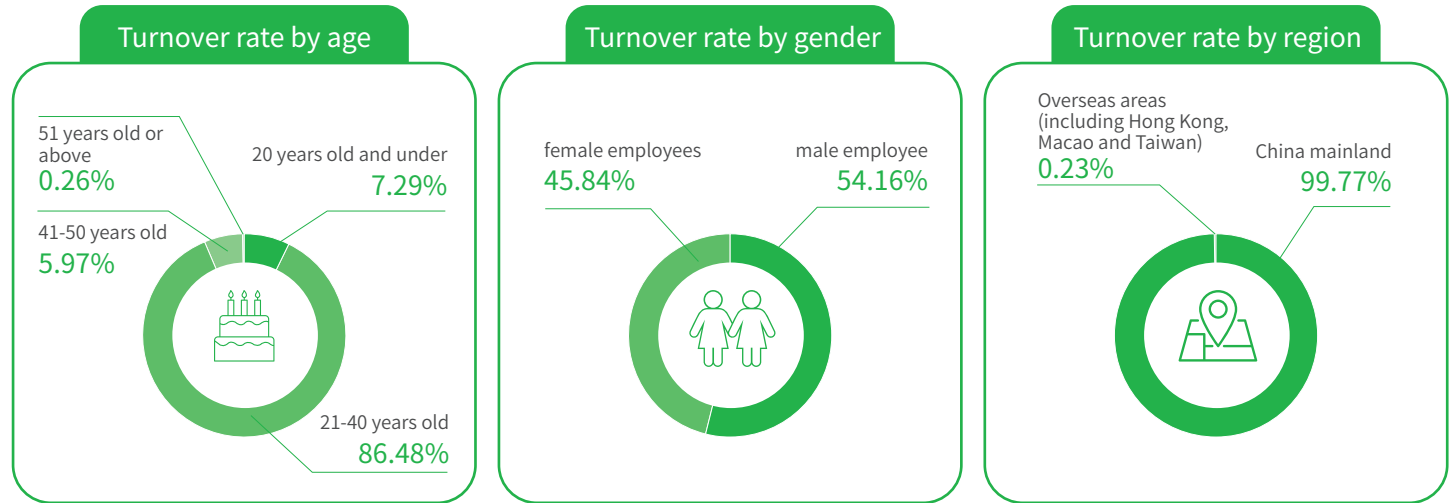
During the Reporting Period, the total number of our employees reached 16,373, all of whom were full-time employees, and they were divided according to different factors such as age, gender and region to achieve refined management. We value gender diversity across all levels of the Group, and review the diversity policy and policy implementation annually to ensure its effectiveness.



Talent Retention

We value talent retention, constantly standardise performance management, and formulate and improve incentive management systems. We have stipulated the performance management process, including setting performance objectives, timely guiding and reporting through the management in the process of performance implementation, and using scientific evaluation methods to evaluate performance, so that employees that create higher values and complete difficult challenges and strategic tasks can obtain materials, opportunities and honors easily. In order to achieve employee motivation, we improve the employee incentive management system. In addition to basic salary, Smoore also distributes performance bonus, value sharing bonus and special bonus to employees, holds annual excellence selection activities and establishes long-term incentive system.

We make regular feedback of employees' turnover rate, find out the background and situation of talents to ensure sound talent teams. During the Reporting Period, the total turnover rate was 1.28%. The turnover rate by age, region and gender is shown in the following figure:

