Vesync Co., Ltd

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2148)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2023

FINANCIAL HIGHLIGHTS

	Year ended December 31,		Year-on-
	2023	2022	year change
	US$'000	*US$'000*	
Revenue	**585,484**	490,378	19.4%
Gross profit	**274,372**	142,289	92.8%
Gross profit margin	**46.9%**	29.0%	17.9 p.p.
Profit/(loss) before tax	**87,472**	(21,841)	NA
Profit/(loss) for the year attributable to owners of the parent	**77,481**	(16,276)	NA
Profit/(loss) margin	**13.2%**	(3.3)%	NA
Earnings/(loss) per share attributable to ordinary equity holders of the parent			
Basic	**US6.92 cents**	US(1.44) cents	NA
Diluted	**US6.92 cents**	US(1.44) cents	NA

ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2023

The board (the "**Board**") of directors (the "**Directors**") of Vesync Co., Ltd (the "**Company**", together with its subsidiaries, the "**Group**") is pleased to announce the consolidated annual results of the Group for the year ended December 31, 2023.

The financial information below is an extract of the audited consolidated financial statements of the Group for the year ended 31 December 2023:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Year ended 31 December 2023

	Notes	**2023** **US$'000**	2022 US$'000
REVENUE	*4*	**585,484**	490,378
Cost of sales		**(311,112)**	(348,089)
Gross profit		**274,372**	142,289
Other income and gains	*4*	**10,257**	4,042
Selling and distribution expenses		**(99,217)**	(89,239)
Administrative expenses		**(83,089)**	(69,591)
(Impairment losses)/reversal of impairment losses on financial assets, net		**(382)**	204
Other expenses		**(12,833)**	(8,032)
Finance costs	*6*	**(1,532)**	(1,691)
Share of profits and losses of:			
a joint venture		**(80)**	177
an associate		**(24)**	—
PROFIT/(LOSS) BEFORE TAX	*5*	**87,472**	(21,841)
Income tax (expense)/credit	*7*	**(10,042)**	5,524
PROFIT/(LOSS) FOR THE YEAR		**77,430**	(16,317)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Share of other comprehensive loss of a joint venture		**(21)**	(1,164)
Exchange differences on translation of foreign operations		**(487)**	(3,055)
Reclassification adjustments for a foreign operation disposed of during the year		**(2)**	—
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		**(510)**	(4,219)

	Notes	2023 US$'000	2022 US$'000
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Equity investments designated at fair value through other comprehensive income:			
Changes in fair value		**251**	—
Income tax effect		**(38)**	—
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		**213**	—
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(297)**	(4,219)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT		**77,133**	(20,536)
Profit/(loss) attributable to:			
Owners of the parent		**77,481**	(16,276)
Non-controlling interests		**(51)**	(41)
		77,430	(16,317)
Total comprehensive income/(loss) attributable to:			
Owners of the parent		**77,184**	(20,495)
Non-controlling interests		**(51)**	(41)
		77,133	(20,536)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	*9*	**US6.92 cents**	US(1.44) cents
Diluted	*9*	**US6.92 cents**	US(1.44) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 US$'000	2022 US$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**4,475**	4,557
Right-of-use assets		**7,453**	10,216
Other intangible assets		**17**	207
Investment in a joint venture		**10,851**	11,215
Investment in an associate		**60**	1,000
Equity investments designated at fair value through other comprehensive income		**1,778**	1,554
Prepayments, other receivables and other assets		**1,023**	395
Pledged deposits		**4,833**	3,991
Time deposits		**5,735**	—
Deferred tax assets		**23,022**	28,094
Total non-current assets		**59,247**	61,229
CURRENT ASSETS			
Inventories	*10*	**79,848**	114,647
Right-of-return assets		**—**	3,216
Trade and notes receivables	*11*	**192,082**	149,217
Prepayments, other receivables and other assets		**18,420**	26,225
Tax recoverable		**321**	10
Derivative financial assets		**128**	—
Pledged deposits		**78,028**	9,149
Time deposits		**32,752**	—
Cash and cash equivalents		**104,308**	93,601
Total current assets		**505,887**	396,065
CURRENT LIABILITIES			
Trade and notes payables	*12*	**113,112**	60,751
Other payables and accruals		**59,558**	39,078
Interest-bearing bank borrowings	*13*	**29,584**	8,495
Provision		**16,604**	49,010
Lease liabilities		**3,532**	4,128
Tax payable		**5,644**	5,561
Derivative financial liabilities		**214**	1,229
Total current liabilities		**228,248**	168,252
NET CURRENT ASSETS		**277,639**	227,813
TOTAL ASSETS LESS CURRENT LIABILITIES		**336,886**	289,042

	Notes	2023 US$'000	2022 US$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**336,886**	289,042
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	*13*	**219**	741
Lease liabilities		**4,984**	7,308
Provision		**4,167**	3,536
Total non-current liabilities		**9,370**	11,585
Net assets		**327,516**	277,457
EQUITY			
Equity attributable to owners of the parent			
Share capital		**1,500**	1,500
Treasury shares		**(7,856)**	—
Share premium		**172,273**	186,955
Reserves		**161,599**	89,043
		327,516	277,498
Non-controlling interests		**—**	(41)
Total equity		**327,516**	277,457

NOTES TO FINANCIAL STATEMENTS

31 December 2023

1. CORPORATE AND GROUP INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is located at the offices of Conyers Trust Company (Cayman) Limited, with the address of Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. During the year, the Company and its subsidiaries were principally engaged in research and development, manufacture and sale of smart household appliances and smart home devices. The Company's products are manufactured in the People's Republic of China (the "PRC") and sold to customers in the United States ("USA"), Canada, the United Kingdom, France, Germany, Spain, Italy and Japan. In the opinion of the directors of the Company, the ultimate controlling shareholders of the Group are Ms. Yang Lin, Mr. Yang Yuzheng and Mr. Yang Hai.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments and equity investments designated at fair value through other comprehensive income which have been measured at fair value. These financial statements are presented in United States dollars ("US$") and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 17	*Insurance Contracts*
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform — Pillar Two Model Rules*

The nature and the impact of the new and revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy aligns with the amendments, the amendments had no any impact on the Group's financial statements.

(c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. Since the Group has applied the amendment on the treatment of temporary differences arising from lease from beginning, the amendments did not have any impact on the financial position or performance of the Group.

(d) Amendments to HKAS 12 International Tax Reform — Pillar Two Model Rules introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organised into business units based on their products and only has one reportable operating segment. Management monitors the operating results of the Group's operating segment as a whole for the purpose of making decisions about resource allocation and performance assessment.

Geographical information

(a) ***Revenue from external customers:***

	2023	2022
	US$'000	*US$'000*
North America	**429,936**	366,182
Europe	**125,741**	107,946
Asia	**29,807**	16,250
Total	**585,484**	490,378

The revenue information above is based on the combination of the locations of the Amazon accounts and the locations of the customers.

(b) ***Non-current assets***

	2023	2022
	US$'000	*US$'000*
North America	**4,271**	5,597
China	**31,369**	25,306
Europe	**55**	92
Other	**530**	2,140
Total	**36,225**	33,135

The non-current asset information above is based on the locations of the assets and excludes deferred tax assets.

