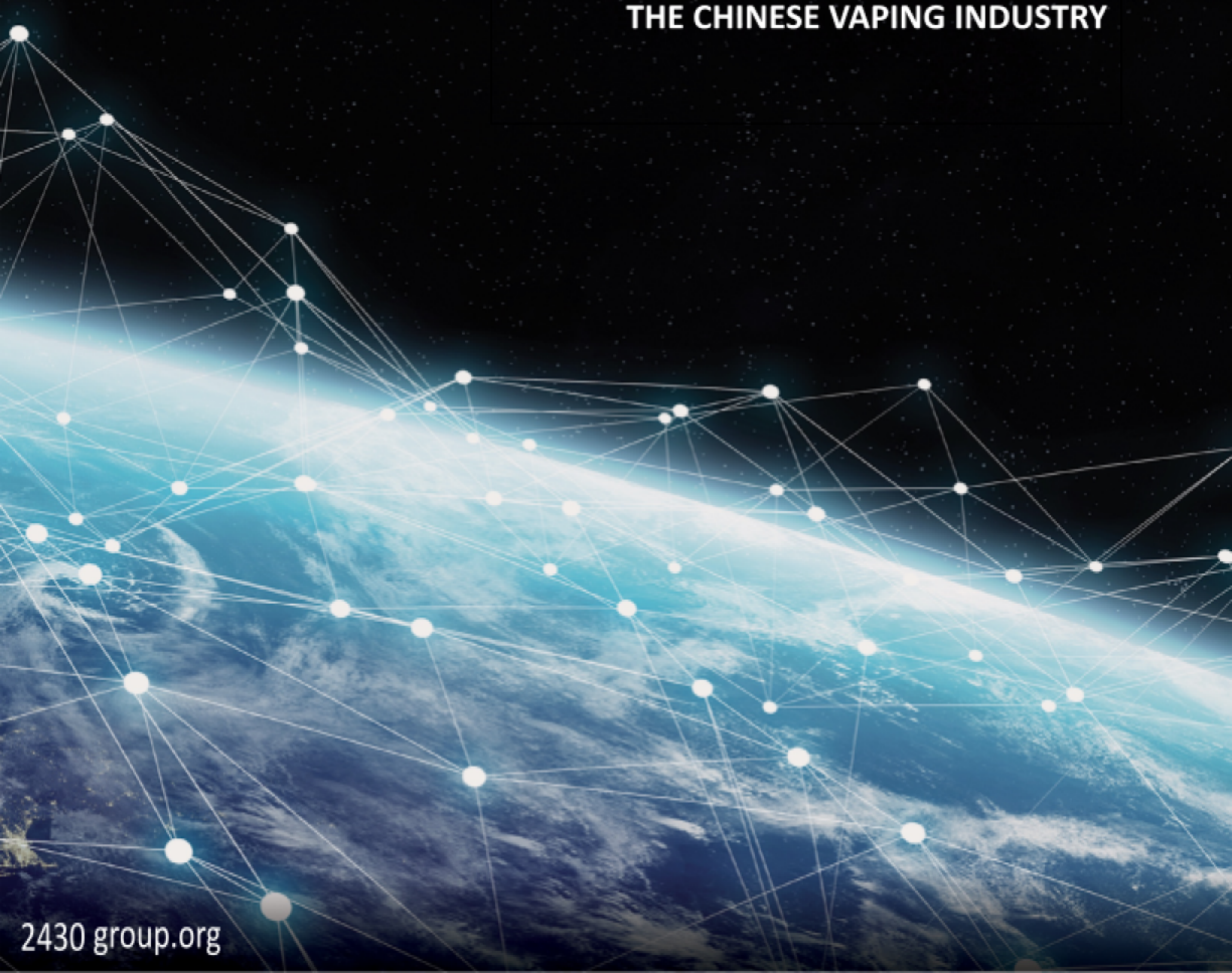




**BUSINESS INTELLIGENCE REPORT:
THE CHINESE VAPING INDUSTRY**





EXECUTIVE SUMMARY

For the vaping, here is how I changed: This report provides an overview of the Chinese vaping industry, highlighting prominent companies and their connections to the government of the People's Republic of China (PRC). China's government plays a significant role in the global e-cigarette market through China's state-owned enterprises (SOEs), which produce e-cigarettes. Furthermore, through its policies, the PRC government encourages export, especially to the United States. The close alignment between industry and government objectives in the PRC underscores the strategic importance of the vaping sector for China's broader economic ambitions, and its pernicious consequences in the U.S.