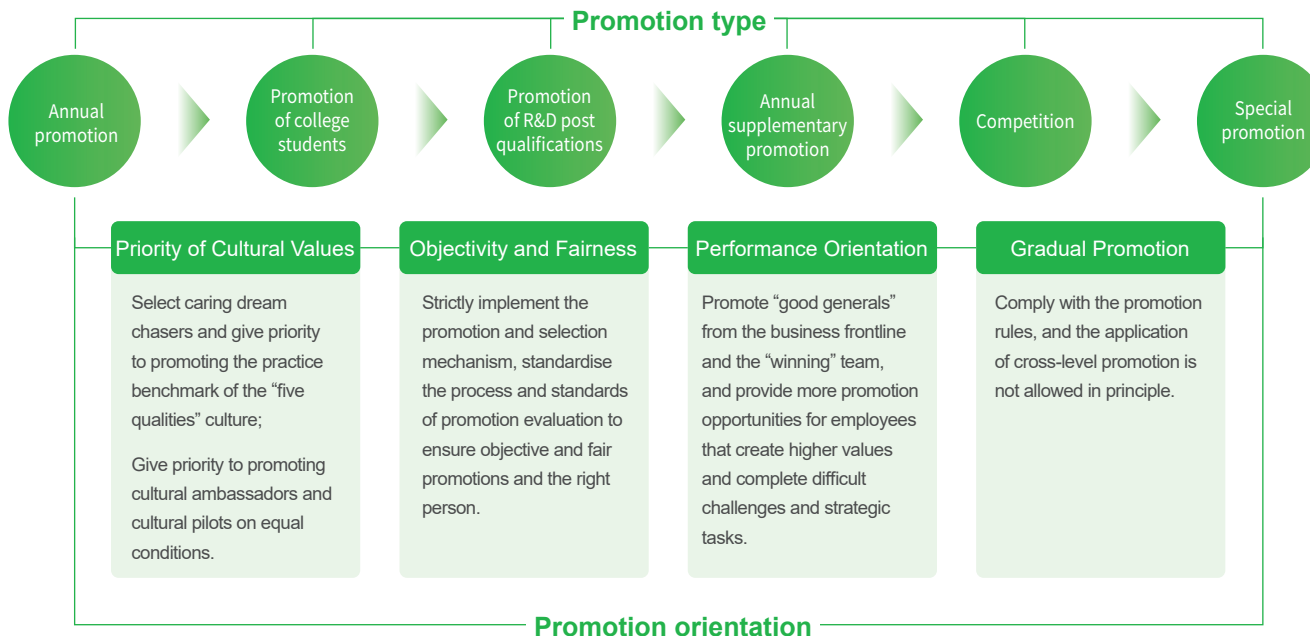


Promotion and Development

Smooere puts people-driven principle first in its management. The starting point of all our policies and the measurement of our management results are to stimulate employees' vitality and creativity. Smooere takes talents as essential parts of its development, establishes a perfect promotion mechanism and a sound training system to cultivate employees with "five qualities" including responsibility, aspiration, perseverance, care and introspection and make them "caring dream chasers".

Employee Promotion

In order to meet the requirements of employees' career development, identify and evaluate employees' ability and value contribution, Smooere provides a dual-channel development system for them (management & professional channel), and achieves the vertical development of employees' career through promotion review mechanism. We provide 6 promotion types for employees, and they can participate in the corresponding promotion review according to their own personnel categories. The overall orientation of promotion is: priority of cultural values, objectivity and fairness, performance orientation and promotion step by step. Employees who have made outstanding contributions can report for exceptional promotion.



Employee Training

During the Reporting Period, we have revised the Training Management System to standardise various training activities. We implement the three-level training management of Smooere College, the first-level department and the second-level department, with Smooere College responsible for formulating the Company's annual training plans. We carry out employee training with internal training as the main force and external training as supplementary, so as to improve employees' professional knowledge and skills.

In order to support employees development, we formulate a three-level internal training plan: group level, business unit level and factory level. The Human Resources Administration Center is responsible for implementing the Group's training plan including induction training for new employees, talent development training, training for capabilities in conducting key businesses, management skills training, general skills training, etc.; Each business unit formulates a business unit-level training plan including internal skills upgrading training for professional positions, induction training for new employees, etc.; Each factory formulates a factory-level training plan including on-the-job training for front-line employees, training for professional knowledge and skills, induction training for new employees, etc.. In 2022, Smooere College focuses on talents, business and culture from a strategic perspective, and carries out refined training management.



2022

Our training management performance

Enrich resource construction and ensure the effective supply of learning resources.

- Resource construction: Innovate the curriculum development mode, improve the quantity and quality of courses, create excellent courses, and accumulate and share organizational knowledge. In 2022, there were **161** certified courses, of which **75%** were backbone courses, and **191** new internal lecturers were certified.
- Learning platform: Carry out E-Learning, an online learning platform, and cooperate with various departments to create a learning atmosphere. Now there are **831** online courses on the platform, with an average learning time of **570** minutes per capita.

Innovation salons and SMOORE lecture halls

Carry out innovation salons and SMOORE lecture halls to create a learning atmosphere.

- SMOORE lecture halls: Carry out 8 lecture halls with 928 participants and internal and external experts to broaden their business horizons.
- Innovation salons: Carry out 6 salons with 694 participants and internal experts sharing their experiences to promote R&D and innovation.



Focus on the weaknesses of organizational ability and carry out special training to solve business problems. The Group's middle and senior R&D managers all participated in the three-stage and six-day training to unify the Company's R&D language and reach consensus.



Research methods training

Carry out systematic training for new employees to help them integrate quickly. The training contents mainly include: Corporate culture, introduction of electronic atomization industry, company introduction, the basic knowledge of e-cigarettes, the disassembly of e-cigarettes, popularization of basic legal knowledge, introduction to intellectual property rights, human resource management, financial management, company-level EHS training, introduction of incorruptible employment, IT and information security management. Wherein:

- Training for new key talents: Carry out **4** trainings with **134** participants.
- Training for social recruitment new employees: Carry out **15** trainings with **723** participants.
- Training for graduates: Carry out three batches of training with **186** graduates participating. The dream-chasing journey starts officially.



New employee training



The Company officially launched "Garuda" Series Talent Development Project, which includes four stages: Preparation Plan, Growth Plan, Improvement Plan and Leading Plan, and empowers leadership for managers at different levels. At present, the Improvement Plan has entered the preparatory stage, and the Preparation Plan carried out 6 classes throughout the year, with a total of 257 participants.



Preparation Plan

During the Reporting Period, the Group's talent management department specially formulated the management plan for college students to supplement core talent teams and support college students to develop and grow in the workplace. Based on double channels of cultural edification and ability development, the management plan cultivates atomization business partners who understand and agree with the Company's core values through cultural learning, cultural certification and cultural activities, and cultivates newcomers with outstanding abilities and responsibilities through tutor teaching, rotation training and professional training. In addition, in order to build a reserve echelon of first-level organization leaders with high enterprise loyalty and mature management ability, we have formulated a plan for future leaders. The Group's talent management department identifies a number of candidates through the results of preliminary talent reviews and daily observation, and combines with training plans to select and arrange courses with a number of external suppliers. This plan will be officially implemented next year.

Employee Care

We strive to bring advantageous salary and benefits to every employee, practice the vision of "bringing happiness for all SMOORE people", pay close attention to every caring dream chaser, and balance employees' busy work and their life.