4. REVENUE, OTHER INCOME AND GAINS

Information about a major customer

Revenue of approximately US$444,124,000 for the year ended 31 December 2023 (2022: US$405,097,000) was derived from sales to a single retailer, including sales to a group of entities which are known to be under common control with that customer.

An analysis of revenue is as follows:

	2023	2022
	US$'000	*US$'000*
Revenue from contracts with customers	**585,484**	490,378

(i) ***Disaggregated revenue information***

	2023	2022
	US$'000	*US$'000*
Timing of revenue recognition		
Goods transferred at a point in time	**585,484**	490,378

The following table shows the amount of revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2023	2022
	US$'000	*US$'000*
Revenue recognised that was included in contract liabilities at the beginning of the year:		
Sale of products	**2,864**	1,044

(ii) ***Performance obligations***

Information about the Group's performance obligations is summarised below:

Sale of products

The performance obligation of sales to retailers is usually satisfied upon delivery of goods and payment is generally due within 30 to 90 days from delivery. The performance obligation of sales to consumers directly is satisfied upon receipt of products by customers and payments are generally received when customers place orders on the platform. The Group provides customers with a right of return within 30 days, sometimes extending up to 90 days.

At 31 December 2023, the remaining performance obligations (unsatisfied or partially unsatisfied) were expected to be recognised within one year. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

(iii) ***Refund liabilities***

	2023	2022
	US$'000	*US$'000*
Refund liabilities arising from sales return	**994**	6,940
Refund liabilities arising from promotion rebates	**12,342**	4,645
Total	**13,336**	11,585

An analysis of other income and gains is as follows:

	2023	2022
	US$'000	*US$'000*
Other income		
Bank interest income	**3,771**	775
Government grants*	**2,930**	2,562
Others	**62**	705
Total other income	**6,763**	4,042
Gains		
Foreign exchange gains, net	**3,494**	—
Total other income and gains	**10,257**	4,042

* The government grants mainly represent subsidies from local governments to support their operation and to compensate the subsidies. During the year, the Group received a payroll tax credits amounting to US$2,080,048 under Employee Retention Credit. There are no unfulfilled conditions or contingencies relating to these grants.

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	**2023**	2022
		US$'000	*US$'000*
Cost of inventories sold		**259,433**	235,781
Amazon fulfilment fee		**1,282**	963
Commission to platform		**2,568**	2,409
Research and development costs*		**34,161**	29,954
Depreciation of property, plant and equipment		**2,609**	2,172
Amortisation of other intangible assets		**218**	271
Depreciation of right-of-use assets		**4,198**	4,589
Auditor's remuneration		**1,080**	780
Lease payments not included in the measurement of lease liabilities		**232**	382
Loss/(Gain) on disposal of items of property, plant and equipment		**195**	(4)
Interest income		**(3,771)**	(775)
Loss on disposal of derivative instruments		**6,511**	2,436
Fair value gains, net:			
— Derivative instruments — transactions not qualifying as hedges		**86**	1,261
Foreign exchange differences, net		**(3,494)**	4,421
Employee benefit expenses (excluding directors' and chief executive's remuneration):			
Wages and salaries		**61,895**	51,538
Pension scheme contributions		**7,829**	7,249
Staff welfare expenses		**4,352**	5,757
Equity-settled share award expense		**2,783**	3,051
Total		**76,859**	67,595
Impairment/(reversal of impairment) of trade receivables, net		**382**	(204)
Write-down of inventories to net realisable value, net**		**412**	2,028
Product warranty provision			
— Addition provision		**571**	1,407
Provisions arising from Voluntary Recall			
— Addition provision		**7,165**	48,610

* Research and development costs include part of employee benefit expense, depreciation of property, plant and equipment and amortisation of other intangible assets.

** The net write-down of inventories to net realisable value is included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2023	2022
	US$'000	*US$'000*
Interest on bank loans	**626**	893
Interest on lease liabilities	**480**	653
Interest on discounted bank notes and others	**426**	145
Total	**1,532**	1,691

7. INCOME TAX

The Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The Cayman Islands and the British Virgin Islands ("BVI")

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Company and its subsidiary are not subject to any income tax in the Cayman Islands and the BVI.

Chinese Mainland

The provision for current income tax in Chinese Mainland is based on the statutory rate of 25% of the assessable profits of certain PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law, which was approved and became effective on 1 January 2008, except for certain subsidiaries of the Group in Chinese Mainland which are granted tax concession and are taxed at preferential tax rates.

Shenzhen Chenbei is qualified as a High and New Technology Enterprise and was subject to tax at a preferential income tax rate of 15% (2022: 15%) during the year.

Chongqing Xiaodao is located in Western Region and was entitled to a preferential income tax rate of 15% during the year, according to the Income Tax Policy for Enterprises in the Large-scale Development of the Western Region.

Dongguan Zhilun is qualified as a High and New Technology Enterprise and was subject to tax at a preferential income tax rate of 15% (2022: 2.5% for the taxable income less than or equal to RMB1,000,000 and 5% for the taxable income between RMB1,000,000 and RMB3,000,000).

Singapore

Pursuant to the rules and regulations of Singapore, the income derived from qualifying activities is taxed at a concessionary tax rate of 10% and the non-qualifying income is taxed at the prevailing corporate tax rate of 17%.

United States

Pursuant to the relevant tax laws of the United States, tax at a maximum of 21% (2022: 21%) federal corporate income tax rate and 8.84% (2022: 8.84%) California state tax rate has been provided on the taxable income arising in the United States during the year.

Netherlands, Germany and the United Kingdom

The subsidiary in the Netherlands is entitled to a preferential income tax rate of 19% for the taxable income less than or equal to EUR200,000 and an income tax rate of 25.8% for the taxable income over EUR200,000 (2022: 15% for the taxable income less than or equal to EUR395,000 and an income tax rate of 25.8% for the taxable income over EUR395,000). The subsidiary in Germany is entitled to a combined tax rate of 29.13% (2022: 29.13%), consisting of a corporate tax rate of 15%, a solidarity surcharge thereon of 5.5% and a trade tax rate of 13.3%. The subsidiary in the United Kingdom is entitled to a statutory tax rate of 25%.