GOVERNMENT POLICIES & OBJECTIVES

The PRC government's encouragement of e-cigarette exports through tax breaks and streamlined processes suggests a strategic emphasis on international expansion, where the U.S. is a major market. The Chinese e-cigarette industry, concentrated in Shenzhen, is a global leader in the production, manufacturing, and shipping of vaping products. While there are no publicly available resources indicating that the Chinese central and local governments encourage e-cigarette exports to the United States in particular, the U.S. is consistently the largest market for Chinese e-cigarettes. Joint investments in vaping companies by local state-owned entities, as well as strategic cooperation agreements with brands like Ice Vape, underscore the government's role in fostering the industry's growth abroad.

China Electronics Chamber of Commerce (CECC), established in 1988, implements regulations and policies of the state on development of the electronic information industry, promoting production of electronic products and growth of domestic and international trade in line with the principle of developing a socialist market economy in China. The CECC is registered with the Ministry of Civil Affairs of the PRC, and it is guided by the PRC Ministry of Industry and Information Technology.

The Electronic Cigarette Professional Committee (ECCC), part of the CECC, supports exports of vaping industry products. The ECCC¹, established in January 2017, plays a vital role in promoting standardized development in the industry and international cooperation. With nearly 800 member enterprises, accounting for over 80 percent of all global e-cigarette production, the ECCC maintains cooperative relationships with e-cigarette associations worldwide.

On January 6, 2023, Shenzhen Airport and the ECCC (which are both SOEs) jointly organized an export guideline training session for e-cigarette companies. The purpose of the session was to show the companies how to facilitate their exports via a "White List" system, which streamlines customs procedures and processes, and enables efficient international shipping and distribution of e-cigarette products worldwide². As of early 2024, 54 member companies have qualified for the White List.

¹ <https://www.eccc-china.com/#/>

² <https://xueqiu.com/6890153004/239562207>

NOTABLE PRC VAPING COMPANIES & GOVERNMENT CONNECTIONS

The PRC government's influence in the vaping industry is evident via involvement of both government and state owned entities. A review of key entities in the Shenzhen vaping industry revealed that the State Assets Supervision and Management Commission (SASAC) of the Shenzhen Municipal People's Government directly supervises Sinopharm and Shenzhen Investment Holdings Co. Ltd. (SIHC). As SOEs, Sinopharm and SIHC ensure that the vaping companies under their supervision also align with broader state goals and directives. This arrangement shows that the vaping industry's operations, including its focus on the U.S. market, are not purely market-driven, but also steered by government goals and preferences. The ECCC's involvement further demonstrates the government's role in industry regulation and promotion. Below are a few examples of the links between the Chinese vaping industry and Chinese SOEs³:

- Boulder International: Strategic cooperation agreement with Telling Telecommunication Holding, whose largest shareholder, SIHC (an SOE), is controlled by the Shenzhen SASAC.
- Ice Vape (Shenzhen Wulian Technology Co., Ltd.): Strategic cooperation agreement with Sinopharm Pharmaceuticals Co., Ltd. (an SOE).
- Vitavp: Strategic cooperation agreement with Telling Telecommunication Holding, whose largest shareholder is SIHC (an SOE).
- VOOPOO: Strategic cooperation agreement with Telling Telecommunication Holding, whose largest shareholder is SIHC (an SOE).
- Vvild Technology: Strategic cooperation agreement with Telling Telecommunication Holding, whose largest shareholder is SIHC (an SOE).

The role played by Sinopharm, aka China National Pharmaceutical Group Co., Ltd. (中国医药集团有限公司) also illustrates the strong hand of the state. Sinopharm is directly managed by the State Council's SASAC and can take advantage of state resources and partnerships to navigate the competitive landscape in the U.S. In 2020, Sinopharm was ranked 36 out of 124 Chinese companies in the Fortune Global 500. It has 36 national strategic scientific and technological innovation platforms; national key laboratories; national innovative enterprises; national engineering technology research centers and laboratories; and other industry-leading international scientific research institutions⁴.

Sinopharm's history of joint ventures and cooperation with internationally renowned enterprises indicates a strategic approach to international expansion. Sinopharm could presumably share a blueprint for entering or expanding within the U.S. market with other vaping companies.

SIHC is a state-owned capital investment company, wholly owned by the Shenzhen municipal government via the Shenzhen state-owned SASAC. In 2020, SIHC ranked 106 out of 124 Chinese companies in the

³ <https://www.vapenews.com.cn/details/FQyDCMqIb.html>

⁴ https://www.sinopharm.com/2023-03/23/c_3984.html



Fortune Global 500. The Shenzhen municipal government exerts strong control over SIHC by appointing senior management, approving major investment and budget plans, and developing strategy.

CONCLUSION

Public health authorities in the U.S. have amply documented the adverse consequences to lung and brain function posed by the use of e-cigarettes. These authorities, as well as parents, schools, state governments, and the federal government have all expressed concern about the dangers of vaping, especially for children, adolescents, and young adults. It is therefore critical that these groups, as well as the public at large, understand that a high percentage of e-cigarettes in the U.S. are manufactured in China, and that this export represents an intentional policy of China's government.