Employee Compensation and Benefits

We attach great importance to employees' compensation, adhere to the overall reward incentive concept of "offering more resources to our partners who have the willingness and the ability to create values" and "people-driven strategy, stimulating motivation, creating values together and sharing returns", and ensure that employees' value contribution is directly proportional to returns, and ensure the value sharing of all employees. We continue to compare with the market to make our comprehensive salary strategy more leading, diversified and differentiated, and provide employees with the most competitive salary package in the industry.

In line with the principle of "bringing happiness for all SMOORE people", we set up and introduce a welfare system with diverse types and cultural characteristics for our employees. We provide employees with social security packages and housing provident fund, statutory holidays, marriage leave, funeral leave, breastfeeding leave and other national statutory benefits, commercial insurance, health examination, annual holiday benefits, team building activities, annual meetings and other benefits. Moreover, the Company implements a differentiated welfare system, and provides differentiated welfare programs according to different businesses, different development stages and different strategies based on inclusive benefits for all employees.

Employee Care

We are committed to providing happy life for our employees. We focus on employees' life, distribute gifts to employees during festivals, and create a festive atmosphere with novel activities. We encourage employees to participate in beneficial sports activities and advocate physical fitness. In spare time, the cultural and sports association regularly holds various cultural and sports activities to meet the spiritual needs of SMOORE people and create a profound atmosphere of unity, cooperation and vitality.

Case

Celebrate "Goddess Day"

To improve the sense of accomplishment and satisfaction in the workplace for women, the Group's Corporate Culture Department specially prepares exquisite gifts for female employees on Goddess Day every year. This year, the Group spent several months making a special perfume for every female employee and give holiday bouquets full of warmth to them on Goddess Day.

In addition to the gifts carefully prepared by the Group, business units of the Group also specially prepared exquisite lipsticks, sunscreens, earrings, etc. according to everyone's preferences. On overseas bases, we also prepared surprises for female employees based on local traditions.

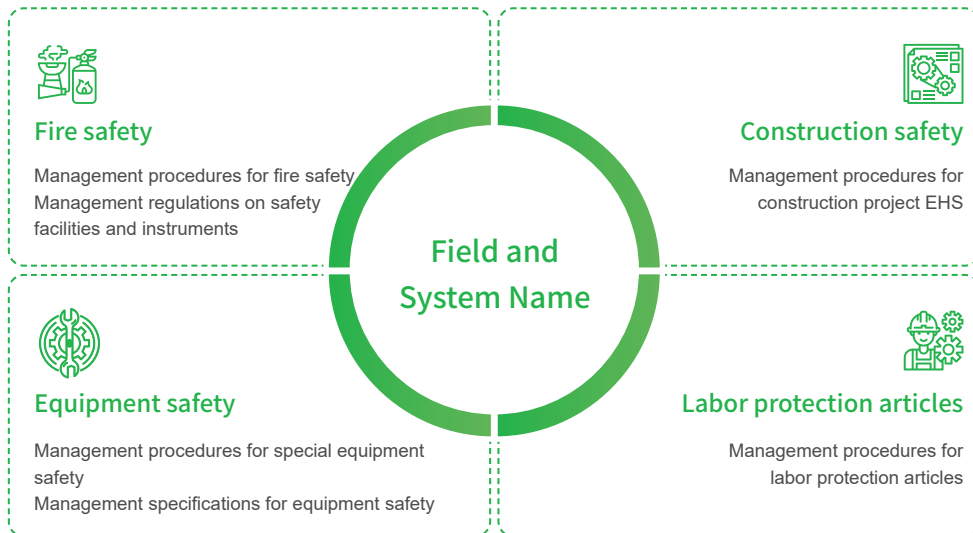


Occupational Health and Safety

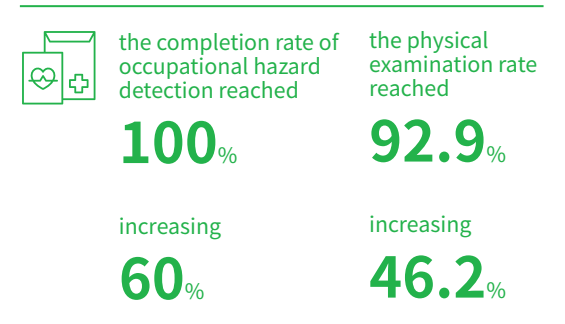
We strictly abide by the Law of the *People's Republic of China on Prevention and Control of Occupational Diseases*, the *Production Safety Law of the People's Republic of China* and other laws and regulations, actively implement occupational health and safety related work, and carry out safety education and training to ensure employees' the health and safety.

Health and Safety Management

We continuously establish and improve the occupational health and safety management system. During the Reporting Period, we formulated the *Occupational Health Management Procedure* to standardise the occupational health and safety management of employees, reduce and control occupational contraindications and occupational diseases, and achieve the purpose of putting prevention first and combining prevention with control. The Group's Safety and Environment Department is responsible for establishing and improving the Company's occupational health monitoring and management system, and supervising each subsidiary to implement relevant occupational health and safety management. Meanwhile, we also improved relevant systems and standardised safety management procedures for special equipment, fire protection and labor protection articles to implement safe production. During the Reporting Period, the number of working days lost due to work-related injuries was 132, and the number and rate of work-related deaths in each of the past three years (including the Reporting Year) was 0.



In 2022, we investigated the current situation of occupational health management in each subsidiary and branch, analysed and understood the distribution of occupational hazards, and promoted the implementation of annual occupational health testing and occupational health examination. In October 2022, we carried out a special safety inspection on occupational health and the completion rate of occupational hazard detection reached 100%, increasing 60% compared with 2021, and the physical examination rate reached 92.9%, increasing 46.2% compared with 2021.