The income tax expense of the Group during the year is analysed as follows:

	2023	2022
	US$'000	*US$'000*
Current tax:		
— Chinese Mainland	**1,370**	853
Charge for the year	**1,374**	847
(Overprovision)/underprovision in prior years	**(4)**	6
— United States	**1,766**	6,825
Charge for the year	**1,633**	7,229
Underprovision/(overprovision) in prior years	**133**	(404)
— Netherlands, Germany and the United Kingdom	**1,645**	527
— Others	**201**	(320)
Deferred tax	**5,060**	(13,409)
Total tax charge/(credit) for the year	**10,042**	(5,524)

A reconciliation of the tax expense applicable to profit/(loss) before tax at the statutory rates for the countries in which the Company and the subsidiaries are domiciled to the tax expense/(credit) at the effective tax rates is as follows:

	2023	2022
	US$'000	*US$'000*
Profit/(loss) before tax	**87,472**	(21,841)
Tax at the statutory tax rates	**16,287**	2,518
Preferential income tax rates applicable to subsidiaries	**(4,168)**	(2,561)
Expenses not deductible for tax	**310**	87
Income not subject to tax	**(664)**	(1,337)
Effect on opening deferred tax of decrease in rate	**1**	—
Additional deduction allowance for research and development costs	**(4,591)**	(3,370)
Tax losses utilised from previous years	**(50)**	(106)
Recognition of tax losses previously not recognised	**—**	(246)
Adjustments in respect of current tax of previous period	**(170)**	(1,349)
Effect on adjustment of opening deferred tax	**1,031**	—
Tax losses and temporary differences not recognised	**2,056**	840
Tax charge/(credit) at the Group's effective rate	**10,042**	(5,524)

8. DIVIDENDS

	2023	2022
	US$'000	*US$'000*
Interim — HK5.39 cents (2022: Nil) per ordinary share	**8,000**	—
Proposed final ordinary — HK15.69 cents (2022: Nil) per ordinary share	**23,000**	—
Proposed final special — HK Nil cents (2022: Nil) per ordinary share	**—**	—
	31,000	—

The cash dividend for the period ended 30 June 2023 amounting to a total of approximately HK$62,679,000 (equivalent to approximately US$8,000,000) was approved by the Company's shareholders on 21 August 2023 and has paid HK$22,811,000 (equivalent to approximately US$2,915,000) during the year.

The proposed dividend for the year ended 31 December 2023 amounting to a total of approximately HK$179,904,000 (equivalent to approximately US$23,000,000) is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

9. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings/(loss) per share amounts is based on the profit/(loss) for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,119,095,147 (2022: 1,128,921,068) in issue during the year, as adjusted to reflect repurchase of shares during the year.

The calculation of the diluted earnings/(loss) per share amounts is based on the profit/(loss) attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings/(loss) per share calculation, and the weighted average number of ordinary shares assumed to have been issued on the deemed exercise of all dilutive potential ordinary shares into ordinary shares arising from awarded shares and share options granted by the Company.

The calculations of basic and diluted earnings/(loss) per share are based on:

	2023	2022
	US$'000	*US$'000*
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent used in the basic and diluted earnings/(loss) per share calculation	**77,481**	(16,276)

	Number of shares	
	2023	2022
Shares		
Weighted average number of ordinary shares during the year used in the basic earnings per share calculation	**1,119,095,147**	1,128,921,068
Effect of dilution — weighted average number of ordinary shares:		
Shares awarded	**1,268,980**	4,038,012
Total	**1,120,364,127**	1,132,959,080

10. INVENTORIES

	2023	2022
	US$'000	*US$'000*
Raw materials	**900**	539
Work in progress	**123**	203
Finished goods	**87,282**	121,950
Subtotal	**88,305**	122,692
Less: Provision for inventories	**(8,457)**	(8,045)
Total	**79,848**	114,647

11. TRADE AND NOTES RECEIVABLES

	2023	2022
	US$'000	*US$'000*
Notes receivables	**606**	137
Trade receivables	**192,033**	149,255
Impairment of trade receivables	**(557)**	(175)
Net carrying amount	**192,082**	149,217

The credit period is generally three months. Some customers have a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

An ageing analysis of the trade and notes receivables as at the end of the reporting period, based on the transaction date and net of loss allowance, is as follows:

	2023	2022
	US$'000	*US$'000*
Less than 3 months	**183,167**	143,250
Between 3 and 6 months	**8,015**	1,019
Between 6 and 12 months	**818**	3,322
Between 1 and 2 years	**82**	1,626
Total	**192,082**	149,217

The movements in the loss allowance for impairment of trade receivables are as follows:

	2023	2022
	US$'000	*US$'000*
At beginning of year	**175**	379
Impairment losses, net	**382**	(204)
At end of year	**557**	175

An impairment analysis is performed at the end of each of the reporting periods using a provision matrix to calculate expected credit losses for trade receivables from customers other than the largest retailer and some major customers. The provision rates are based on days past due of these customers. For the largest retailer and some major customers, the provision rate is based on the Moody's credit rating.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2023

	Gross carrying amount *US$'000*	**Expected credit loss rate**	**Expected credit loss** *US$'000*
The largest customer	**169,766**	**0.04%**	**70**
Others	**22,267**	**2.19%**	**487**
As at December 2023	**192,033**		**557**

As at 31 December 2022

	Gross carrying amount *US$'000*	Expected credit loss rate	Expected credit loss *US$'000*
The largest customer	130,949	0.04%	52
Others	18,306	0.67%	123
As at December 2022	149,255		175

12. TRADE AND NOTES PAYABLES

	2023 *US$'000*	2022 *US$'000*
Notes payables	**87,494**	12,231
Trade payables	**25,618**	48,520
Total	**113,112**	60,751

An ageing analysis of the trade and notes payables as at the end of the reporting periods, based on the invoice date, is as follows:

	2023 *US$'000*	2022 *US$'000*
Within 3 months	**73,283**	59,794
3 to 12 months	**39,658**	512
Over 1 year	**171**	445
Total	**113,112**	60,751

The trade payables are non-interest-bearing and are normally settled on terms of 60 days and sometimes extending to 90 days.

13. INTEREST-BEARING BANK BORROWINGS

	As at 31 December 2023			As at 31 December 2022		
	Effective interest rate (%)	**Maturity**	***US$'000***	Effective interest rate (%)	Maturity	*US$'000*
Current						
Bank overdraft — unsecured *(note (a))*	**—**	**2024**	**344**	—	2023	322
US$144,000 Bank loans — unsecured	**—**	**—**	**—**	LPR+62bps*	2023	144
US$3,937,000 Bank loans — unsecured	**—**	**—**	**—**	SOFR+230bps*	2023	3,937
US$3,575,000 Bank loans — secured	**—**	**—**	**—**	—	2023	3,575
US$2,753,000 Bank loans — unsecured	**3.20**	**2024**	**2,753**	—	—	—
US$1,319,000 Bank loans — unsecured	**6.90**	**2024**	**1,319**	—	—	—
US$1,428,000 Bank loans — unsecured	**2.65**	**2024**	**1,428**	—	—	—
US$1,431,000 Bank loans — unsecured	**2.65**	**2024**	**1,431**	—	—	—
US$989,000 Bank loans — unsecured	**2.65**	**2024**	**989**	—	—	—
US$1,348,000 Bank loans — unsecured	**2.65**	**2024**	**1,348**	—	—	—
US$519,000 Bank loans — unsecured	**2.65**	**2024**	**519**	—	—	—
US$1,583,000 Bank loans — unsecured	**6.80**	**2024**	**1,583**	—	—	—
US$2,402,000 Bank loans — unsecured	**6.80**	**2024**	**2,402**	—	—	—
US$354,000 Bank loans — unsecured	**6.80**	**2024**	**354**	—	—	—
US$3,776,000 Bank loans — unsecured	**6.80**	**2024**	**3,776**	—	—	—
US$1,416,000 Bank loans — unsecured	**6.80**	**2024**	**1,416**	—	—	—
US$141,000 Bank loans — unsecured	**3.82**	**2024**	**141**	—	—	—
US$5,004,000 Bank loans — unsecured	**7.00**	**2024**	**5,004**	—	—	—
US$1,412,000 Bank loans — secured *(note (c))*	**1.53**	**2024**	**1,412**	—	—	—
US$1,412,000 Bank loans — secured *(note (c))*	**1.10**	**2024**	**1,412**	—	—	—
US$1,430,000 Bank loans — secured *(note (c))*	**0.65**	**2024**	**1,430**	—	—	—
Current portion of long—term bank loans — unsecured *(note (b))*	**1**	**2024**	**523**	1	2023	517
Total — current			**29,584**			8,495