Health and Safety Education

In order to improve employees' safety quality and safety awareness, we organised safety awareness publicity activities, and formulated the *Management Regulations on Security Education and Training* to strengthen the management of safety education and training. We require all subsidiaries to incorporate safety training into their annual work plans, strictly implement the system of training employees before taking up their positions, and establish and improve safety education and training files. According to the position and business requirements, we implement three-level (factory level, workshop level and team level) safety education and training, four new (new processes, new technologies, new materials, new equipment and facilities) training, job transfer training, resignation and resumption of work training, on-the-job personnel safety training, occupational health training, etc. The training contents include but are not limited to post safety operation procedures, special safety training and safety-related systems of the unit.



Case

“Safety and Environment Cup” Activity

In order to further improve the safety management and emergency response capabilities of each unit, we launched the third “Safety and Environment Cup”, which includes two parts: knowledge contest and practical competition of emergency responses. The activity improved the safety quality of all participants.



Case

Monthly Activity of Safe Environment

During the Reporting Period, we carried out the Monthly Activity of Safe Environment – Safety Leadership Training, with 53 participants covering the operation chiefs, administrative managers and safety directors of each subsidiary. The training contents include:

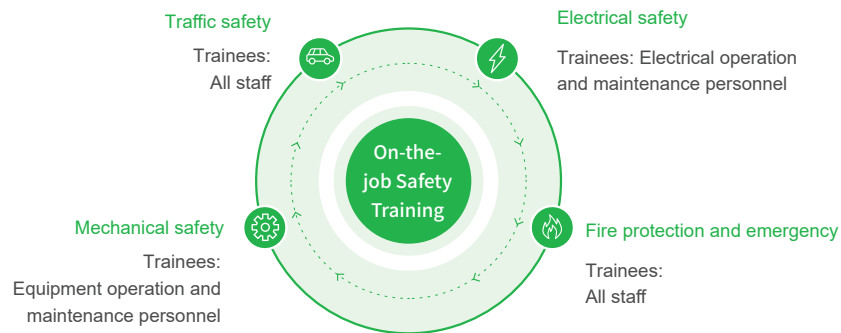
- Safety responsibilities of principal responsible persons and safety management personnel
- Skills for improving safety leadership
- The way to carry out safety management

The leadership training improved the leadership ability of safety management personnel and laid foundation for them to carry out safety management work.

Case

On-the-job Safety Training

During the Reporting Period, the Safety and Environment Department improved the courseware and examination questions, and each branch and subsidiary submitted and implemented the training plan, and organised specific personnel to complete the training on electrical safety, mechanical safety, fire protection and emergency, and traffic safety.



Value Co-creation

We create a better home
with partners

Smoores strives to build sustainable supply chains, achieve self-progress and high-quality development of the industry with our partners, and make concerted efforts with all parties to fulfill social responsibilities and build happy communities.



Sustainable Development Goals



- Sustainable Supply Chains
- Cooperation Partners
- Community Support

Sustainable Supply Chains

We are committed to building a sustainable cooperative relationship with our suppliers, continuously optimizing material quality and production technology, strictly controlling supplier access and audit procedures, evaluating supplier performance with the principle of fairness and openness, and integrating sustainability into every link of supply chains.

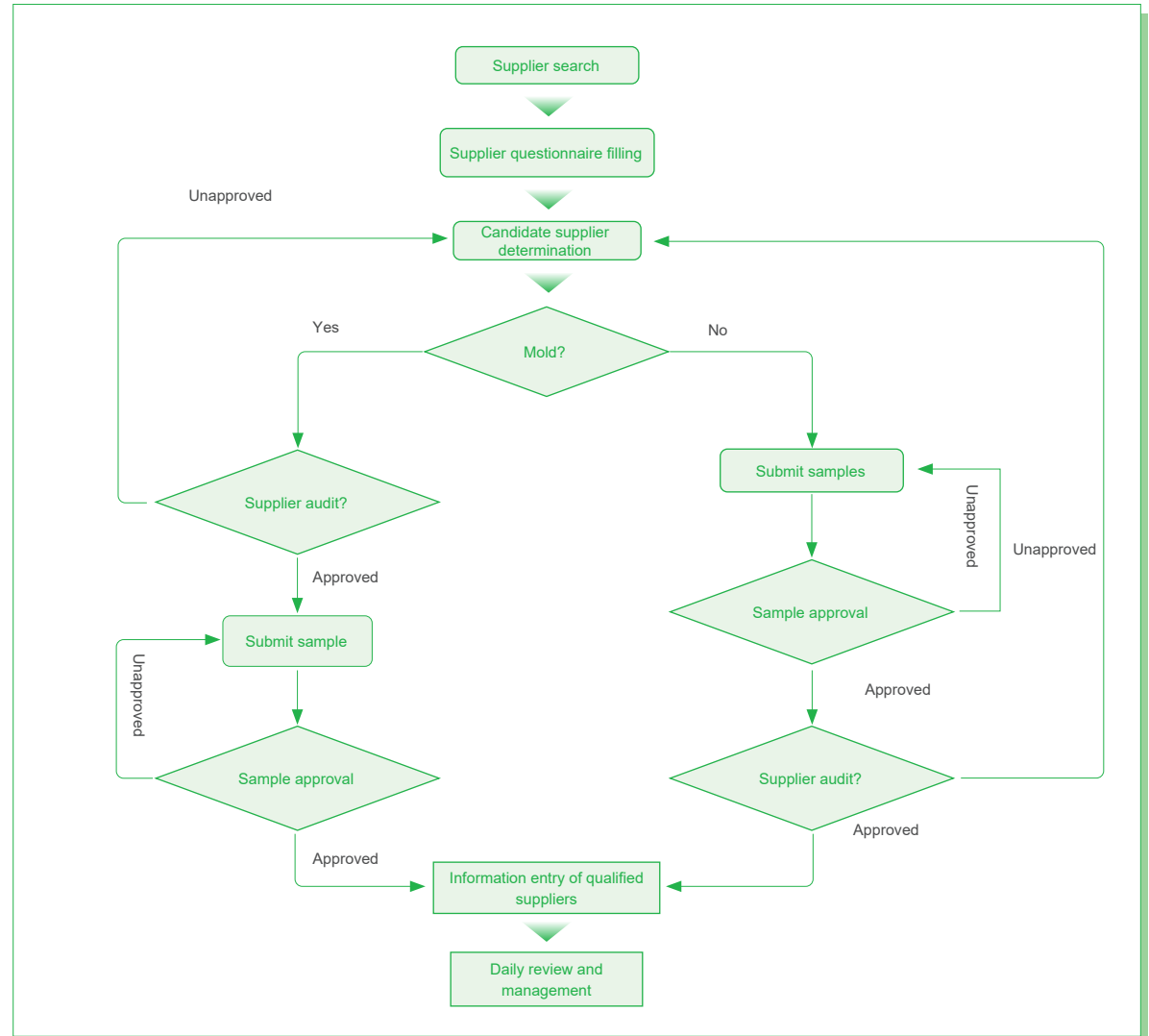
Purchase Management

We conduct purchase activities with our supplier partners based on the rules of equality, mutual benefit and transparency. We insist on "Sunshine Procurement" and green sustainability, encourage and promote the low-carbon and sustainable development of suppliers, build green supply chains, and achieve the "zero-carbon virtuous circle" of the whole industrial chain and the whole life cycle.

In view of design and material selection, we design based on the product life cycle and the environmental attributes (disassembly, recyclability, maintainability, reusability, etc.) of products, formulate a recyclable and degradable material selection library, and select environmental protection materials based on the premise of meeting products' requirements. For production, we constantly optimise the production scheduling system to improve quality and efficiency, promote suppliers to use clean energy and reduce carbon emissions in supply chains and eliminate production processes with high pollution and high energy consumption.

Supplier Access

Based on the *Supplier Management Standard* formulated by us, the Purchase Department is responsible for managing the organization work of supplier development, evaluation, cost and delivery management, collecting and sorting out supplier data and establishing supplier files. If the existing supplier cannot provide required materials or existing supplier resources cannot meet the purchasing requirements, the Department will propose new candidate suppliers and start to implement identification work. The selection and identification of suppliers need to be implemented through the evaluation of suppliers' production capacity, quality assurance and technical requirements and other conditions. The Department should make a preliminary evaluation of the selected suppliers in written form and fill out the *Supplier Questionnaire & Supplier Evaluation and Investigation*. After passing the preliminary evaluation, the supplier evaluation team will visit the supplier site in person and fill in the *Supplier Audit Checklist*.



Supplier access process

Supplier Evaluation and Review

We classify suppliers into Class A suppliers, Class B suppliers and Class C suppliers based on the importance of materials and the complexity of the purchasing market. The Purchase Center formulates corresponding annual review plans for different types of suppliers.

| Supplier classification | Supplier definition | Supplier annual review plan |
|--------------------------|---|---|
| Class A suppliers | Provide key materials referring to the list of key components and materials | Suppliers with high delivery batches and transaction amounts in the previous year and considered with purchasing strategies, which should be included in the annual review scope. |
| Class B suppliers | Provide common (non-critical components) plastic parts, hardware, other silicone parts and electronic materials, USB cables, aluminum films, PVDC, color boxes and gift boxes | Generally, they are not included in the scope of annual audit. If the actual situation requires, temporary on-site audit can be arranged. |
| Class C suppliers | Other than Class A and Class B. Provide lanyard, leather case, carton, plastic bag, foam, glue and so on | |

We focus on the ESG risks of suppliers in the process of supplier evaluation and audit. We will sign ESG commitment letters with suppliers, and require them to promise that there will be no violation of ESG policy. During the introduction and annual review of new suppliers, we focus on evaluating the performance of suppliers in environmental protection, social responsibility and occupational health management. For new suppliers, we have strict review processes to determine the management of wastewater, waste gas and waste residue in line with national environmental protection policies and laws, and ensure that all suppliers imported into the system meet ESG requirements. For old suppliers, we check and review their compliance with ESG requirements through annual audit, and if we find any non-compliance, we will take measures to freeze the suppliers.

At present, we have a total of 412 material suppliers of for major products, including 386 suppliers from Chinese mainland and 26 from overseas, Hong Kong, Macao and Taiwan. The distance from the factory to the location of 86% suppliers is less than 100 kilometers, which reduces transit time and carbon emissions during transportation.



Material suppliers of main products

412

Overseas, Hong Kong, Macao and Taiwan suppliers

26

Mainland suppliers

386

86% of suppliers have a distance from the factory that is less than

100

Cooperation Partners

As a leading provider of e-cigarette technology solutions in the world, Smoore bears the mission of promoting the sustainability of the industry in its mind. We actively cooperate with the government, universities and the same industry to spread corporate ideas, promote innovative research and development of products, and improve the high-quality development of the industry.