	As at 31 December 2023			As at 31 December 2022		
	Effective interest rate (%)	**Maturity**	***US$'000***	Effective interest rate (%)	Maturity	*US$'000*
Non—current						
1% US$742,000 Bank loans — unsecured *(note (b))*	**1**	**2025**	**219**	1	2025	741
Total			**219**			741

	2023 *US$'000*	2022 *US$'000*
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**29,584**	8,495
In the second year	**219**	522
In the third year	**—**	219
Total	**29,803**	9,236

* LPR rate refers to Loan Prime Rate

* SOFR rate refers to Secured Overnight Financing Rate

Notes:

(a) The unsecured bank overdraft is an overdraft within credit from credit cards.

(b) The bank loan of total US$742,000 is the Paycheck Protection Program ("PPP") Loan guaranteed by the Small Business Administration ("SBA").

(c) The bank loan of total US$4,254,000 is guaranteed by pledged deposits.

14. EVENTS AFTER THE REPORTING PERIOD

There were no other significant events that required additional disclosure or adjustments occurred after the end of the reporting period.

15. CONTINGENT LIABILITIES

As any other company doing business, the Company is involved in litigation, regulatory inquiry and/or investigation in the ordinary course of doing business. The legal actions concern, among other things, recall, consumer protection, false advertising, infringement intelligence property rights, in connection with the Company's operations. These cases or inquires have progressed to various stages ranging from initial inquires, initial pleading stages to recovery stages. From time to time, parties may file counterclaims, and the Company will seek to vigorously prosecute and/or defend against any claims and resolve them in the ordinary course of business.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

With our mission to help users "build a better living", we are dedicated to continuously improving users' daily lives and making users' lives healthier in small but meaningful ways with innovative and user-friendly products and services. We primarily design, develop and sell products under our three core brands. Among them, the "Levoit" brand focuses on the home environment, with business planning based on the environmental health elements, such as air, temperature, humidity, light, water and sound, etc. Currently, the brand offers products covering airborne particles, humidity, ground cleaning, temperature and other areas and is committed to building a healthy home environment for users; the "Cosori" brand focuses on dietary health, and currently offers products covering air frying, toasting, boiling, steaming and other cooking methods. We have been exploring ways to promote healthy cooking methods, healthy recipes, healthy food database, and dietary programs as well as popularizing healthy diet knowledge, with an aim to make healthy diets more convenient and accessible to users; and the "Etekcity" brand focuses on users' body weight and fitness management, health monitoring and personal care. Furthermore, to make things more convenient, efficient and enjoyable for our users, our VeSync App enables users to achieve centralized control of smart home devices and also provides them with professional contents and services to offer a more efficient and personalized product experience for our users.

Over the past three years, we continued to invest in and upgrade our product development capabilities and are committed to operating our brands in a multi-dimensional manner and strengthening our efforts to expand into non-Amazon channels. We expanded our veteran management and team, adhered to independent technology development and innovative design, continually optimized our product development process. Although these investments will place pressures on our operating profit margins in the short term, we believe that our perseverance to withstand the pressures will enable us to reap long-term returns from these investments. In 2023, our business operations witnessed positive changes brought by such perseverance.

In 2023, we witnessed continuous growth in sales revenue and further improvement in profitability, marking the beginning of a new round of growth. The Group's revenue and profit attributable to owners of the parent reached new heights. The revenue of the Group amounted to approximately US$585.5 million, with a gross profit of approximately US$274.4 million, representing an increase of approximately 19.4% and 92.8%, respectively, as compared to that of the same period in 2022. The profit attributable to owners of the parent amounted to approximately US$77.5 million, reaching a historical high of the Group. Benefiting from the Group's continuous efforts to enhance and accumulate its capabilities in various aspects, including but not limited to product excellence, channel development, regional expansion, brand promotion, and operational efficiency improvement, we achieved favorable market performance and significantly improved profitability in 2023. The gross profit margin of the Group was approximately 46.9% (2022: approximately 29.0%), representing an increase of approximately 17.9 percentage points as compared with the same period last year.

In terms of market share of product, our main product categories ranked first in many markets. According to the statistics of NPD Group, Inc. ("**NPD**")*Note 1*, the sales volume and sales share of Levoit air purifiers in the U.S. market continued to expand and accounted for approximately 28.6% of the market share in terms of sales, increased by 5.6 percentage points as compared to that of the same period in 2022, and ranking first in the U.S. market for two consecutive years. After several years of intensive cultivation, Levoit air humidifiers continued the success of air purifier products and grew from No. 1 in market share of sales on the American Amazon channel to No. 1 in market share of sales in the U.S. market (according to the statistics of NPD), accounting for approximately 22.7% market share. Cosori air fryers achieved No. 1 rankings in sales share in both Spanish and Norwegian markets, accounting for approximately 31.5% of the Spanish market and approximately 43% of the Norwegian market, and rapidly expanded in Hungary and Sweden, already among the top three in terms of market share (according to the statistics of GfK*Note 2*). In addition, according to the Company's internal statistics, the Company's Etekcity body scales, kitchen scales, luggage scales, infrared thermometers, Cosori food dehydrators and electric kettles, all achieved first place in terms of sales volume market share on the American Amazon channel, which fully demonstrates that the Company can keep rapid growth and iteration in terms of user insights and innovation, cross-channel research and development, global value chain control, streamlined and agile operation, brand expansion and multi-dimensional marketing, to stand out in the competition with other well-known brands.

In terms of channel development, the revenue from Amazon channel and non-Amazon channels in 2023 increased by approximately 11.2% and 61.2%, respectively, as compared to that of the same period in 2022. The percentage of revenue from non-Amazon channels to total revenue increased to approximately 22.0% from approximately 16.3% in the same period in 2022, representing an increase of approximately 5.7 percentage points. In the North American market, we have continued to increase the number of product models and stores available in mainstream retailers, according to the information available to the Company, our products have been on more than approximately 11,000 stores' shelves of mainstream retailers in 2023, which led to an increase in sales of the corresponding retailer channels, compared with the same period in 2022, the Company's growth in revenue derived from Walmart, one of the major retailers, increased by more than 150%. In the European market, our products have been available in approximately 2,400 stores of mainstream retailers in more than 20 countries or regions, including Northern Europe, Spain, Hungary and Germany, amounting to approximately 3,200 stores, which represented a 300% year-over-year increase as compared to that of the same period in 2022. In the Asia-Pacific market, our products have been newly sold in over 1,400 stores of mainstream retails in Singapore, Malaysia, Thailand, Japan, and the Middle East, etc., amounting to approximately 1,900 stores.