Smooore was invited to attend the industry conference convened by the director of FDA

As the only invited Chinese enterprise and industry manufacturing enterprise, Smoore participated in the industry exchange meeting organized by FDA (Food and Drug Administration). VTA Association (Vapor Technology Association) and representatives of many enterprises also participated in this meeting and made profound and friendly exchanges. Smoore will continue to improve the safety, quality and experience of products through the "new manufacturing" represented by technological innovation and advanced manufacturing. Smoore firmly believes that: Supervision and innovation will be organically unified to jointly promote the healthy and orderly development of the industry.

FEELM attended the UK Vaping Industry Association (UKVIA) Forum and delivered a keynote speech

FEELM, Smoore flagship atomization technology platform, announced that the director of its European office attended the UKVIA Forum and delivered a keynote speech. The director reiterated FEELM's belief that innovation is the key to the success of the industry in the future: Find solutions for important challenges in the fields of customer satisfaction, harm reduction and climate change.

The product research and development of a Chinese e-cigarette brand company cooperated with Smoore to realise the joint development of 1 + 1 > 2

The national standard of *Electronic Cigarette* was officially implemented on 1 October 2022, and e-cigarettes manufacturing enterprises are

accelerating product compliance design and completing product transformation. Smoore carried out joint and deep research and development with the company, and the company applied the latest version of Smoore's advanced ceramic cores, achieving the cooperation effect of 1 + 1 > 2 and creating new national standard products.

Smooore reached a cooperation agreement with Pharmaceutical College to jointly carry out research and development of health products

The research team of the Pharmaceutical College of South-Central Minzu University and Smoore signed a cooperation agreement, and will carry out in-depth cooperation in transformation of scientific research achievements, product co-construction and comprehensive scientific research consultants. After signing the agreement, both parties will organically integrate atomization technology with the market demand of health field, and research and develop new health products around atomization drugs and cosmetics based on consumers' pain points.

Smooore concluded a joint research and development agreement with EVE Energy Co., Ltd. to develop a new type of e-cigarettes batteries

In May 2022, Smoore and EVE Energy Co., Ltd. entered into a joint research and development agreement on the research and development of a new type of battery for e-cigarettes products. This agreement enables the Group to provide competitive new battery for e-cigarette products and better manage the quality control and production time of vaping products, and promotes the Group's research and development work of atomization.

Community Support

As a responsible enterprise, Smoore actively practices its social responsibility and deeply engages in social public welfare undertakings. For many years, we have participated in activities like youth development support, earthquake relief, anti-epidemic activities, etc., and donated goods and materials for humanitarian projects. We have successively awarded the "2022 Corporate Social Responsibility Award" by Sichuan Red Cross Foundation and the "2022 Corporate Social Responsibility Award" by Nanfang Plus Shenzhen Tribute List.



Our public welfare performance in 2022 is as follows:
Social donation of CNY

8.61 million


Volunteer service time of

380 hours

Fight the Epidemic and Provide Disaster Relief

Support Hong Kong to Fight the Epidemic

At the beginning of 2022, the fifth wave of the Epidemic hit Hong Kong with a record number of confirmed cases. Coupled with the recent cold wave, the severe Epidemic made the public worried and anxious. On 25 February 2022, Smoore announced that it had donated a total of HK \$3 million to two grassroots communities in Hong Kong to support their fights against the Epidemic. And the communities sent letters of thanks to Smoore for its charity.



Kowloon Federation of Associations

Smoore International Holdings Limited Recognition:

Impacted by the fifth wave of Epidemic, the number of infections is increasing day by day. Thank you for your love and trust, the donation of HK \$2 million will be used to support the frontline staff of epidemic prevention and control. We would like to express our great gratitude to you for your righteous deeds!

Support Xixiang Street

In the spring of 2022, the Epidemic put Shenzhen into a state of "nucleic acid testing for all". There was a staff shortage at nucleic acid testing sites in our local community, and the time of waiting for nucleic acid testing was long. As a "loving" Company, we spontaneously recruited volunteers to support the nucleic acid testing in local community, relieving the staff shortage of nucleic acid testing.



Join Us to Fight the Epidemic SMOORE Volunteer Recruitment Order

In this spring, the Epidemic hit Shenzhen again, putting it into a state of "nucleic acid testing for all". Medical staff and testing staff guard our health with their selfless efforts. However, there exists staff shortage in nucleic acid detection points in Baoan, and there are a large number of people waiting in line almost in every detection point.

As a "loving" Company, SMOORE hereby recruits volunteers for nucleic acid detection to help medical staff coordinate resources and organise detection on site. Actions speak louder. Let's be devoted to fighting the epidemic and send SMOORE's love to every place in need with practical actions to protect the city we live in.

Support Earthquake Relief

At 12:52 am on 5 September 2022, a 6.8-magnitude earthquake hit Lading County, Garze Tibetan Autonomous Prefecture, Sichuan Province, drawing attention of people all over the country. Smoore donated RMB 1 million to the Sichuan Red Cross Foundation for earthquake relief and post-disaster reconstruction in the disaster area of Luding, and to help the affected people relief.

Support for Youth Development

With a view to supporting young people to start their own business and get employed, we donated RMB 5 million in 2022 to the relevant foundations. In this way, we helped some young people make innovation and achieve excellent outcomes in the field of life sciences, supported public health institutions at the primary level to prevent and control the COVID-19 pandemic, and did our part in rural revitalization, entrepreneurship and employment and other public welfare programs for youth.

Report Appendix

Key Performance Tables

| Environmental Performance Indicators | Unit | 2022 | 2021 | 2020 |
|--------------------------------------|---|------------|-----------|-----------|
| Air emissions | | | | |
| Nitrogen oxide emissions | kg | 212.4 | 192.8 | 57.4 |
| Sulfur oxide emissions | kg | 0.8 | 0.9 | 0.4 |
| Particular matter emissions | kg | 13.8 | 12.4 | 3.2 |
| Greenhouse gas emissions | | | | |
| • Direct emissions (Scope 1) | tonnes of CO ₂ e | 148.7 | 405.0 | 177.6 |
| • Indirect emissions (Scope 2) | tonnes of CO ₂ e | 82,254.0 | 74,119.8 | 64,529.5 |
| Total greenhouse gas emissions | tonnes of CO ₂ e | 82,402.7 | 74,524.8 | 64,707.1 |
| Greenhouse gas emission intensity | tonnes of CO ₂ e/ten million RMB | 67.8 | 54.2 | 64.6 |
| Resource usage | | | | |
| • Purchased electricity | kkwh | 141,278.5 | 121,487.8 | 77,123.8 |
| • Diesel oil | kkwh | 147.0 | 162.9 | 27.8 |
| • Gasoline | kkwh | 404.2 | 368.8 | 241.6 |
| Total energy consumption | kkwh | 141,829.7 | 122,019.5 | 77,393.2 |
| Energy consumption intensity | kkwh/ten million RMB | 116.8 | 88.7 | 77.3 |
| • Plastics | tonnes | 2,594.9 | 2,433.6 | 1,501.8 |
| • Paper | tonnes | 12,587.7 | 11,672.3 | 8,867.8 |
| • Metal | tonnes | 264.2 | 321.0 | 208.8 |
| Total packaging consumption | tonnes | 15,446.8 | 14,426.9 | 10,578.4 |
| Packaging consumption intensity | tonnes/ten million RMB | 12.7 | 10.5 | 10.6 |
| Total water consumption | Cubic meter | 744,771.58 | 805,660.0 | 646,835.6 |
| Water consumption intensity | Cubic meter/ten million RMB | 613.2 | 585.7 | 646.2 |

| Environmental Performance Indicators | | Unit | 2022 | 2021 | 2020 |
|--------------------------------------|------------------------|------|---------|---------|-------|
| Waste | | | | | |
| • Plastics | tonnes | | 140.9 | 89.3 | 391.6 |
| • Metal | tonnes | | 55.4 | 44.9 | 100.2 |
| • Paper | tonnes | | 202.4 | 246.4 | 157.6 |
| • Other industrial wastes | tonnes | | 496.2 | 109.1 | 67.2 |
| • Domestic waste | tonnes | | 2,258.3 | 2,094.1 | |
| Total non-hazardous waste | tonnes | | 3,153.2 | 2,583.8 | 716.6 |
| Non-hazardous waste intensity | tonnes/ten million RMB | | 2.6 | 1.9 | 0.7 |
| Total hazardous waste | tonnes | | 188.6 | 209.4 | 120.4 |
| Hazardous waste intensity | tonnes/ten million RMB | | 0.16 | 0.15 | 0.12 |

| Social Key Performance Indicators | | 2022 | 2021 | 2020 |
|---|---|--------|--------|--------|
| Total number of employees | | 16,373 | 16,263 | 14,273 |
| By gender | Male | 7,865 | 8,098 | 6,380 |
| | Female | 8,508 | 8,165 | 7,893 |
| By employment category | Full-time employment | 16,373 | 16,263 | 14,273 |
| | Part-time employment | 0 | 0 | 0 |
| By age | Below 20 years old | 891 | 529 | 533 |
| | 21-40 years old | 13,506 | 14,050 | 12,367 |
| | 41-50 years old | 1,836 | 1,526 | 1,288 |
| | Above 51 years old | 140 | 128 | 85 |
| By region | China mainland | 14,787 | 16,241 | 14,266 |
| | Overseas (including Hong Kong, Macao, and Taiwan) | 1,586 | 22 | 7 |
| Average monthly employee turnover rate | | | | |
| By gender | Male | 5.0% | 5.6% | 4.7% |
| | Female | 4.3% | 5.1% | 4.4% |

| Social Key Performance Indicators | | 2022 | 2021 | 2020 |
|--|---|---------|-------------|---------|
| By age | Below 20 years old | 4.5% | 6.5% | 4.5% |
| | 21-40 years old | 4.8% | 5.4% | 4.6% |
| | 41-50 years old | 3.5% | 3.9% | 4.1% |
| | Above 51 years old | 2.6% | 2.0% | 2.6% |
| By region | China Mainland | 5.1% | 5.4% | 4.6% |
| | Hong Kong | 0.8% | 0.8% | 2.2% |
| | Overseas | 0.1% | 0.6% | 0% |
| Total employee training hours (hours) | | 791,740 | 1,209,853.3 | 399,092 |
| Percentage of trained employees | | 100% | 98% | 97% |
| Average training hours per person (hours) | | 48.4 | 76.1 | 27.9 |
| By gender | Male (hours) | 55.4 | 78.9 | 26.8 |
| | Female (hours) | 41.8 | 72.7 | 28.9 |
| By employment category | Senior Management (hours) | 33.8 | 41.5 | 39.5 |
| | Middle management (hours) | 38.3 | 25.5 | 35.3 |
| | General and technical personnel (hours) | 49.4 | 77.3 | 27.8 |
| Total number of suppliers | | 412 | 245 | 194 |
| By region | China mainland | 386 | 233 | 192 |
| | Overseas (including Hong Kong, Macao, and Taiwan) | 26 | 12 | 12 |
| Signing proportion of Supplier Honesty and Integrity Agreement (%) | | 100 | 100 | 100 |