Note 1: Such data are obtained from NPD Group's statistics on the air purifiers and air humidifiers in the United States for 2023. NPD collects point-of-sale data from selected retailers for its U.S. Small Appliance POS Tracking Service. This data is the actual sales from retailers/data partners on a product basis.

Note 2: Such data are obtained from GfK's statistics on sales data for air fryers in Spain, Norway, Hungary and Sweden for 2023.

In terms of regional expansion, sales from the European market reached approximately US$125.7 million. As demand for air fryers in Europe market surged in the second half of 2022 due to the impact of the significant increase in energy prices, in the context of essentially flat gas prices in Europe in 2023, the European market still achieved growth of 16.5% as compared to that of the same period in 2022, driven by continued users demand and the competitiveness of Cosori products. Our Cosori kitchen appliances continued to gain momentum in the European market. According to the Company's internal statistics, in 2023, Cosori air fryers achieved a high ranking in Amazon's major European site channels and rapidly expanded store numbers in non-Amazon channels. The Asian market also experienced rapid growth, with sales of approximately US$29.8 million, representing an increase of approximately 83.4% compared to that of the same period in 2022.

We continued to invest in product development and quality control, and our product development capability has been strengthened through practice. In 2023, we launched more new products to meet the diverse and personalized needs of consumers based on in-depth insight into user needs, such as five new categories including the tower fan with a high standard of quietness and fast airflow, and cordless handheld vacuum cleaner for preventing hair from wrapping around rollers as well as over 10 new products including Levoit Vital series of smart air purifier with high sensitivity and improved purification efficiency, the tower air humidifier for large room, evaporative humidifier with wet and dry separation technology, one-person air fryer and the air fryers with the faster and more flexible motor technology. These new products supplemented our existing products and further improved our brand's market share. Meanwhile, our product design capabilities have also been further demonstrated. The Company's Levoit Vital series of smart air purifiers, Levoit 42-inch smart tower fan, LI401S air fryer and smart food thermometer have won the iF Design Award.

For smart home solution providers, we have gradually evolved from single-product intelligence to multi-scene intelligence to constantly enrich and enhance consumers' experience, so as to increase the chances of selling more products and to increase product premiums. We strengthen the software and products interconnection technologies to create an integrated product experience and provide consumers with professional content and services to make our products more efficient, convenient and personalized, which in turn will contribute to the synergy effects between our hardware product sales, App users and registrations. In 2023, the number of activated devices and users registered with the VeSync App continued to grow rapidly to approximately 6.7 million and 6.7 million, respectively, with an increase of approximately 52.3% and 42.6%, respectively, as compared with the same period in 2022. As of December 31, 2022, the VeSync Apps ranked among the top 30 in the IOS App Store in terms of downloads in the Lifestyle category totaling no less than 120,000 apps[note 3].

As a company with international brands, we operate our brands in multiple dimensions to increase the recognition of our brands among consumers. We continued to consolidate our brand influence on online platforms. In addition to increasing the conversion rate of our products by optimizing our promotional strategies on e-commerce platforms, we have also strengthened investments in social media operations with a focus on the operation of our official accounts on Facebook, Youtube, TikTok, X and other platforms in North American, European and Asian markets by frequently posting videos of our products

Note 3: Such data are obtained from qimai data.

and other content, interacting with our fans and cooperating with key opinion leaders to increase our brand exposure and help our products meet customer expectations. As of December 31, 2023, more than 1.1 million followers subscribed to us on these social media platforms in aggregate. We also organized physical product experience events, participated in international exhibitions and held offline products exhibition to communicate with consumers deeply, thereby increasing their understanding of our brand. In addition, we actively engage into environmental protection to show the positive power. We advocate low carbon and environmental protection through our products, and carry out public welfare activities to help the disadvantaged groups.

FINANCIAL REVIEW

In 2023, the Group's revenue amounted to approximately US$585.5 million, representing an increase of approximately 19.4% as compared with the same period of 2022. The gross profit was approximately US$274.4 million, representing an increase of approximately 92.8% as compared with the same period of 2022, the gross profit margin of the Group was approximately 46.9% (2022: 29.0%), representing an increase of approximately 17.9 percentage points as compared with 2022. The profit attributable to owners of the parent was approximately US$77.5 million. The basic earning per share was approximately US6.92 cents (2022: basic loss per share of US1.44 cents).

The Company recorded an explosive growth in net cash flow from operation activities of approximately US$106.1 million in 2023 (2022: US$1.3 million). The strong cash flow provides sufficient guarantee for the Group's development of user-centric innovative products, channel development, regional expansion, fully integrated marketing and optimization of operational efficiency.

For the year ended December 31, 2023, the Group's overall revenue amounted to approximately US$585.5 million, representing an increase of approximately 19.4% as compared to approximately US$490.4 million recorded for the year ended December 31, 2022. This was mainly driven by the strong sales of various home products in terms of quantities sold, including Levoit air purifiers, tower fans, Cosori air fryers, toaster ovens and Etekcity smart fitness scales, kitchen scales, etc. Our products, such as Levoit air purifier and air humidifier, achieved no. 1 in terms of sales share in the United States according to the statistics of NPD. Cosori air fryers achieved a high ranking in Amazon's major site channels and expanded stores rapidly in non-Amazon channels.

Business Review by Sales Channel

The following table sets forth the breakdown of the revenue by sales channels of the Group:

	2023	2022
	US$'000	*US$'000*
Amazon channel	**456,603**	410,443
Non-Amazon channels	**128,881**	79,935
Total	**585,484**	490,378

A majority of the Group's revenue from the Amazon channel was generated from the Vendor Central program in 2023. Under the Vendor Central program, Amazon makes bulk purchase orders from us and then sells to its customers through the Amazon e-commerce marketplace. Non-Amazon channels primarily include chain retailers, other e-commerce marketplaces and our own online shopping websites.

The revenue of the Group generated from the Amazon channel increased by approximately 11.2% in 2023 as compared with 2022, primarily due to the increase in sales volume of categories such as air purifiers, tower fans, air fryers, toaster ovens, body fitness scales, kitchen scales, etc.

The revenue of the Group in the non-Amazon channels in 2023 increased significantly by approximately 61.2% as compared to that of 2022. The revenue growth of the Group in the chain retailers was primarily due to the significant increase in in-store sales. As the reputation of our brands, products and our track records in chain retailers continue to grow, we have secured favorable shelf positions in key chain retailers. Compared to the same period in 2022, the Company's growth in revenue derived from Walmart, one of the major retailers, increased by more than 150%. In the European market, our products have been available in approximately 3,200 stores of mainstream retailers in over 20 countries or regions, including Northern Europe, Spain, Hungary and Germany. In the Asia-Pacific market, our products have been sold in over approximately 1,900 stores of mainstream retailers in Singapore, Malaysia, Thailand, Japan, and the Middle East, etc.

Business Review by Geographic Location

The following table sets forth the breakdown of the revenue by geographic location:

	2023	2022
	US$'000	*US$'000*
North America	**429,936**	366,182
Europe	**125,741**	107,946
Asia	**29,807**	16,250
Total	**585,484**	490,378

Revenues generated in North America increased to approximately US$429.9 million in 2023, primarily driven by the growth in revenue from the United States. The growth in revenue from the United States was mainly attributable to the increase in sales volume of (i) home environment appliances such as the Levoit air purifiers and supporting filters; and (ii) the revenue from the non-Amazon channels. The Group's revenue in European sales in 2023 increased by approximately 16.5% to US$125.7 million as compared to that of 2022, which was primarily due to (i) the increase in sales volume of Cosori air fryers, water bottles and Levoit air purifiers, and (ii) the active demand for Levoit's new product categories like vacuum cleaners and tower fans in Germany, the United Kingdom, Spain and other European countries. Revenue in Asia increased by approximately 83.4% in 2023, primarily attributable to the increased sales in Japan.

Business Review by Brand

The following table sets forth the breakdown of the revenue by brand:

	2023	2022
	US$'000	*US$'000*
Levoit	**327,155**	276,459
Cosori	**195,764**	166,779
Etekcity	**61,348**	46,663
Others	**1,217**	477
Total	**585,484**	490,378

Revenue generated from the Levoit brand increased by approximately US$50.7 million in 2023 as compared to that of 2022, primarily driven by the growth in revenue from air purifiers and air purifier filters. Revenue generated from the Cosori brand increased by approximately US$29.0 million or 17.4% as compared to that of 2022, mainly driven by air fryer sales in the European market. In addition, Cosori toaster ovens performed well, which increased in revenue by nearly 70% for the whole year. Revenue generated from Etekcity products increased by approximately 31.5%, mainly due to the approximately 30.2% or approximately US$6.7 million increase in revenue from body scales. Our product categories other than air purifiers, air humidifiers and air fryers accounted for an increased proportion of our total revenue, which also contributed to further growth of the Company's performance.

GROSS PROFIT AND GROSS PROFIT MARGIN

For the year ended December 31, 2023, the gross profit of the Group amounted to approximately US$274.4 million, representing an increase of approximately 92.8% as compared to that of 2022, and the gross profit margin of the Group was approximately 46.9% (2022: 29.0%), representing an increase of approximately 17.9 percentage points as compared to that of 2022. The increase in gross profit and gross profit margin was primarily attributable to the further increase in revenue generated from our products, and the significant decrease in cost of sales due to a reduction in international freight rates and other costs as compared to that of 2022.

OTHER INCOME AND GAINS

Other income and gains of the Group primarily consist of (i) bank interest income; (ii) government grants; and (iii) foreign exchange gains, net.

The following table sets forth the breakdown of the Group's other income and gains:

	2023	2022
	US$'000	*US$'000*
Bank interest income	**3,771**	775
Government grants	**2,930**	2,562
Foreign exchange gains, net	**3,494**	—
Others	**62**	705
Total	**10,257**	4,042

For the year ended December 31, 2023, other income and gains of the Group amounted to approximately US$10.3 million (2022: approximately US$4.0 million), representing a year-on-year increase of approximately 153.8%. This was mainly attributable to the increase in foreign exchange gains resulting from exchange rate fluctuations and the bank interest income.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses of the Group primarily consists of (i) marketing and advertising expenses; (ii) commission to platform; (iii) staff costs; and (iv) warehousing expenses.

The following table sets forth the breakdown of the Group's selling and distribution expenses:

	2023	2022
	US$'000	*US$'000*
Marketing and advertising expenses	**42,448**	35,993
Commission to platform	**2,568**	2,409
Staff costs	**23,975**	23,319
Warehousing expenses	**24,161**	20,680
Others	**6,065**	6,838
Total	**99,217**	89,239

The Group's selling and distribution expenses increased by approximately 11.2% from approximately US$89.2 million for the year ended December 31, 2022 to approximately US$99.2 million for year ended December 31, 2023. Such increase was driven by (i) the increase in marketing and advertising expenses to increase the market presence of the Group's key products and new products; (ii) the increase in warehousing expenses due to the increase in sales volume.

ADMINISTRATIVE EXPENSES

The Group's administrative expenses primarily consists of (i) research and development expenses; (ii) administrative staff costs; (iii) professional fees; (iv) office expenses; (v) depreciation and amortization; and (vi) travelling and entertainment expenses.

The following table sets forth the breakdown of the Group's administrative expenses:

	2023	2022
	US$'000	*US$'000*
Research and development expenses	**34,161**	29,954
Administrative staff costs	**26,677**	22,535
Professional fees	**12,244**	8,128
Office expenses	**1,789**	2,776
Depreciation & amortization	**3,505**	4,146
Travelling and entertainment expenses	**852**	528
Others	**3,861**	1,524
Total	**83,089**	69,591

The Group's administrative expenses increased by approximately 19.4% from approximately US$69.6 million for the year ended December 31, 2022 to approximately US$83.1 million for the year ended December 31, 2023, primarily due to (i) the increase in research and development expenses to prepare for product upgrades and new products; and (ii) the increase in the administrative staff costs as a result of the increase in the per capita salaries.

OTHER EXPENSES

The Group's other expenses totaled approximately US$12.8 million for the year ended December 31, 2023 (2022: US$8.0 million).

FINANCE COST

Finance costs of the Group primarily represent (i) interest on bank loans; and (ii) interest on lease liabilities.

The following table sets forth the breakdown of the Group's finance costs:

	2023	2022
	US$'000	*US$'000*
Interest on bank loans	**626**	893
Interest on lease liabilities	**480**	653
Others	**426**	145
Total	**1,532**	1,691

The Group's finance costs decreased from approximately US$1.7 million for the year ended December 31, 2022 to approximately US$1.5 million for the year ended December 31, 2023, primarily due to the decrease in interest on bank loans and interest on lease liabilities.

INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The Cayman Islands and the British Virgin Islands ("BVI")

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Company and its subsidiary are not subject to any income tax in the Cayman Islands and the BVI.

Chinese Mainland

The provision for current income tax in Chinese Mainland is based on the statutory rate of 25% of the assessable profits of certain PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law, which was approved and became effective on 1 January 2008, except for certain subsidiaries of the Group in Chinese Mainland which are granted tax concession and are taxed at preferential tax rates.

Shenzhen Chenbei is qualified as a High and New Technology Enterprise and was subject to tax at a preferential income tax rate of 15% (2022: 15%) during the year.

Chongqing Xiaodao is located in Western Region and was entitled to a preferential income tax rate of 15% during the year, according to the Income Tax Policy for Enterprises in the Large-scale Development of the Western Region.

Dongguan Zhilun is qualified as a High and New Technology Enterprise and was subject to tax at a preferential income tax rate of 15% (2022: 2.5% for the taxable income less than or equal to RMB1,000,000 and 5% for the taxable income between RMB1,000,000 and RMB3,000,000).

Singapore

Pursuant to the rules and regulations of Singapore, the income derived from qualifying activities is taxed at a concessionary tax rate of 10% and the non-qualifying income is taxed at the prevailing corporate tax rate of 17%.