Remarks:

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

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

| Aspects | Description | Section | |
|----------------------------|--------------------|---|--|
| A Environment | | | |
| Aspect A1:Emissions | General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. | "Three Waste" Management |
| | A1.1 | The types of emissions and respective emissions data. | "Three Waste" Management |
| | 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). | Greenhouse Gas Emission Reduction |
| | A1.3 | Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | Key Performance Tables |
| | A1.4 | Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | Key Performance Tables |
| | A1.5 | Description of emission target(s) set and steps taken to achieve them. | Combat Climate Change, "Three Waste" Management |
| | A1.6 | Description of how hazardous and nonhazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them. | "Three Waste" Management |
| Aspect A2:Use of Resources | General Disclosure | Policies on efficient use of resources, including energy, water and other raw materials. | Green Operation |
| | A2.1 | Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility). | Key Performance Tables |
| | A2.2 | Water consumption in total and intensity (e.g. per unit of production volume, per facility). | Key Performance Tables |
| | A2.3 | Description of energy use efficiency target(s) set and steps taken to achieve them. | Energy Management |
| | 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. | Water Resources Management |
| | A2.5 | Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced. | Key Performance Tables |

| Aspects | | Description | Section |
|--|--------------------|--|---------------------------------|
| Aspect A3: The Environment and Natural Resources | General Disclosure | Policies on minimising the issuer's significant impact on the environment and natural resources. | Green Products |
| | A3.1 | Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them. | Green Products |
| 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. | Combat Climate Change |
| | A4.1 | Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them. | Combat Climate Change |
| B Social | | | |
| Aspect B1: Employment | General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare. | Rights and Interests Protection |
| | B1.1 | Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region. | Key Performance Tables |
| | B1.2 | Employee turnover rate by gender, age group and geographical region. | Key Performance Tables |
| Aspect B2: Health and Safety | General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards. | Occupational Health and Safety |
| | B2.1 | Number and rate of work-related fatalities occurred in each of the past three years (including the reporting year). | Key Performance Tables |
| | B2.2 | Lost days due to work injury. | Key Performance Tables |
| | B2.3 | Description of occupational health and safety measures adopted, how they are implemented and monitored. | Health and Safety Management |

| Aspects | | Description | Section |
|-------------------------------------|--------------------|---|---|
| Aspect B3: Development and Training | General Disclosure | Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. | Employee Training |
| | B3.1 | The percentage of employees trained by gender and employee category (for example, senior management, middle management). | Key Performance Tables |
| | B3.2 | The average training hours completed per employee by gender and employee category. | Key Performance Tables |
| Aspect B4: Labour Standards | General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child or forced labour. | Rights and Interests Protection |
| | B4.1 | Description of measures to review employment practices to avoid child and forced labour. | Rights and Interests Protection |
| | B4.2 | Description of steps taken to eliminate such practices when discovered. | Rights and Interests Protection |
| Aspect B5: Supply Chain Management | General Disclosure | Policies on managing environmental and social risks of supply chain. | Sustainable Supply Chains |
| | B5.1 | Number of suppliers by geographical region. | Key Performance Tables |
| | B5.2 | Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored. | Purchase Management |
| | B5.3 | Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored. | Supplier Access |
| | B5.4 | Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored. | Supplier Evaluation and Audit |
| Aspect B6: Product Responsibility | General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. | Product Quality |
| | B6.1 | Percentage of total products sold or shipped subject to recalls for safety and health reasons. | Key Performance Tables |
| | B6.2 | Number of products and service related complaints received and how they are dealt with. | Quality Services |
| | B6.3 | Description of practices relating to observing and protecting intellectual property rights. | Intellectual Property Protection |
| | B6.4 | Description of quality assurance process and recall procedures. | Product Quality Management |
| | B6.5 | Description of consumer data protection and privacy policies, how they are implemented and monitored. | Responsible Marketing, Information Security |

| Aspects | | Description | Section |
|---------------------------------|--------------------|--|------------------------|
| Aspect B7: Anti-corruption | General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering. | Anti-corruption |
| | 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. | Key Performance Tables |
| | B7.2 | Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored. | Anti-corruption |
| | B7.3 | Description of anti-corruption training provided to directors and staff. | Anti-corruption |
| 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. | Community Support |
| | B8.1 | Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport). | Community Support |
| | B8.2 | Resources contributed (e.g. money or time) to the focus area. | Community Support |

List of Main Applicable Laws and Regulations

This section mainly follows the requirements of “relevant laws and regulations that have a significant impact on issuers” in the “General Disclosure” guidance of The Stock Exchange of Hong Kong Limited. This part mainly organizes and lists the main laws and rules applicable to the Group in accordance with ESG indicators.

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

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

Reader’s Feedback

We anticipate your opinions and suggestions to continuously improve our ESG efforts, as well as our competence in ESG management.

We hope you could complete the questions in the feedback form below, and share your suggestions with us via Email.

Email: IR@smooreholdings.com

Your Information

Name: _____

Employer: _____

Tel: _____

Email: _____

Feedbacks: _____

1.What do you think of our ESG report?

Excellent Good Average

2.Do you think this report has presented the significant impact of our ESG issues?

Excellent Good Average

3.How do you rate the clarity, accuracy and completeness of the information, data and indicators disclosed in this report?

Excellent Good Average Bad Very bad

4.Which aspect of this report are you most satisfied with?

5.What kind of information do you want to learn more about?

6.Do you have any suggestions for the ESG reports to be released in the future?