United States

Pursuant to the relevant tax laws of the United States, tax at a maximum of 21% (2022: 21%) federal corporate income tax rate and 8.84% (2022: 8.84%) California state tax rate has been provided on the taxable income arising in the United States during the year.

Netherlands, Germany and the United Kingdom

The subsidiary in the Netherlands is entitled to a preferential income tax rate of 19% for the taxable income less than or equal to EUR200,000 and an income tax rate of 25.8% for the taxable income over EUR200,000 (2022: 15% for the taxable income less than or equal to EUR395,000 and an income tax rate of 25.8% for the taxable income over EUR395,000). The subsidiary in Germany is entitled to a combined tax rate of 29.13% (2022: 29.13%), consisting of a corporate tax rate of 15%, a solidarity surcharge thereon of 5.5% and a trade tax rate of 13.3%. The subsidiary in the United Kingdom is entitled to a statutory tax rate of 25%.

Income tax expenses of the Group changed from income tax gains of approximately US$5.5 million for the year ended December 31, 2022 to income tax expenses of approximately US$10.0 million for the year ended December 31, 2023, primarily due to the increased profit before income tax in 2023 as compared with the corresponding period in 2022 and the deferred income tax.

EARNINGS ATTRIBUTABLE TO OWNERS OF THE PARENT

As a result of the foregoing, the Group had earnings attributable to owners of parent of approximately US$77.5 million for the year ended December 31, 2023, compared with a loss attributable to owners of parent of approximately US$16.3 million for the year ended December 31, 2022.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's principal financial instruments comprise (i) bank and other borrowings; (ii) cash generated from operations; and (iii) net proceeds from the Global Offering.

The Group meets its capital needs through cash flows from operations and financing as a result of the net proceeds from the Global Offering. The Group had cash and cash equivalents of approximately US$93.6 million as of December 31, 2022 and approximately US$104.3 million as of December 31, 2023. The cash and cash equivalents of the Group are mainly denominated in RMB, US$ and EUR.

As of December 31, 2023, the Group had total bank borrowings of approximately US$29.8 million (2022: approximately US$9.2 million), which were all denominated in US$ and RMB.

The table sets forth a breakdown of the bank borrowings of the Group as of December 31, 2023:

	2023	2022
	US$'000	*US$'000*
Interest-bearing bank borrowing		
— current portion	**29,584**	8,495
— non-current portion	**219**	741
Total	**29,803**	9,236

The table below sets forth the aging analysis of the repayment terms of interest-bearing bank borrowings as of December 31, 2023:

	2023	2022
	US$'000	*US$'000*
Bank loans repayable:		
Within one year or on demand	**29,584**	8,495
Over one year	**219**	741
Total	**29,803**	9,236

TREASURY POLICY

The Group adopts a prudent approach in its cash management and risk control. Most of the sales are denominated in US$, with the remaining mainly denominated in currencies of the countries to which the Group sells its products. The Group pays subcontractors and suppliers (including those located in the PRC) mainly in US$ and RMB. As a result of the foregoing, the Group's consolidated financial results are affected by currency exchange rate fluctuations. The Group recorded a currency exchange gains of approximately US$3.5 million for the year ended December 31, 2023 (2022: currency exchange losses of approximately US$4.4 million).

As of December 31, 2023, the Group manages its foreign exchange risk by using appropriate financial derivatives, and priority will be given to simple, cost-efficient and effective hedge instruments which meet the HKFRS 9 in performing foreign exchange risk management responsibilities. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

As of December 31, 2023, there were no significant investments held by the Group or future plans for significant investments or capital assets.

The Company did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures for the year ended December 31, 2023.

EMPLOYEES AND REMUNERATION POLICY

As of December 31, 2023, the Group had 1,296 employees in total, in which 1,164 employees were in the PRC, 125 employees were in the Unites States and 7 employees were in other locations. For the year ended December 31, 2023, the Group recognized staff costs of approximately US$78.8 million (2022: approximately US$69.5 million).

The Company believes that the ability to recruit and retain experienced and skilled labor is crucial to the Group's growth and development. The Group provides training to its new employees to familiarize them with the working environment and work culture. The Group also provides on-the-job training to the employees, which aims at developing their skills so as to meet the strategic goals and customer requirements. In addition to providing the Group's staff with the opportunities to receive on-the-job trainings, the Group strives to create a harmonious and warm working and living environment for the staff. For the year ended December 31, 2023, several culture webinars were held to drive forward our employees' understanding of the connection between product design and our end-users.

The Company also adopted a training policy, pursuant to which training on management skills, technology and other relevant topics are regularly provided to the employees by internal speakers and third-party consultants.

The Group enters into employment agreements with each of the employees in accordance with the applicable laws and regulations. The remuneration packages of the employees generally include basic salaries, bonuses and employee benefits such as medical insurance packages. The Group conducts annual review to identify employees with extraordinary performance and offers them promotions and salary raises.

During the Reporting Period, the Group maintained social insurance for its employees pursuant to the applicable PRC laws and regulations by making contributions to the mandatory social insurance and housing provident funds which provide basic retirement, work-related injury and maternity benefits. Contributions made from the Group to the pension schemes are recognized as expenses when incurred and will not be reduced by contributions forfeited by employees who leave the schemes prior to vesting fully in the contributions.

In addition, to provide incentive or reward to the employees for their contribution to, and continuing efforts to promote the interests of, the Group, the Company has adopted the Pre-IPO Share Award Scheme, the Share Option Scheme and the Post-IPO Share Award Scheme.

The Remuneration Committee has been established to provide recommendations to the Board on the overall remuneration policy and structure of all Directors and senior management of the Group, review the remuneration and ensure that no Directors have determined their own remuneration, and review/approve matters relating to the Share Option Scheme and the Post-IPO Share Award Scheme.

CHARGES ON ASSETS

As of December 31, 2023, the Group had US$82.4 million of charges on assets, primarily attributable to pledged deposits for issuing banker's acceptances to suppliers. (2022: US$12.0 million).

GEARING RATIO

As of December 31, 2023, the Group's gearing ratio (calculated as the total borrowings (bank and lease liabilities) divided by total equity as of the end of each year) was approximately 11.7% (December 31, 2022: approximately 7.4%).

FUTURE OUTLOOK

We remain firmly committed to our core belief to foster connected lifestyles and make life better by creating smarter products under the brands of Levoit, Cosori and Etekcity. Going forward in 2024, we aim to continue focusing on our strategies: (i) further upgrade and expand our user-oriented product portfolio; (ii) bring greater business potential from other sales channels by enlarging our product portfolio in existing stores, entering into new stores and getting access to more new chain retailers, thus leveraging our brand recognition; (iii) expand geographic coverage, especially deepen the market share of Cosori and Levoit products in the European market; (iv) continue to invest in technologies with an aim to develop VeSync App into a home IoT platform; and (v) strengthen brand operation from multiple dimensions to enhance consumer awareness of the brand.

We aim to further enhance our product portfolio, in particular smart home devices in the consumer space, while leveraging our track record for developing relevant, consumer-friendly products in the business-to-business space. In 2024, the Company will launch more than 10 types of new generation multi-functional products, such as smart air purifiers, smart air humidifiers, air-circulating fans, multi-functional smart air fryers, new generation vacuums, smart pet products, new generation of massagers and smart fitness scales. In terms of brand marketing, we continue to increase the amount video content to enhance brand reputation and reach target users deeply; in terms of channel expansion, more of our products have entered mainstream superstores and we have increased the share of non-Amazon channels to strengthen the operation of the U.S. TikTok platform and expand the sales share of the TikTok platform.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

There were no other significant events that required additional disclosure or adjustments occurred after the end of the Reporting Period.

CONTINGENT LIABILITIES

Details of the contingent liabilities of the Company are provided in note 15 to the financial statements. Save as aforesaid, the Group did not have any other significant contingent liabilities as at 31 December 2023.

FINAL DIVIDEND

The Board resolved to recommend to the Shareholders at the 2024 AGM of a final ordinary dividend of HK15.69 cents (equivalent to approximately US2.01 cents) per Share for the Reporting Period (2022: Nil) (the "**Proposed Final Dividend**") to be paid on Friday, July 26, 2024 to the Shareholders whose names appear on the register of members of the Company on Friday, July 5, 2024.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement of the Shareholders to attend and vote at the 2024 AGM to be held on Thursday, May 30, 2024, the register of members of the Company will be closed from Monday, May 27, 2024 to Thursday, May 30, 2024, both days inclusive, during which period no transfer of shares will be registered. In order to be qualified for attending and voting at the 2024 AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on Friday, May 24, 2024.

For determining the entitlement of the Shareholders to the Proposed Final Dividend, the register of members of the Company will be closed from Wednesday, July 3, 2024 to Friday, July 5, 2024, both days inclusive, during which period no transfer of Shares shall be registered. In order to qualify for the Proposed Final Dividend, all transfers of Shares accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Boardroom Share Registrars (HK) Limited at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on Tuesday, July 2, 2024.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Reporting Period, the Company repurchased a total of 12,659,000 Shares (the "**Shares Repurchased**") on the Stock Exchange, at an aggregate consideration of HK$61,390,430.00. Details of the Shares Repurchased are as follows:

Month	**No. of Shares repurchased**	**Highest price paid per Share** *(HK$)*	**Lowest price paid per Share** *(HK$)*	**Aggregate consideration** *(HK$)*
October 2023	3,930,000	5.02	3.47	15,809,140.00
November 2023	3,329,000	5.67	4.41	17,755,500.00
December 2023	5,400,000	5.48	4.90	27,825,790.00
Total	12,659,000			61,390,430.00

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Reporting Period. The Shares Repurchased were cancelled on March 22, 2024.

COMPLIANCE WITH MODEL CODE REGARDING SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules, which applies to all Directors and relevant employees of the Company who are likely to possess inside information in relation to the Company or its securities due to his/her office or employment.

The Company has made specific enquiries with each Director, and each of them confirmed that he/she had complied with all required standards under the Model Code during the Reporting Period.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintenance of good corporate governance practices and procedures. The principle of the Company's corporate governance is to promote effective internal control measures, uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business, to ensure that its business and operations are conducted in accordance with applicable laws and regulations and to enhance the transparency and accountability of the Board to all Shareholders. The Company's corporate governance practices are based on the principles and code provisions as set out in the CG Code.

Save for compliance with C.2.1 of the CG Code as described below, the Company had complied with all applicable code provisions set out in the CG Code during the Reporting Period.

Under the code provision C.2.1 of the CG Code, the roles of chairperson and chief executive officer should be separate and should not be performed by the same individual. The Company does not have a separate chairperson and chief executive officer and Ms. Yang Lin currently performs these two roles concurrently.

The Board believes that vesting the roles of both the chairperson and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group for more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority within the Group will not be impaired by the present arrangement and the current structure will enable the Company to make and implement decisions more promptly and effectively. The Board will from time to time review and consider splitting the roles of chairperson of the Board and the chief executive officer of the Company to ensure appropriate and timely arrangements are in place to meet changing circumstances.

AUDIT COMMITTEE

The Audit Committee, consisting of three independent non-executive Directors, namely, Mr. Gu Jiong (Chairman), Mr. Fong Wo, Felix and Mr. Tan Wen, has reviewed the audited consolidated financial statements of the Group for the year ended December 31, 2023, including the accounting principles and practices adopted by the Group and has recommended for the Board's approval thereof. There is no disagreement by the Audit Committee with the accounting treatment adopted by the Company.

SCOPE OF WORK OF ERNST & YOUNG

The financial information set out in this announcement does not constitute the Group's audited accounts for the year ended December 31, 2023, but represents an extract from the consolidated financial statements for the year ended December 31, 2023 which have been audited by the auditors of the Company, Ernst & Young, in accordance with Hong Kong Standards on Auditing issued by the HKICPA. The financial information has been reviewed by the Audit Committee and approved by the Board.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the websites of HKEXnews (www.hkexnews.hk) and the Company (www.vesync.com). The annual report of the Company for the year ended December 31, 2023 will be despatched to the Shareholders requiring a printed copy and published on the same websites in due course.

DEFINITIONS

"2024 AGM"	the forthcoming annual general meeting of the Company to be held on May 30, 2024
"Articles" or "Articles of Association"	the amended and restated articles of association of the Company conditionally adopted on December 1, 2020 and effective on December 18, 2020, as amended or supplemented from time to time
"Audit Committee"	the audit committee of the Board
"Board"	the board of Directors
"CG Code"	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
"China" or "PRC"	the People's Republic of China, but for the purpose of this announcement only and except where the context requires otherwise, references in this announcement to "China" or "PRC" do not include Hong Kong, the Macau Special Administrative Region and Taiwan

"Company"	Vesync Co., Ltd, an exempted company with limited liability incorporated in the Cayman Islands on January 9, 2019, and registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on June 15, 2020
"Director(s)"	the director(s) of the Company
"EUR"	Euros, the lawful currency of the member states of the European Union
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Macau"	the Macau Special Administrative Region of the PRC
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
"Post-IPO Share Award Scheme"	the post-IPO share award scheme adopted by the Company on July 20, 2021
"Remuneration Committee"	the remuneration committee of the Board
"Reporting Period"	the year ended December 31, 2023
"Share Option Scheme"	the share option scheme adopted by the then Shareholders on December 1, 2020
"Shareholder(s)"	holder(s) of the Share(s)
"Share(s)"	the ordinary share(s) of nominal value of HK$0.01 each in the share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"United States" and "U.S."	the United States of America
"US$"	United States dollars, the lawful currency of the United States
"Voluntary Recall"	the voluntary recall of certain models of air fryers under the "Cosori" brand in the United States, Canada and Mexico

"%"	per cent
"IoT"	internet of things

In this announcement, "we", "us", or "our" refers to the Group (as defined above).

By order of the Board
Vesync Co., Ltd
YANG Lin
Chairperson

Hong Kong, March 25, 2024

As of the date of this announcement, the Board comprises Ms. Yang Lin, Mr. Yang Hai and Mr. Chen Zhaojun as executive directors, Mr. Yang Yuzheng as non-executive director, and Mr. Fong Wo, Felix, Mr. Gu Jiong and Mr. Tan Wen as independent non-executive directors.